23 October 2009

The Manager Companies
Australian Stock Exchange Limited
11th Floor
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir or Madam:

2009 Annual Report and
2009 AGM Notice of Meeting

We are lodging separately the following documents:

- Annual Report 2009
- Chairman’s letter to Shareholders and Proxy Form
- 2009 AGM Notice of Meeting

The Annual Report and the Notice of Meeting are being despatched to shareholders.

Yours faithfully
DAVID JONES LIMITED

Caroline Waldron
Company Secretary

DAVID JONES

David Jones Limited A.C.N. 000 074 573
A.B.N. 75 000 074 573

DAVID JONES ANNUAL REPORT

2009

THERE'S NO OTHER STORE LIKE

DAVID JONES

DAVID JONES LIMITED ABN 75 000 074 573 ACN 000 074 573

CONTENTS

2009 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Monday 30 November 2009 at 11:00am at the Grand Hyatt Hotel, 123 Collins Street, Melbourne, Victoria.

The Notice of Meeting and Proxy Form are separate items accompanying this 2009 Annual Report.

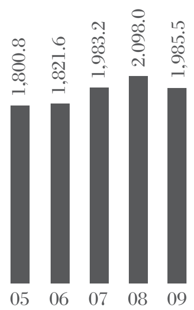
GLOSSARY OF TERMS USED IN THE ANNUAL REPORT

AASB Australian Accounting Standards Board
AIFRS Australian equivalents to International Financial Reporting Standards
American Express American Express Australia Limited
ASX Australian Securities Exchange
Board The Board of Directors of David Jones Limited
CAGR Compound Annual Growth Rate
CEO Chief Executive Officer
CODB Cost of Doing Business
Company David Jones Limited
Corporations Act The *Corporations Act 2001* (Cth)
Consolidated Entity David Jones Limited and its controlled entities, as listed in note 30 to the financial statements
David Jones David Jones Limited
DESP Deferred Employee Share Plan, as described in section 4 of the Remuneration Report
DRP Dividend Reinvestment Plan
EBIT Earnings Before Interest and Tax
EC Employment Cost, as described in section 4 of the Remuneration Report
EPS Earnings Per Share
FY Financial Year
KMP Key Management Personnel, as described in section 1 of the Remuneration Report
LTI Plan Long Term Incentive Plan, as described in section 4 of the Remuneration Report
NPAT Net Profit After Tax
OH&S Occupational Health and Safety
STI Scheme Short Term Incentive Scheme, as described in section 4 of the Remuneration Report
TSR Total Shareholder Return, as described in section 4 of the Remuneration Report

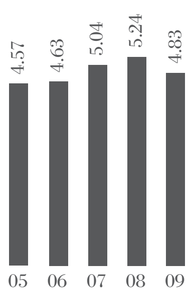
PERFORMANCE ANALYSIS

	FY2009		FY2008*	
	$m	**% of sales**	$m	% of sales
Sales	**1,985.5**		2,098.0	
Gross Profit	**786.1**	**39.6%**	829.8	39.5%
Cost of doing business	**601.8**	**30.3%**	655.2	31.2%
Department Stores EBIT	**184.4**	**9.3%**	174.6	8.3%
Financial Services EBIT	**41.3**		38.4	
Total EBIT	**225.7**	**11.4%**	212.9	10.2%
NPAT	**156.5**	**7.9%**	137.1	6.5%

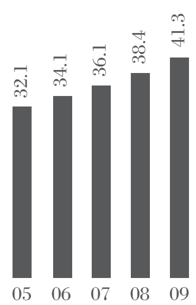
* FY2008 result is after removing the impact of the profit from the sale of the Bourke Street home store



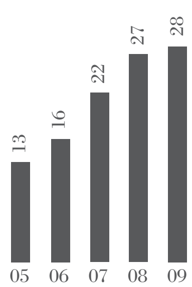
Five year sales
Total sales ($ millions)



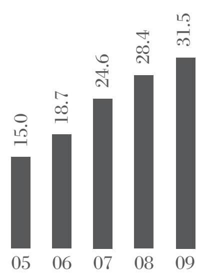
Sales per square metre
($ thousands)



Financial Services EBIT
($ millions)

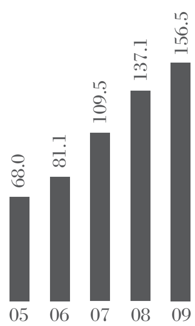


Dividend history
(cents per share)



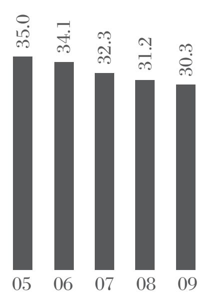
EPS*

* Earnings used refers to underlying earnings after removing the one-off impacts of the profit from the sale of the Bourke Street Home Store in FY2008 and the unwinding of the Sale and Leaseback transaction in FY2007



NPAT* ($ millions)

* NPAT refers to underlying net profit after tax after removing the one-off impacts of the profit from the sale of the Bourke Street Home Store in FY2008 and the unwinding of the Sale and Leaseback transaction in FY2007

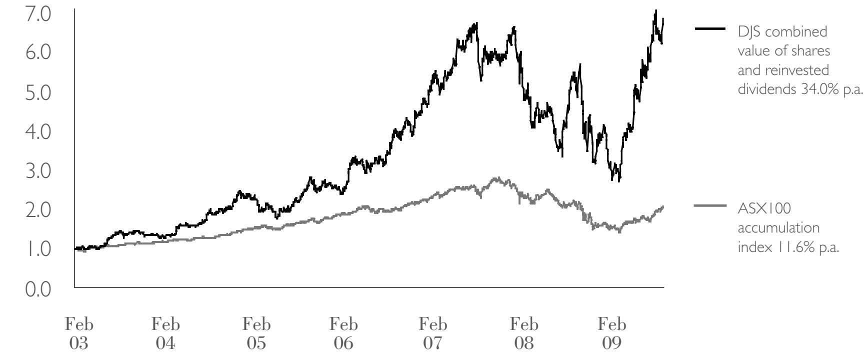


CODB
(Percentage of sales)

Mark McInnes **Chief Executive Officer** Robert Savage **Chairman**

Dear Shareholders,

On behalf of the Board and management of David Jones Limited, we are pleased to present our Company's Annual Report for the 2009 financial year ended 25 July 2009. To start we thank you, our shareholders, for your support throughout the year and for entrusting us with stewardship of the iconic David Jones brand.



	3 Feb 03	1 Jul 04	1 Jul 05	1 Jul 06	1 Jul 07	1 Jul 08	
DJS	34%	32%	34%	25%	2%	75%	TSR p.a. to 1 September 2009
ASX 100	12%	10%	6%	1%	(9%)	(5%)	

Graph 1 Value of $1 invested on 3 Feb 2003 to 1 September 2009

Source: Bloomberg; Port Jackson Partners analysis

We are delighted to report that our Company has had an outstanding year despite the challenging macro economic environment. Our Company has delivered another year of profit and dividend growth and has been ranked equal first in terms of Corporate Governance excellence (for the seventh consecutive year) in the 2009 WHK Horwath Large Cap Corporate Governance Report.

We have achieved this through disciplined management of the business throughout the downturn including tight cost and inventory management and the introduction of initiatives such as a salary freeze for the Board and management.

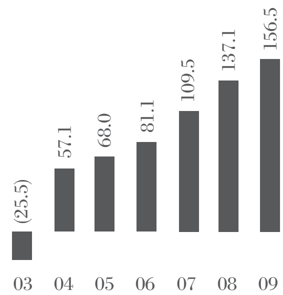
For the past six consecutive years, David Jones has delivered year-on-year NPAT growth, dividend growth and has outperformed the S&P/ASX100 Index. Graph 1 shows that since 3 February 2003 David Jones' return to shareholders has outperformed the ASX100 by 2.9 times, delivering shareholder returns of 34% p.a. compared to the 11.6% p.a. delivered by the ASX100.

HIGHLIGHTS

The key highlights of our Company's performance over the past 12 months (compared to the Company's performance last financial year and since our restructure in 2003) include:

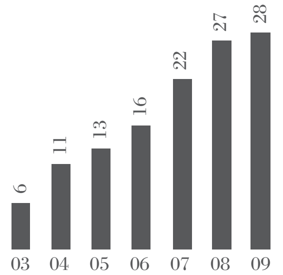
– delivering a year-on-year increase in **NPAT** (from a loss of $25.5 million in FY2003 (post-significant items) under previous Australian Generally Accepted Accounting Principles (**AGAAP**) to $156.5 million in FY2009 (refer to Graph 2);

– delivering a 350% increase in fully franked dividends to ordinary shareholders from 6 cents per share (**cps**) in FY2003 to 28cps in FY2009 (refer to Graph 3);



Graph 2 Profit After Tax FY2003–FY2009 ($ millions)

Note: AIFRS basis except FY2003 which is AGAAP. FY2003 is after significant items, FY2007 excludes one-off impacts of the unwinding of the Sale & Leaseback Transaction, FY2008 excludes profit from sale of Melbourne Homewares store.



Graph 3 Dividend FY2003–FY2009 (cps)

Note: Dividends in FY2009 are 4.7 times higher than FY2003 levels

- decreasing net debt by 80% as can be seen from Graph 4 (from $446 million in FY2008 to $88 million at year end in FY2009). This is quite an achievement when you compare the gearing level of our Company to our international peers (refer to Graph 5);
- delivering an increase of **160** basis points in **gross profit margin** from FY2003^ to FY2009 to 39.6% in FY2009;
- decreasing its **CODB** by 430 basis points from 34.6% in FY2003^ to 30.3% in FY2009; and
- maintaining a tight control on **capital expenditure** leading to significant reinvestment in our Company's core business whilst simultaneously increasing our free cash flow.

^*FY2003 figure adjusted for AIFRS and Sale and Leaseback impact*

Our Company has established a strong track record over the past six years, in terms of financial performance and shareholder returns throughout both the steep downturns in the economy and the up-cycles.

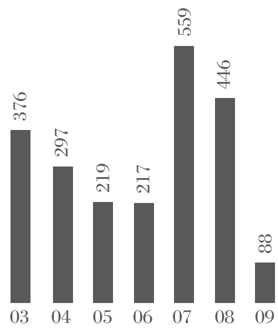
Today our Company has:

- low debt levels (less than $100 million);
- strong cash flows;
- high quality assets (we own our Sydney and Melbourne CBD store properties);
- a strong balance sheet; and
- attractive dividends (FY2009 full year dividend of 28cps fully franked).

As a result of work undertaken by the management team during the up-cycle (FY2006/2007), our Company had at the start of FY2009:

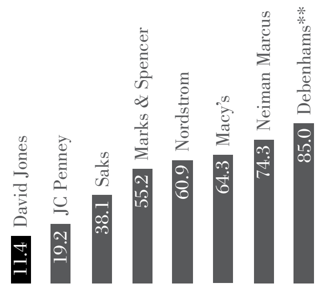
- planned and implemented a four-year sustainable cost efficiency program;
- implemented a variable cost reduction program (that fluctuates in line with sales);
- implemented a tight inventory management program (that fluctuates in line with sales); and
- renegotiated trading terms with our 2,700 suppliers.

The work undertaken in FY2006/2007 meant that our Company was well positioned to address the challenging macro-economic environment that unfolded in FY2009 and to continue to deliver NPAT and dividend growth to shareholders. Importantly, we have not only focussed on the immediate short-term outlook but also invested considerable time and effort into implementing the longer-term projects that will start delivering growth and additional returns to shareholders from 2010 onwards.



Graph 4 Net Debt ($ millions)

Note: Purchase of flagship Sydney & Melbourne CBD store properties in FY2007; Store Card receivables transferred to American Express in FY2009.



Graph 5 International Department Store Gearing* (%) July 2009

* Net debt over net debt plus book value of equity
** Marks & Spencer result is for March 2009 and Debenhams result is for February
Source: Company results announcements; Port Jackson Partners analysis

LOW DEBT LEVELS – 80% REDUCTION IN FY2009

POISED FOR GROWTH

Our Company's ability to deliver FY2009 PAT and dividend growth during the most difficult economic environment since the recession in the early 1990's, combined with our performance track record since 2003 demonstrates the strong business model we have and the solid foundation we have laid for future growth.

Our Company is poised for growth for the following reasons, as we:

- have a distinctive competitive positioning;
- are well positioned to leverage the next up-cycle;
- have a large and growing target customer base;
- are executing low risk growth programs in terms of our store portfolio and our financial services business;
- have strong core department store fundamentals;
- own our flagship CBD stores;
- have a consistent and experienced management team; and
- have a high value low risk growth business model.

1. Distinctive Competitive Positioning

David Jones has a distinctive competitive positioning in the Australian department store sector, which delivers a resilient and enduring market share.

Market research undertaken by The Leading Edge indicates that according to customers, David Jones offers:

- the best range of national and international brands;
- a superior level of friendly customer service;
- a superior overall shopping experience; and
- the most distinctive store environment.

This distinctive competitive position delivers a superior shopping experience for our customers, greater overall customer satisfaction and a very high level of customer loyalty.

2. Strong Profit Leverage in an Up-Turn

David Jones is well positioned to achieve significant profit leverage to sales growth in the next up-cycle due to the fact that:

- a significant portion of the Company's costs are fixed (such as head office costs);
- the variable components of the business such as service and inventory are well managed;
- the Company's growth projects require minimal fixed cost increases; and
- there is upside for gross profit margins in a strong sales environment.

We have a demonstrated track record of profit leverage in our business during an upturn. During the up-cycle in FY2007 and FY2008 for instance, our sales growth of 8.9% and 5.8% generated profit growth of 35% and 25.1% respectively.

Historically David Jones is "first-in and first-out" of a downturn, our Company has a track record of growing profits following a downturn and we are well positioned to take advantage of the next up-cycle.

3. Large & Growing Target Customer Base

David Jones' business model is supported by strong underlying demographic trends, which remain compelling even during a downturn. Our Company's target customer base is people with above average disposable incomes. According to recently issued ABS data this group has grown 2.3 times from 3.6 million people in 2001 to 8.1 million in 2008.

4. New Stores & Major Rebuilds to deliver ~15% to 25% Sales Growth

David Jones announced in March 2008 that it proposed to open 4 – 8 new stores as part of its FY09 – FY12 Strategic Plan. To date agreements have been entered into to open four new stores at:

- Sunshine Plaza (Sunshine Coast, QLD);
- Whitford (Perth, WA);
- Macquarie Centre (Sydney, NSW); and
- Pacific Fair (Gold Coast, QLD).

In addition, our Company currently is in active negotiations to open a further four stores in high value locations. These new stores coupled with our redevelopment of our Bourke Street CBD flagship store (which will increase selling space by 30%) and the rebuilding of our Claremont store (which will almost double the store's size) is expected to deliver an increase of approximately 15% to 25% in sales growth and selling space over the medium term.

Our Company is also in the midst of implementing its refurbishment program. To date, seven high value stores have been refurbished or are in the process of being refurbished. A further three to five high value stores in key suburban sites are planned over the next 12 to 36 months. Each refurbishment will deliver a payback on capital invested within one to three years.

Our new store, rebuild and refurbishment strategy will deliver strong growth in our core business and has the added benefit of being low risk as it is fully funded and relates to attractive demographic areas where our brand is best suited. Furthermore our new store strategy reinforces our unique market position with new stores being located in high-income demographic areas, with large catchments and within high value shopping centres.

Importantly, our new store and major rebuild strategy supports our gross profit margins as we allocate more space to high margin categories and brands.

5. Financial Services Business

The David Jones/American Express alliance announced in February 2008 allowed our Company to:

– transfer $374.3 million of largely debt funded receivables to American Express;

– release approximately $35 million of cash from working capital; and

– be in the position where American Express has responsibility for the credit policy and the risk associated with the portfolio.

Our Company's guidance is for our Financial Services business to deliver EBIT growth of 7.5% p.a. over the next four years (currently $41.3 million) with sign-ups of new cardholders to date far exceeding our expectations.

6. Sustainably Improving Gross Profit Margin

In 2H09 the Company's gross profit margin grew by 50 basis points demonstrating the strength of the David Jones business model and the fact that it is well positioned to continue growing gross profit margins as the economy enters the next up-cycle.

Our Company's gross profit margin target range is 39.5% to 40.0% throughout the economic cycle. Whilst traditionally gross profit margins decline during a downturn, David Jones has delivered a 5 basis point improvement in gross profit margins in FY2009 despite trading through the most difficult economic environment since the recession in the early 1990's.

Looking forward our Company has medium to long-term strategies in place to enable it to sustainably improve its gross profit margin within its target band. These include:

– reaping the benefits from the 2,700 supplier negotiations undertaken in 2007/2008 which are continuing to flow through to the business;

– increasing the space allocated to high margin categories and brands as part of the new store and refurbishment programs; and

– capitalising on opportunities that arise during the up-cycle to improve margins.

7. Continued CODB reductions

Our Company has a strong track record of improving its CODB, having materially reduced its CODB percentage over the past six years (from 34.6%* in FY2003 to 30.3% in FY2009). This has been achieved without adversely impacting customer service levels.

The Company continues to have significant cost efficiency opportunities. A further 58 cost efficiency programs are being implemented over the FY2010 to FY2012 period that will sustainably reduce the Company's cost base and not impact customer service levels. The Company expects CODB percentage reductions in each of FY2010, FY2011 and FY2012.

8. Permanent $30 - $61 million cost advantage from owning flagship CBD stores

We reacquired our flagship Sydney and Melbourne CBD stores in 2006. This has provided our Company with a $30 million cost advantage in FY2009 by avoiding any rental costs on these stores and its head office. This $30 million saving is a permanent saving that will grow over time to an estimated $61 million p.a. in 20 years.

Owning our flagship Sydney and Melbourne CBD stores drives higher EBIT today for our Company and higher EBIT growth in the future. This in turn leads to higher returns to our shareholders, rather than to third party landlords.

In addition to owning these flagship store properties we have also reduced our net debt by over $470 million in the last two years and it means we have valuable assets backing our Balance Sheet,

FULLY FUNDED GROWTH PROGRAM

As announced in March 2008, our Company's growth program (outlined above) required a $400 million capital investment over the four year period commencing in FY2009. The Company is funding this $400 million investment as follows:

– $100 million: external stakeholder funding;

– $42 million: proceeds from the sale of the Bourke Street home store;

– ~$70 million: proceeds from the Company's DRP; and

– ~$190 million: David Jones capital expenditure which equates to ~$50 million p.a.

No additional debt funding is required to fund the growth program.

MANAGEMENT TEAM WITH A PROVEN TRACK RECORD

To deliver the growth outlined above our Company has a management team with a depth of experience that is unparalleled in department store retailing today. The same management team that delivered the 2003 turnaround and has a proven track record of growing profits each year (including through two downturns) is still in place to deliver the growth outlined above.

All members of the management team are highly experienced in their functional specialties and have the track record of delivering profit and dividend growth each year for the past six years with the full accountability that attaches to being part of a publicly listed company.

In aggregate, the management team has in excess of 160 years department store retailing experience. David Jones has an incentivised employee structure from frontline staff to executive management.

* *FY2003 figure adjusted for AIFRS and Sale and Leaseback impact*

FY2009 FINANCIAL PERFORMANCE

From a financial perspective, FY2009 was a historically challenging year for the retail sector. We experienced a marked slowdown in consumer spending and a deterioration in consumer confidence.

Despite this challenging environment our Company delivered a record profit result and declared a record dividend – both being the highest since listing in 1995 and demonstrating the ability of our business model to continue to deliver profit and dividend growth throughout the economic cycle.

As announced on 5 August 2009, David Jones' **sales revenue** for the year was $1,985.5 million, down 5.4% on FY2008 ($2,098.0 million).

EBIT in FY2009 was $ 225.7 million **up 6.0%** on FY2008 ($212.9 million).

For FY2009, our Company reported **NPAT** of $156.5 million. This represents an increase of 14.2% on NPAT for FY2008 of $137.1 million*.

The Company's **total 'PAT to sales ratio'** for FY2009 was **up 140 basis points** (7.9% FY2009 vs. 6.5% FY2008).

The Company's **Financial Services** business continued its solid performance track record, reporting **growth of 7.5%** in EBIT to $41.3 million in FY2009 from $38.4 million in FY2008.

The total **CODB** percentage for FY2009 was 30.3%, an improvement of 90 basis points on the FY2008 CODB percentage (31.2%). This performance reflects the Company's strong cost efficiency focus. Management utilised the strong economic climate in late 2006 and 2007 to implement the cost efficiency programs that have delivered and will continue to deliver sustainable and significant cost savings (both fixed and variable). The Company has a further 58 cost efficiency projects which will be implemented over FY2010, FY2011 and FY2012, and these projects are on track and will continue to deliver CODB percentage reductions each year over the next three years.

Gross profit percentage for 2H09 was up 50 basis points on 2H08, delivering a full year result of 39.6%. The Company's ability to deliver an improvement in gross profit margins during the difficult retail environment experienced in FY2009 demonstrates the leverage that exists to improve margins when strong retail conditions prevail.

Capital expenditure in FY2009 was well below the Company's $50 million p.a. capital expenditure target after adjusting for the new Doncaster store and the Bourke Street home store refurbishment. The Company's capital expenditure in FY2009 in total was $99.1 million (which has been partially funded from proceeds of the DRP and the sale of the Bourke Street home store).

Inventory was well managed in FY2009. The Company's year-end stock position in 2009 is 4.8% lower than in FY2008, which means it has a very clean inventory position entering into FY2010.

* *Excludes the one-off impact of the Profit on the Sale of the Bourke Street home store in the second half of 2008.*

14.2%
INCREASE IN UNDERLYING NET PROFIT AFTER TAX

The Doncaster (VIC) store opened in October 2008 and has been performing strongly. It is on track to deliver $55 - $60 million in sales and $7- $8 million of EBIT in its first full financial year of trading.

Our new Doncaster store has significant opportunity to ramp up its sales and EBIT contribution as the store matures and is an excellent example of the calibre and quality of new stores that we have announced to date.

David Jones continued its track record of strong free **cash flow**. Despite FY2009 being a peak year in capital expenditure (due largely to the Bourke Street home store redevelopment) and an additional $22 million being paid to shareholders as dividends, the Company's cash flows remain very robust with free cash flow of $125.8 million in FY2009.

DEBT POSITION

In an environment where many companies are struggling to refinance their loans and to raise additional funding, our Company has reduced its net debt by $471 million, equating to an 84% reduction since FY2007.

Our Company now has less than $100 million of net debt and its gearing is only 11.4%, which is low compared to most companies in the ASX100.

Our Company's cash position is strong and sustainable, with significant future investment in the Company's core business funded by external stakeholders, meaning that the growth program does not require any additional debt funding.

EMPLOYEES

FY2009 has undoubtedly been a challenging year for our Company. In light of the difficult retail conditions, the Company has suspended its salary reviews for FY2010 for the Board and management. We also adjusted our frontline staff rosters in our stores in line with sales.

Our Company's performance throughout this challenging year is a credit to each of our employees who were instrumental in enabling our Company to deliver an excellent financial result. This was achieved despite a marked retail slowdown and an environment when many other businesses have struggled.

We would like to take this opportunity to express thanks to each of our employees for their hard work, commitment and outstanding contribution in achieving our FY2009 results and to recognise their outstanding contribution.

SUPPLIERS

We would also like to take the opportunity to thank our suppliers (both existing and new additions to our portfolio). Our suppliers are an integral part of our “Home of Brands” strategy, which differentiates David Jones from its competitors. As a result, the management team is committed to nurturing and strengthening David Jones’ relationship with each of its suppliers.

We look forward to continuing to work closely with our suppliers in the year ahead, in a spirit of co-operation and mutual benefit.

CUSTOMERS

Last but not least we would like to thank all of David Jones’ customers for their patronage and support throughout the year. We are proud of our service heritage and strive to continuously uphold service excellence levels. We have been particularly mindful of this in implementing our cost efficiency initiatives to ensure that we do not in any way compromise our customer service levels.

DIVIDENDS

In light of the Company’s strong financial performance in FY2009 and the exciting opportunities that lay ahead, the Board has declared a fully franked dividend of 17 cps for 2H09.

Added to the fully franked dividend of 11 cps declared for the first half of the 2009 financial year, this takes the total dividend declared for the year to 28 cps, fully franked. This represents an increase of 3.7% on the Company’s FY2008 dividend of 27 cps.

The Board and the management team remain committed to delivering ongoing dividend growth.

CORPORATE GOVERNANCE, COMMUNITY & OCCUPATIONAL HEALTH & SAFETY

We are delighted to report that for the seventh consecutive year our Company jointly topped the 2009 WHK Horwath Large Cap Corporate Governance Report. The report stated that David Jones’ Corporate Governance practices and procedures were “outstanding and without question met best practice standards” resulting in our Company being awarded a 5-star ranking.

On a number of occasions in the past, the Board has stressed the crucial role that it believes public company boards must play if high corporate governance standards are to be upheld. This continues to be a key area of focus, as is our Company’s role in the broader community and our commitment to high standards of OH&S. David Jones’ support of victims of the Victoria bush fires earlier this year is evidence of the importance our Company places on corporate social responsibility and being upstanding corporate citizen.

Pages 13 to 26 of the Annual Report set out details of our Company’s corporate governance policies and practices and should assist shareholders in appreciating the importance that the Board places on corporate governance issues. Pages 27 to 32 outline our commitment to the environment and the community and page 33 sets out our OH&S report.

CONCLUSION

We would like to take the opportunity to congratulate our management team for delivering an outstanding financial performance in FY2009 in what has been a historically challenging retail environment.

Our Company’s financial performance since the restructure in 2003 is evidence of the fact that we have implemented a strong business model, which has delivered excellent shareholder returns, year-on-year regardless of the peaks and troughs of the economic cycle.

Looking forward, management and the Board believe that our Company is now poised for growth.

We are genuinely excited about the opportunities that lay ahead over the next few years and are confident of our ability to deliver profit and dividend growth throughout the economic cycle.

We thank you, our shareholders for your support. We are pleased and proud to be able to present this year’s Annual Report and on behalf of the Board to declare an unprecedented dividend of 28 cents per share in FY2009.

We look forward to reporting back to you in 12 months and to our Company continuing to grow profits and dividends and delivering value to our shareholders.

Robert Savage
Chairman

Mark McInnes
Chief Executive Officer

FIVE YEAR FINANCIAL STATISTICS

	2009 $000	2008* $000	2007* $000	2006 $000	2005 $000
SALES AND PROFIT					
Sales	**1,985,490**	2,097,999	1,983,220	1,821,560	1,800,796
Gross Profit	**786,146**	829,772	779,846	705,900	690,649
– % of sales	**39.6%**	39.5%	39.3%	38.8%	38.4%
Retail Contribution	**184,377**	174,560	139,945	85,503	60,423
Property Contribution	**–**	–	–	–	2,659
Financial Services EBIT	**41,274**	38,385	36,114	34,147	32,092
EBIT	**225,651**	212,945	176,060	119,650	95,174
NPAT*	**156,522**	137,056	109,513	81,120	67,973
BALANCE SHEET					
Inventory	**244,843**	257,288	280,281	273,728	272,734
Other current assets	**49,136**	490,017	578,078	609,547	558,966
Property, plant & equipment	**724,080**	670,687	666,169	227,641	225,090
Other non-current assets	**109,158**	111,653	110,115	28,652	23,767
Total Assets	**1,127,217**	1,529,645	1,634,643	1,139,568	1,080,557
Creditors	**244,102**	274,608	265,972	236,710	220,773
Provisions	**58,905**	61,635	71,885	52,947	50,408
Interest-bearing liabilities	**101,870**	512,360	719,994	390,575	366,030
Other liabilities	**34,955**	61,252	63,496	111,059	68,795
Total Liabilities	**439,832**	909,855	1,121,347	791,291	706,006
Net Assets	**687,385**	619,790	513,296	348,277	374,551
RATIOS					
EBIT to Sales (%)	**11.4%**	10.2%	8.9%	6.6%	5.3%
Basic earnings per share (cents)	**31.5**	28.4	24.6	18.7	15.0
Dividends per share (cents)	**28.0**	27.0	22.0	16.0	13.0
Debt to equity (%)	**14.8%**	82.7%	140.3%	112.1%	97.7%
Return on shareholder equity (%)	**22.8%**	22.1%	21.3%	23.3%	18.6%

*Adjusted for the removal of the one-off impacts of the profit from the sale of the Bourke Street home store in FY2008 and the unwinding of the Sale and Leaseback transaction in FY2007

BOARD OF DIRECTORS

ROBERT SAVAGE

Resident of Sydney

Term of office Non-Executive Director since 25 October 1999 and appointed Chairman on 17 July 2003.

Independent Yes

External Directorships
Chairman and Director of Perpetual Trustees Australia Limited; and Director of Fairfax Media Limited.

Skills, experience and expertise
Mr Savage has been a non-executive director for 10 years across a wide range of industries and has held several roles including on Audit and Remuneration and Nominations Committees. Prior to his appointment at David Jones, Mr Savage had extensive business experience gained during a 35 year career with IBM in marketing, finance, software development and management roles.

During this period, he worked in Australia, throughout Asia and in the United States.

Roles at IBM included the following: Managing Director and Chairman of IBM Australia; General Manager - Government for all of IBM's business activity with governments throughout Asia Pacific and South Asia; and Chairman and Chief Executive Officer of IBM Hong Kong, China and Taiwan.

Board committee membership
Member of the Remuneration and Nominations Committee and Property Committee.

JOHN COATES AC
LLB

Resident of Sydney

Term of office Non-Executive Director since 6 October 1995 and appointed Deputy Chairman on 14 October 2003.

Independent Yes

External Directorships
Lawyer; President, Australian Olympic Committee Inc; Non-Executive Chairman, William Inglis & Son Limited; Non-Executive Director, the Australian subsidiaries of Grosvenor Group Limited, and Events New South Wales Pty Limited; Member, Grant Samuel Advisory Board, International Olympic Committee and Sydney Olympic Park Authority.

Skills, experience and expertise
Mr Coates has practiced in commercial and property law and served on various Commonwealth and State statutory authorities. His public company and Olympic board experience includes property development and investment, shopping centre and funds management. Mr Coates plays an active role in advising and assisting senior executives in the implementation of the Company's key legal, public and commercial relationships.

Board committee membership
Chairman of the Property Committee and Member of the Audit Committee.

MARK McINNES
MBA (MBS)

Resident of Sydney

Term of office Executive Director and Chief Executive Officer since 3 February 2003.

Independent No

External Directorships Director of Australian National Retailers Association and Eastern Suburbs Leagues Club.

Skills, experience and expertise
Mr McInnes has nearly 27 years experience in the Australian retail sector. He has held senior management roles across the retail sector including marketing, merchandising, stores, supply chain, logistics, strategic planning, operations and advertising. He has spent more than 19 years in senior management and strategic roles in major Australian department stores, including 12 years at David Jones Limited and 12 years at Coles Myer Limited.

Board committee membership
Executive Directors are not members of Board Committees but attend Committee meetings as required.

STEPHEN GODDARD
BSc (Hons) MSc

Resident of Sydney

Term of office Executive Director and Finance Director since 3 February 2003.

Independent No

External Directorships Nil

Skills, experience and expertise
Mr Goddard has 25 years experience in the Australian retail sector across a broad range of areas including finance, strategic planning, merchandise, stores, logistics, supply chain and property. The vast majority of this time has been in senior management and strategic roles in major Australian department stores including 12 years at David Jones Limited and 13 years at Coles Myer Limited, which included his appointment as founding Managing Director of Officeworks in 1993. Mr Goddard brings to the Board extensive and broad ranging retail experience. Mr Goddard joined David Jones Limited in 1997 as Operations Director. He was appointed Chief Financial Officer in July 2001 and Finance Director in February 2003, and has played an integral role in rebuilding the financial performance of the Company in recent years.

Board committee membership
Executive Directors are not members of Board Committees but attend Committee meetings as required.

REGINALD CLAIRS AO

Resident of Brisbane

Term of office Non-Executive Director since 22 February 1999.

Independent Yes

External Directorships
Director of Commonwealth Bank of Australia.

Skills, experience and expertise
Prior to joining the Board of David Jones Limited, Mr Clairs had a career of 33 years with Woolworths Limited, culminating as the Chief Executive Officer for 5 years to December 1998. During his career he gained valuable retail experience at state, national and international levels. The successful 'Fresh Food People' theme was developed during his appointment as National Marketing Manager. Mr Clairs has also held several positions on industry bodies, including Chair of the Australian Supermarket Institute and a board member of C.I.E.S., an international retail organisation.

Board committee membership
Chairman of the Remuneration and Nominations Committee.

JOHN HARVEY

LLB B.JURIS GRAD. DIP ACC., FCA

Resident of Melbourne

Term of office Non-Executive Director since 8 October 2001.

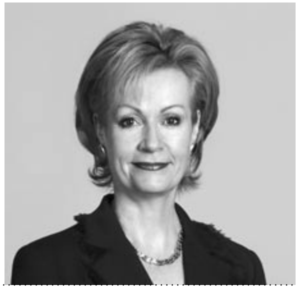
Independent Yes

External Directorships
Chairman and Director, Fed Square Pty Ltd; and Director, Templeton Global Growth Fund, Australian Infrastructure Fund Ltd, APN Property Group Ltd, APN Funds Management Ltd and Racing Victoria Limited.

Skills, experience and expertise
Mr Harvey has had a 26 year professional career with PricewaterhouseCoopers during which he provided professional advisory services to many multinational and Australian national companies, including retailers. He was a registered company auditor for 20 years (which did not include David Jones). Mr Harvey was Chief Executive Officer of PricewaterhouseCoopers in Australia and served on the global board of PricewaterhouseCoopers.

He has also served on the boards of Opera Australia, Docklands Authority and the Board of Taxation. His experience provides the financial expertise necessary to chair the Audit Committee.

Board committee membership
Chairman of the Audit Committee.



KATIE LAHEY

BA (Hons) MBA

Resident of Sydney

Term of office Non-Executive Director since 6 October 1995.

Independent Yes

External Directorships
Chief Executive, Business Council of Australia; Chairman, Carnival Australia.

Skills, experience and expertise
In her Chief Executive roles in the public and private sectors, Ms Lahey has gained extensive experience in managing large complex organisations and achieving significant change within these organisations. She has skills in general management, marketing, media, human resources management, finance and an extensive knowledge of the workings of government at all levels. Her practical hands-on experience has been supplemented with her academic achievements.

Board Committee membership
Member of the Remuneration and Nominations Committee.

PETER MASON AM

B. Com (Hons), MBA, Honorary Doctorate of Business (UNSW)

Resident of Sydney

Term of office Non-Executive Director since 28 November 2007.

Independent Yes

External Directorships
Chairman, AMP Limited; Senior Advisor to UBS Investment Bank; Chairman, UBS Australia Foundation; Director, University of New South Wales Foundation; Director, Australian Research Alliance for Children and Youth; Member, Advisory Board of the National Youth Mental Health Foundation (Headspace); Member, Takeovers Panel.

Skills, experience and expertise
Mr Mason has extensive experience as a director and chief executive officer in financial services in Australia and the United Kingdom, primarily in investment banking. Mr Mason has been a Director and Chairman of a number of public companies. Mr Mason's previous directorships include Chairman of JP Morgan Chase (Australia), Chairman of the Ord Minnett Group, Executive Chairman of Schroders Australia Limited, and Director of Mayne Group Limited.

Board Committee Membership
Member of the Audit Committee.

MANAGEMENT COMMITTEE

MARK McINNES
Chief Executive Officer

STEPHEN GODDARD
Finance Director

COLETTE GARNSEY
Group General Manager
Apparel, Accessories, Footwear and Cosmetics

PATRICK ROBINSON
Group General Manager
Home and Food

PAUL ZAHRA
Group General Manager
Stores and Operations

KAREN McLACHLAN
Group General Manager
Information Technology

DAMIAN EALES
Group General Manager
Financial Services and Marketing

PAULA BAUCHINGER
Group General Manager
Human Resources

ANTONY KARP
Group General Manager
Retail Development

The Management Committee is currently comprised of nine members all of whom are pictured on this page. The role of the Management Committee is to implement group policy, manage the corporate processes and review strategy and resources.

CORPORATE GOVERNANCE STATEMENT

1 INTRODUCTION

This Statement sets out the key corporate governance principles adopted by the Directors in governing David Jones and reflects the corporate governance policies and procedures which applied during the financial period ending 25 July 2009. The Company continues to monitor and review its corporate governance policies and procedures.

2 DAVID JONES' APPROACH TO CORPORATE GOVERNANCE

2.1 Framework and approach to corporate governance and responsibility

The Board has the responsibility for ensuring David Jones is properly managed so as to protect and enhance shareholders' interests in a manner that is consistent with the Company's responsibility to meet its obligations to all stakeholders.

For this reason, the Board is committed to maintaining the highest standards of corporate governance across the David Jones Consolidated Entity.

The Board believes that corporate governance is about having a set of values and behaviours that underpin the Company's everyday activities – values and behaviours that ensure transparency, risk management, accountability, value creation, fair dealing and protection of the interests of stakeholders. Consistent with this belief, the Board's approach is to consider corporate governance within the broader framework of corporate responsibility and regulatory oversight.

The Board has adopted practices as appropriate to ensure David Jones remains at the forefront in protecting stakeholder interests which are consistent with the "Corporate Governance Principles and Recommendations" (**ASX Recommendations**) published by the ASX Corporate Governance Council in March 2003 (and as revised effective 1 January 2008) and the Commonwealth Government's CLERP 9 amendments to the Corporations Act.

The Board's approach has been guided by the principles and practices that are in stakeholders' best interests whilst ensuring full compliance with legal requirements.

2.2 Compliance with the ASX Recommendations

The ASX Listing Rules require listed companies to include in their annual report a statement disclosing the extent to which they have followed the ASX Recommendations in the reporting period. Listed companies must identify the recommendations that have not been followed and provide reasons for the company's decision.

Copies of David Jones' corporate governance practices have been posted on its website as required by the ASX Recommendations.

As detailed in this Statement, David Jones considers that its governance practices comply with the ASX Recommendations. A checklist summarising this view is shown on pages 25 to 26 of this Statement. This table also shows the link between the relevant governance items and the ASX Recommendations.

The Company's Corporate Governance Statement is available at www.davidjones.com.au.

3 THE BOARD OF DIRECTORS

3.1 Membership and expertise of the Board

The Board has a broad range of relevant skills, experience and expertise to meet its objectives. The composition of the current Board with details of each Director's term of office, qualifications, experience and special responsibilities is set out on pages 10 to 11 of this Annual Report.

3.2 Board role and responsibility

The Board is responsible for protecting the rights and interests of shareholders and is accountable to them for the management of David Jones. The Board Charter clearly defines the matters that are reserved for the Board and those that the Board has delegated to management.

In summary, the Board's accountabilities and responsibilities include:

- setting the direction, financial objectives and goals for management;
- reviewing and approving the annual budget and strategic plan;
- monitoring management and financial performance against the Company's financial objectives and goals;
- reviewing and approving the strategic allocation of capital including major capital projects and property leases;
- approving capital management initiatives and major financing facilities;
- evaluating the performance and determining the remuneration of the Chief Executive Officer (**CEO**), senior managers and the Board (within the shareholder approved limit);
- ensuring the appropriate risk management systems, internal controls, reporting systems and compliance frameworks are in place and operating effectively;
- ensuring there are plans and procedures for recruitment, training, remuneration and succession planning for senior managers;
- defining Board competencies, evaluating Board performance and planning Board succession;
- considering and approving David Jones' interim and full year financial statements;
- selection, appointment and removal of the CEO; and
- ensuring there are appropriate standards of corporate governance and ethical behaviour.

Responsibility for the day to day management and administration of David Jones is delegated by the Board to the CEO, assisted by the Management Committee.

The CEO manages David Jones in accordance with the strategy, plans and delegations approved by the Board.

The Board Charter is available in the Corporate Governance section of the David Jones website.

3.3 Board size and composition

The Board determines its size and composition, subject to the limits imposed by David Jones' constitution, using the following principles:

– the Board is to be comprised of both executive and non-executive directors, with a majority of non-executive directors who satisfy the criteria for independence;

– the directors shall be from different backgrounds with complementary skills and experience;

– the Chairman must be an independent non-executive director;

– the same individual must not exercise the roles of Chairman or Deputy Chairman and CEO; and

– all directors shall bring independent judgement to bear in decision-making.

David Jones' Board currently comprises six independent Non-Executive Directors (including the Chairman) and two Executive Directors being the CEO and Finance Director.

3.4 The selection and role of the Chairman

The Chairman is selected by the Board from the Non-Executive Directors.

The Chairman's role includes:

– providing leadership to the Board and to David Jones;

– ensuring efficient organisation and conduct of the Board;

– monitoring Board performance annually;

– guiding the agenda and conduct of Board meetings;

– promoting consultative and respectful relations between Directors, and between the Board and management; and

– chairing shareholder meetings.

The current Chairman, Robert Savage, is an independent Non-Executive Director appointed by the Board. He has been a Director of David Jones since October 1999 and Chairman since July 2003. The Chairman is a member of the Remuneration and Nominations and Property Committees.

The current Deputy Chairman, John Coates, is an independent Non-Executive Director appointed by the Board. He has been a Director of David Jones since October 1995 and Deputy Chairman since October 2003. The Deputy Chairman is the Chairman of the Property Committee and a member of the Audit Committee.

3.5 Directors' independence

It is the Board's view that each of its Non-Executive Directors is independent. The Board has adopted specific principles in relation to Non-Executive Directors' independence in light of the ASX Recommendations guide as to relationships that affect independence. A Non-Executive Director is considered to be independent when not a member of management and:

– is not a substantial shareholder of David Jones or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;

– within the last three years has not been employed in an executive capacity by David Jones or another David Jones Group member, or been a Director after ceasing to hold any such employment;

– within the last three years has not been a principal of a material professional adviser or material consultant to David Jones (or another David Jones Group member), or a director, officer, employee or consultant materially associated with the service provided by a material professional adviser or material consultant to the Company;

– is not a material supplier or customer of David Jones or other David Jones Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or material customer; and

– has no material contractual relationship with David Jones or another David Jones Group member other than as a Director of the Company.

Materiality for these purposes is assessed on both qualitative and quantitative bases having regard to all the circumstances of the relationship, including among other things the:

– strategic importance to David Jones' business of the goods or services purchased or supplied by David Jones;

– proportion of a class of expenses or revenues that the relationship represents to both David Jones and the third party;

– nature of the goods and services;

– nature and value of the transaction to David Jones and the other third party to the transaction; and

– nature of the position or interest held by a third party.

3.6 Avoidance of conflicts of interest by a Director

In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered and may not vote on the matter. Directors must keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of David Jones. The Board has developed procedures to assist Directors to disclose potential conflicts of interest. Where a significant conflict exists, the Director concerned declares their interests in those dealings to the Board and takes no part in decisions or discussions relating to them.

3.7 Meetings of the Board and their conduct

The full Board currently holds not less than eight scheduled meetings per year, plus strategy and other additional meetings as necessary to address any specific significant matters that may arise. The agenda for scheduled Board meetings incorporates standing items including the CEO's report, financial reports, Board Committee reports, strategic matters, governance and compliance. Executives are regularly involved in Board discussions and Directors have other opportunities, including visits to stores and business functions, for contact with a wider group of employees.

A meeting of Non-Executive Directors is also held on the same date as each scheduled Board meeting to discuss the operation of the Board and a range of other matters.

The number of Board meetings, Non-Executive Directors' meetings and Board Committee meetings held during the year is set out in the Directors' Report on page 35 of this Annual Report.

3.8 Succession Planning

The Board plans succession of its own members in conjunction with the Remuneration and Nominations Committee, taking into account the skills, experience and expertise required and currently represented, and David Jones' future direction. The Board is also responsible for succession planning for the CEO, and for ensuring succession plans for the Finance Director and other senior managers.

3.9 Review of performance

(a) The Board and Directors

The Board has in place formal processes to review its performance and that of its Chairman annually and the performance of its other individual directors every three years. In line with the Company's continuous improvement focus, the performance evaluation process of the Board has been benchmarked against the evaluation practices of Boards in other ASX listed companies. As a result, the core elements of the evaluation process have been further enhanced and are summarised below:

– the performance evaluation of the Board and Chairman is comprised of structured interviews, written surveys and from time to time involves assistance of an independent adviser;

– a self assessment process with respect to the Board's overall performance is undertaken by all Directors for review by the Chairman, and an assessment of the Chairman is completed by the Deputy Chairman and other Directors. The review incorporates the performance of the Board as a whole relative to the Board Charter. During this process, any particular issues concerning the performance of individual directors or Board Committees will also be raised;

– integral to the process is feedback from key stakeholders and senior management which is obtained through an interview process;

– the Chairman conveys the results of the performance evaluation process to each Director and the Board and these results form the basis of an action plan designed to address performance improvement opportunities; and

– on a three yearly basis, each director completes a written survey scoring the individual performance and contribution of each other director as well as themselves. This information is collated and the results are communicated by the Chairman to each director.

The evaluation of individual Board Committees is carried out as and when needed.

A formal evaluation process for the Board and its Chairman was completed in the 2008 financial year in accordance with the process described above. The next formal evaluation of the individual directors is due to take place in the second half of 2009. An external review of the Audit Committee's performance last took place in 2006.

The performance of Board Committees is discussed under section 4.2.

(b) Senior executives

All senior executives joining the Company receive comprehensive induction training which is tailored to their specific role. All induction training covers as a minimum the Company's organisational structure, history and financial position; its corporate policies, management strategies and delegations of authority.

All senior executives undergo a performance and development review on an annual basis. This appraisal process was completed in October 2008 in accordance with the process set out below:

– At the beginning of each year, each senior executive is given a set of key performance criteria against which they will be measured. This criteria includes both financial and non-financial performance measures;

– At the end of each financial year, all senior executives complete a self-assessment questionnaire prior to meeting with their manager to discuss their performance over the previous year;

– Upon the completion of the performance appraisal meeting, each senior executive is given a numerical rating and a development plan is agreed by the parties.

3.10 Nomination and appointment of new Directors

Recommendations for nominations of new Directors are made by the Board Remuneration and Nominations Committee and considered by the Board as a whole.

The agreed process for the appointment of Non-Executive Directors to the Board is reviewed at the time the need for a new Director is identified or an existing Director is required to stand for re-election. The Board Remuneration and Nominations Committee reviews the range of skills, experience and expertise on the Board, identifies its needs and prepares a short-list of candidates with appropriate skills and experience. For the purpose of objectivity, the selection process is supported throughout by independent consultants.

The Board Remuneration and Nominations Committee reviews and makes recommendations for Board approval in respect of the appointment, contract terms, and termination of the CEO.

It also provides the Board with the opportunity to review the appointment or termination of any executive reporting to the CEO, and the Company Secretary, prior to implementation.

3.11 Retirement and selection of Directors

The Constitution of David Jones specifies that all Directors (with the exception of the CEO) must retire from office no later than the third Annual General Meeting following their last election. Where eligible, a Director may stand for re-election.

3.12 Board access to information and advice

All Directors have unrestricted access to Company records and information and receive regular detailed financial and operational reports from management to enable them to carry out their duties.

The Board has adopted a formal policy whereby the Directors may, subject to the Chairman's consent which may not be unreasonably withheld or delayed, individually or collectively obtain independent professional advice, at the expense of David Jones, in the furtherance of their duties as Directors of the Company.

4 BOARD COMMITTEES

4.1 Board committees and membership

To assist in the execution of responsibilities, the Board has in place three Board committees comprising a Remuneration and Nominations Committee, an Audit Committee and a Property Committee.

Personnel and remuneration matters have been delegated to the Remuneration and Nominations Committee for review.

In general, the review of financial reporting, financial risk management, audit and compliance matters has been delegated to the Audit Committee.

Property related matters have been delegated to the Property Committee for review and consideration due to the substantial documentation involved, and the detail and complexity of issues.

The members of the Remuneration and Nominations Committee are:

Reginald Clairs AO (Chairman)
Katie Lahey
Robert Savage

The members of the Audit Committee are:

John Harvey (Chairman)
John Coates AC
Peter Mason AM
Robert Savage (attends meetings in an ex officio capacity)

The members of the Property Committee are:

John Coates AC (Chairman)
Robert Savage

The qualifications of each member are set out on pages 10 to 11 of this Annual Report.

The number of Remuneration and Nominations Committee, Audit Committee and Property Committee meetings held during the year is set out in the Directors' Report on page 35 of this Annual Report along with each member's attendance.

Other committees may be established from time to time to consider matters of special importance.

4.2 Committee charters

The roles and responsibilities of each Committee are set out in the Committee charters. Copies of the Committee charters are available in the Corporate Governance section of the David Jones website.

Each Committee is entitled to the resources and information it requires, including direct access to employees and advisers. The CEO, senior executives and certain other employees are invited to attend Committee meetings. All Directors receive copies of all Committee papers and meeting minutes, and can attend all Committee meetings.

Committee members are chosen for the skills, experience and other qualities they bring to the Committees.

As soon as possible following each Committee meeting, the Board is given a verbal report by the Committee Chairman.

All matters determined by Committees are submitted to the full Board as recommendations for Board decision. Minutes of Committee meetings are tabled at a subsequent Board meeting.

The performance of Committees is discussed and reviewed initially within each Committee and then reviewed as part of the Board's performance review in accordance with section 3.9. The performance of each member of the Committees is evaluated as part of the performance review of each Director.

4.3 Remuneration and Nominations Committee

The role of the Board Remuneration and Nominations Committee is documented in a charter that has been approved by the Board and is reviewed on an annual basis.

The Committee is comprised of three independent Non-Executive Directors.

The objectives of the Committee are to assist the Board in ensuring David Jones has:

- a Board of effective composition, size and commitment to adequately discharge its responsibilities and duties;
- remuneration policies and practices that are aligned with David Jones' strategy and objectives; and

– fair and responsible remuneration of Directors and executives, having regard to the performance of David Jones, the performance of the executives and the general remuneration environment.

The Committee's responsibilities in connection with remuneration include:

– the review and recommendation for shareholder approval of Non-Executive Director remuneration;

– the review of and recommendation to the Board on the remuneration of the CEO and Finance Director, and the terms of their employment contracts;

– approval, on the recommendation of the CEO, of the remuneration of the members of the Management Committee, including the terms of their employment contracts;

– the review of and recommendation to the Board on the nature and composition of short-term and long-term incentive plans; and

– the review and recommendation to the Board of any annual payments to be made under any incentive plans.

The Committee's responsibilities in connection with nominations include to:

– conduct searches for new Board members and recommend preferred candidates to the Board, including the CEO and Finance Director;

– recommend required Board competencies and the number and profiles of Directors;

– assess from time to time the extent to which the required competencies are represented on the Board;

– ensure that succession plans are in place to maintain the required competencies, and the number and profiles of the Board members;

– assist the Chairman as required to evaluate the performance of the Board, its Committees, and individual members, including the performance of the CEO;

– ratify appointments to David Jones' Management Committee; and

– review and assess succession plans for executive positions reporting to the CEO.

Further details around the Remuneration and Nominations Committee's responsibilities as they relate to remuneration are detailed on page 39 in the Remuneration Report.

4.4 Audit Committee

The role of the Audit Committee is documented in a charter that has been approved by the Board and is reviewed on an annual basis.

The objectives of the Audit Committee are to provide advice and assistance to the Board to:

– safeguard the integrity of financial reporting;

– make timely and balanced disclosure;

– recognise and ensure risk is appropriately managed; and

– oversee and assess the effectiveness of the Company's risk management and internal control system.

The Audit Committee comprises three independent Non-Executive Directors and the Chairman of the Board sits on the Audit Committee in an ex officio capacity. The Committee has appropriate financial expertise and all members have a sound knowledge of the industry in which David Jones operates. The Committee Chairman is a chartered accountant and was formerly a registered company auditor, although he has never acted as an auditor of David Jones.

The CEO and Finance Director attend Audit Committee meetings. The external auditors, internal Corporate Risk Management and Audit Manager, Chairman of the Board and other senior executives attend Audit Committee meetings at the invitation of the Committee.

This Committee has specific responsibility for the following.

(a) External financial reporting

The Committee reviews and recommends all aspects of external financial reporting including:

– accounting policies and principles and any changes to them;

– significant estimates and adjustments in the financial reports;

– compliance with related party disclosures;

– discussion of half-year and full-year financial reports with management, auditors and other advisers as appropriate, and the adoption of those reports by the Board;

– policies and procedures for the adoption of new accounting standards and pronouncements; and

– the integrity of David Jones' written policies and procedures designed to ensure continuous disclosure and accurate financial reporting.

(b) Related party transactions

The Committee reviews, monitors and recommends for approval by the Board all related party transactions.

(c) Risk management and internal control

The David Jones Board is responsible for overseeing the establishment, implementation and ongoing effectiveness of the Company's risk management and internal control system. The Audit Committee provides advice and assistance to the Board in meeting that responsibility.

The roles, responsibilities and processes established by management are described in the Risk Management and Internal Control Compliance and Control Systems Policy.

The Committee evaluates results and reports from those processes including:

- the risk management and control system;
- the risk profile;
- results of independent risk reviews;
- risk reporting, and;
- regulatory compliance.

(d) External audit

The Committee is responsible for making recommendations to the Board concerning the appointment of David Jones' external auditor including remuneration and other terms of the auditor's engagement.

The Committee reviews the performance of the external auditor and each half-year will review the independence of the external auditor including compliance with its policy covering the provision of non-audit services.

The external auditor meets directly with this Committee. The Committee has the opportunity to meet with the external auditor without management being present and Committee members are free to contact the external auditor at any time.

(e) Internal corporate risk management and audit

The Committee is responsible for making recommendations to the Board concerning the appointment of David Jones' General Manager, Corporate Risk Management and Audit Manager (**CRM & A Manager**) including remuneration and other terms of the CRM & A Manager's engagement. The position of the CRM & A Manager is currently held by the General Counsel and Company Secretary.

The Committee reviews the performance of the CRM & A function.

Each year, the Committee reviews the internal Risk Review plan and recommends it to the Board for approval.

The Committee also monitors and reports to the Board on Management's responsiveness to internal Risk Review reports, findings and any recommendations.

The CRM & A Manager reports directly to the Committee, except in respect of operational matters which are delegated to the Finance Director, and members have the opportunity to meet with the CRM & A Manager without the presence of other management.

The effectiveness of the Audit Committee is periodically reviewed by independent experts.

4.5 PROPERTY COMMITTEE

The role of the Property Committee is documented in a charter that has been approved by the Board and is reviewed on an annual basis. The objectives of the Committee are to assist the Board in:

- undertaking full and adequate consideration of property related matters;
- recommending actions on property related matters which are aligned with David Jones's strategy and objectives.

The Property Committee comprises two independent Non-Executive Directors of the Company. The Committee has appropriate property expertise and both members have a sound knowledge of the industry in which David Jones operates.

The responsibilities of the Property Committee include the following:

(a) to approve specific property initiatives within parameters previously agreed by the Board;

(b) to consider property issues of substantial complexity so as to facilitate more efficient debate on these issues;

(c) to consider the high level property strategy information produced by management and which relate to broader issues of company strategy, including cash flow management by year, lease terms and conditions and property ownership, prior to consideration by the Board; and

(d) to ensure that the Company adopts a consistent approach to decisions relating to all property matters and associated documentation.

5 EXTERNAL AUDITOR INDEPENDENCE

5.1 Approach to auditor independence

David Jones' Audit Committee has adopted a policy for external auditor independence and the provision of non-audit related services to ensure best practice in financial and audit governance is maintained. The policy has been endorsed by the Board.

The fundamental principle of auditor independence reflected in the policy is that in order for the external auditor to be independent, a conflict of interest situation must not exist between David Jones and the auditor. A conflict of interest situation would exist if the external auditor or a professional member of the audit team were not capable of exercising objective and impartial judgement in relation to the conduct of the audit of David Jones.

For the external auditor to be eligible to undertake any non-audit related services, the external auditor must not as a result of the assignments:

- create a mutual or conflicting interest with that of David Jones;
- audit their own work;
- act in a management capacity or as an employee; or
- act as an advocate for David Jones.

5.2 Certification of independence

Each half-year the external auditor provides the Committee and Board with an independence declaration certifying its continued independence, and in particular confirming that it has not carried out any engagements during the year that would impair its professional independence as the auditor, as contemplated by the Code of Professional Conduct jointly issued by the Institute of Chartered Accountants in Australia and CPA Australia, and the Corporations Act.

The external auditor is also required to confirm it will retain all working papers for the audit (or review) for a period of seven years after the date of the audit report.

5.3 Other monitoring of independence

The Audit Committee will review and approve or decline, as considered appropriate, before the engagement commences, any individual engagement for non-audit related services involving fees exceeding or estimated to exceed $50,000 Australian dollars.

No work will be awarded to the external auditor if the Committee believes such work would be in contravention of the Corporations Act, give rise to a 'self review threat' (as defined in Professional Statement F1) or would create a conflict, or perceived conflict of interest, for the external auditor or any member of the audit team.

Further, if, in the view of the Committee, the level of fees for non-audit related services being provided by the external auditors is of a magnitude that could impair, or be perceived to impair, the auditor's independence, the Committee may, from time to time, impose a restriction on non-audit work being awarded to the external auditor.

The Committee receives half-yearly reports on audit related services undertaken and fees incurred, together with comparative information for prior years, to assist in the monitoring of the provision of such services.

David Jones requires rotation of a person who plays a significant role in the external audit of the David Jones Group for five successive financial years or for five out of seven successive financial years, with suitable succession planning to ensure consistency. A person who is rotated off the audit cannot play a significant role in the audit for at least two successive financial years. An external audit partner rotation occurred in 2009.

A former member or director of the external auditor who was directly involved in an audit of David Jones (or its controlled entities) cannot be appointed an officer (Director, Company Secretary or senior manager) of David Jones during the two year period following the former member's or director's resignation from the external audit firm.

David Jones' independent external auditor, Ernst & Young, was appointed by shareholders at the 2003 Annual General Meeting.

An analysis of the fees paid to the external auditors is provided in note 27 on page 92 of this Annual Report.

No fees were paid to Ernst & Young for non-audit services in 2008.

5.4 Prohibited non-audit services by the external auditor

No work carried out by an external auditor will be approved, and the external auditor will not provide services, involving:

- preparation of accounting records and financial statements;
- information technology systems design and implementation;
- valuation services and other corporate finance activities;
- internal audit services; or
- secondment of senior staff to act in a management capacity.

5.5 Attendance at the Annual General Meeting

David Jones requires a partner of its external auditor to attend its Annual General Meeting and be available to answer questions from shareholders about the audit. The audit partner from Ernst and Young attended the 2008 Annual General Meeting. David Jones ensures that written questions received from shareholders are given to the external auditor to be answered, along with any other questions put to the auditor at the Annual General Meeting.

6 OVERSEEING, MANAGING AND CONTROLLING RISK

6.1 Approach to risk oversight, risk management and internal control

David Jones' approach to risk oversight, risk management and internal control has been developed and is consistent with recognised industry reference material and guidelines including the ASX "Corporate Governance Principles and Recommendations, "Risk Management AS/NZS 4360" (Standards Australia), and publications from The Committee of Sponsoring Organisations from the Treadway Commission (**COSO**).

The risk management process is designed to ensure material risks are identified, assessed, mitigated through effective internal controls and monitored to manage risk in the achievement of David Jones' business objectives. Material risks are those with significant areas of uncertainty or exposure at an enterprise level that could have an impact on the achievement of company objectives. The assessment includes threats and opportunities. David Jones considers risk in at least the following categories:

- strategy;
- brand and reputation;
- products and service quality;
- operational;
- sustainability;
- ethical conduct;
- compliance;
- technological;
- financial reporting;
- human capital, and
- market.

David Jones has an effective control environment to manage its material risks with the following components:

- comprehensive risk management framework;
- clearly defined management responsibilities and organisational structure;
- delegated limits of authority defined by a Delegations Manual;
- accounting control and reconciliations;
- strong management reporting systems;
- disciplined budgeting and rolling five year strategic plan processes;
- regular internal review and mechanisms including the operation of a Capex Committee, Marketing Forum and Management Committee;
- personnel requirements for key positions;
- segregation of duties;
- physical and logical security over company assets;
- appropriate policies and procedures that are widely disseminated to, and understood by, employees;
- an independent corporate risk management and internal audit function; and
- an internal and external audit function.

The risk categories identified above are interlinked and the control environment is integrated to manage those risks.

6.2 Risk management and internal control roles and responsibilities

The David Jones Board is responsible for overseeing and assessing the effectiveness of the Company's risk management and internal control system. The Audit Committee provides advice and assistance to the Board in meeting that responsibility.

David Jones' management is responsible for and has implemented a risk management and control system. The risk identification, analysis and mitigation process is documented in the Company's Risk Profile. The process is designed to ensure material risks are identified, assessed, mitigated through effective internal controls and monitored to minimise risk in the achievement of David Jones' business objectives.

The Risk Profile is reviewed and updated at least annually by the Audit Committee. The Risk Profile forms the basis of planning and conducting independent reviews by the internal Corporate Risk Management & Audit function or other independent experts to provide independent assurance over the operation of key controls in place to address the material risks. External audit has full access to the Risk Profile, results of the internal Corporate Risk Management & Audit reviews, and results of any other independent expert reviews.

The role of the Audit Committee in relation to risk management is described in section 4.4.

A copy of David Jones' Risk Management Policy and internal compliance and control systems is available in the Corporate Governance section of David Jones' website.

6.3 Management and Executive declarations

Management reports to the Board as to the effectiveness of David Jones' management of its material business risks. Management has provided assurance to the Board in regards to the Company's management of its material business risks.

The CEO and the Finance Director have provided the following declaration to the Board in connection with the financial statements of David Jones for the financial period ended 25 July 2009:

- David Jones' financial statements and accompanying notes present a true and fair view, in all material respects, of David Jones' financial condition and operating results, and are in accordance with relevant accounting standards;
- the statement referred to in the above paragraph is founded on a sound system of risk management, internal compliance and control, which implements the policies adopted by the Board;
- David Jones' risk management and internal compliance and control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks; and
- the financial records of David Jones for the financial period ended 25 July 2009 have been properly maintained in accordance with section 286 of the Corporations Act.

7 REMUNERATION POLICES AND PROCEDURES

7.1 Overview

David Jones has established processes to ensure that the level and composition of remuneration are sufficient, reasonable and explicitly linked to performance. These processes are described below and on pages 38 to 57 in the Remuneration Report.

Non-Executive Directors

The Remuneration and Nominations Committee is responsible for recommending to the Board fees applicable to Non-Executive Directors.

In accordance with a resolution of shareholders at the 2008 Annual General Meeting, the maximum aggregate amount that is permitted to be paid to Non-Executive Directors under the David Jones constitution is $2.3 million per annum.

Contributions to the retirement allowance plan for Non-Executive Directors (other than notional interest adjustments based on the retirement allowance balance) were discontinued in October 2004. Since October 2003 no new directors have been entitled to join this plan.

Non-Executive Directors may also be reimbursed for their expenses properly incurred as a Director, or in the course of their duties. Non-Executive Directors are also encouraged to own David Jones shares and may participate in the DESP if they elect to sacrifice Directors' fees and have shares purchased under the Plan at market value. The Non-Executive Directors do not participate in any other David Jones employee share plans nor its short or long-term incentive schemes.

Executive Directors and Senior Managers

The Remuneration and Nominations Committee is responsible for recommending to the Board remuneration policies, fees, salaries, and short and long-term incentives applicable to Executive Directors and senior managers of the Company.

David Jones' remuneration policies are designed to drive a performance culture and to ensure that the way in which employees are recognised and rewarded through remuneration is in the best interests of the shareholders, the Company and the individual.

The remuneration policy achieves this in the following ways:

– by applying a "pay for performance" philosophy which ensures executive remuneration is linked to both individual performance and Company performance;

– by providing remuneration that is market competitive to ensure David Jones has the ability to retain and motivate strong performing employees and attract high calibre prospective employees; and

– by undertaking an annual evaluation process on the performance of all executives, the results of which contribute to the determination of any salary adjustment an individual executive may receive.

As detailed in the Remuneration Report, the short and long-term incentive components of remuneration are determined with reference to external benchmarking and advice from independent experts.

The financial hurdles in the STI Scheme and LTI Plan are (as applicable) determined through a structured budgeting and three year planning process that requires full Board approval.

Payments made under the STI Scheme and shares issued under the LTI Plan are audited or reviewed by the Company's external auditors.

The Remuneration and Nominations Committee's responsibilities in relation to remuneration are detailed on page 39 in the Remuneration Report.

7.2 STI Scheme

Under David Jones' STI Scheme, the Executive Directors and senior employees can earn a cash based payment which represents a pre-determined percentage of their employment cost (which is comprised of base salary and superannuation contributions). Payments under this scheme are dependent on the achievement of specific financial objectives relating to sales, gross profit, costs, inventory management and profit after tax (as applicable to the relevant position) with a key component also based on the assessment of personal performance.

The Board intends that similar conditions will be imposed in future financial years. Further details of the STI Scheme are provided on pages 40 to 42 in the Remuneration Report.

7.3 LTI Plan

David Jones' LTI Plan was introduced in 2001. Executive Directors and senior executives are eligible to participate in this plan.

Under this plan, eligible participants may be granted the right to receive a certain number of ordinary shares in David Jones, which may vest, conditional on the achievement of performance measures covering a three-year consecutive period.

The Board has determined that the following performance measures, which operate independently of each other, will be used to determine the entitlement of participants to receive shares under this plan. The performance measures are:

– TSR (all LTI Plan offers);

– EPS (2007 – 2009 offers).

In addition, selected executives are subject to NPAT and TSR measures under the FY2009 – FY2011 and FY2009 – FY2012 Retention Plans, as disclosed on pages 42 to 48 of the Remuneration Report.

Depending on David Jones' performance against these measures, a number of shares may vest in favour of participants, at which time the participants will become beneficially entitled to, and enjoy the rights attaching to, the shares, subject to the terms and conditions of the plan.

If the performance conditions are not met within the performance period, the conditional entitlement to some or all of the offered shares will lapse. In addition, special Retention Offers under the LTI Plan were made to ensure the ongoing tenure of key employees, in 2006 during a period of industry restructure, and more recently in 2008 to secure the delivery of the Company's FY09–FY12 strategy. Further details relating to the LTI Plan, including the Retention Offers, are provided on pages 42 to 48 in the Remuneration Report.

7.4 Other equity schemes in David Jones

The DESP is the only other active equity scheme in David Jones.

The relevant details of the scheme are contained in the Remuneration Report on page 48 and in note 29 on pages 98 to 105 of this Annual Report.

8 CORPORATE CONDUCT AND RESPONSIBILITY

8.1 Approach to corporate conduct

To continue its tradition of excellence, David Jones must uphold the honest and transparent business practices that customers, shareholders, suppliers and the community have come to expect. With this in mind, David Jones aims to maintain a high standard of ethical business behaviour at all times and expects its Directors, senior management, employees and contractors to treat others with fairness, honesty and respect.

David Jones has a Code of Ethics and Conduct (**Code**), which has been provided to directors, employees and contractors and is available in the Corporate Governance section of the David Jones website.

8.2 The David Jones Code of Ethics and Conduct

The Code applies to all Directors, employees and contractors. The Code has been fully endorsed by the Board and is provided to all Directors, employees and contractors as part of their formal orientation process. Regular training in relation to the Code is undertaken by directors, employees and contractors.

The Code governs workplace and human resource practices, risk management and legal compliance, and is aligned to the David Jones' core values of teamwork, integrity and performance. The Code is reviewed periodically and has been amended to reflect the ASX Recommendations.

In summary, the Code reflects the requirement to:

- uphold the reputation of David Jones with all stakeholders in terms of quality, service, legal compliance and ethical conduct;
- respect property and the ownership of that property;
- maintain confidentiality and privacy of information;
- ensure equal opportunity for all employees;
- maintain a safe and healthy environment for customers and employees alike;
- treat all employees in a fair and professional manner, ensuring the workplace is free from harassment, discrimination and bullying;
- ensure business is conducted fairly, honestly and objectively, in ways that benefit David Jones' stakeholders: shareholders, customers, employees, suppliers and the communities in which David Jones operates;
- avoid (and disclose) situations or transactions which, or might be seen to, conflict with the interests of David Jones, including gifts and benefits from suppliers;
- comply with the David Jones policy on trading in shares; and
- report and investigate instances of unethical behaviour.

Other responsibility policies and codes that operate in David Jones include:

- Legal Compliance Manual;
- External Communications and Continuous Disclosure Policy;
- Risk Management Guidelines;
- Delegations Manual;
- Treasury Policy;
- Capital Expenditure Policy;
- Share Trading Policy; and
- Occupational Health and Safety, Equal Opportunity and other human resources policies.

8.3 Compliance with the Code

David Jones is committed to promoting and maintaining a culture of honest, ethical and law abiding behaviour. To fulfil this commitment, David Jones has processes in place to ensure that:

- violations of the Code are detected and reported; and
- appropriate action is taken in response to any such violations.

David Jones encourages Directors and employees to report promptly, in good faith, any violations or suspected violations of this Code. All employees have access to a confidential ethics hotline, which they are encouraged to use and may do so on an anonymous basis. All reports are investigated promptly, confidentially and fairly without recrimination against the person reporting an incident.

The policy underlying these procedures ensures that employees are not disadvantaged in any way for reporting violations of the Code or other unethical conduct.

8.4 Share Trading Policy

Consistent with the legal prohibitions on insider trading, all Directors, officers, members of senior management, other employees and consultants are prohibited from dealing in David Jones shares, options or other securities while in possession of unpublished price sensitive information about David Jones. David Jones price sensitive information is information that a reasonable person would expect would have a material effect on the price or value of David Jones' securities. Directors, officers, members of senior management, other employees and consultants may acquire shares in David Jones where they are not in possession of any price sensitive information which has not been made publicly available to the market, but are prohibited from dealing in David Jones shares or exercising options:

- if in possession of price sensitive information;
- trading for short-term gain; and
- outside the following permitted trading periods:
  - within six weeks after the date of release of the Company's half-year and annual results to the ASX; and
  - the rights trading period when the Company has issued a prospectus for those rights.

Other restrictions on trading covered by this policy include specific terms relating to the use of financial products to limit the risk attaching to shares and other equity (that is hedging) where that equity is granted as part of remuneration.

Directors, officers, members of senior management and other employees and consultants are prohibited from entering into transactions in financial products which operate to limit the economic risk of security holdings in the Company over unvested entitlements or vested entitlements subject to a holding lock or restriction on dealing (known as restricted entitlements) including, without limitation, any hedging or similar arrangement in respect of unvested entitlements or restricted entitlements held or granted under any equity based remuneration scheme.

Directors, officers, members of senior management and consultants must advise the Company of any entry into, renewal of, alteration of or closure of any hedging arrangement in respect of vested and unrestricted security holdings in the Company (at the same time confirming that they are not in possession of any unpublished price-sensitive information).

The Company regards compliance with the Share Trading Policy as fundamental. A breach of the Share Trading Policy (including a breach of the hedging policy described above) will be regarded as serious misconduct which may lead to disciplinary action (including dismissal).

Directors, officers and members of senior management are also prohibited from entering into any stock lending or other similar arrangements in relation to their security holding in the Company.

David Jones requires that Directors must advise the Chairman, and officers, members of senior management and consultants to advise the Company Secretary or Chief Executive Officer of the following:

– a proposed trade in the Company's shares, options or other securities prior to any trade and confirm they are not in possession of any unpublished price-sensitive information;
– any transaction or arrangement proposed to be entered into, renewed, altered or closed out which may operate to limit the economic risk of their vested and unrestricted security holdings in the Company and confirm they are not in possession of any unpublished price-sensitive information;
– any margin loan arrangement proposed to be entered into in relation to security holdings in the Company; and
– any proposed transfer of Company securities into an existing margin loan account.

The ASX is notified of any transactions conducted by Directors.

Directors, officers, members of senior management and other employees and consultants are also prohibited from dealing in the securities of outside companies about which they may gain price sensitive information by virtue of their position with David Jones.

David Jones' share trading policy is available in the Corporate Governance section of its website.

8.5 Continuous disclosure and shareholder communication

David Jones is committed to:

– ensuring shareholders and the investment market are provided with full and timely information about its activities;
– ensuring that all stakeholders have equal opportunity to receive externally available information issued by David Jones; and
– complying with the continuous disclosure obligations contained in applicable ASX Listing Rules and the Corporations Act.

David Jones' Continuous Disclosure Policy sets out David Jones' commitment to comply with its continuous disclosure obligations.

A copy of the Continuous Disclosure Policy is available in the Corporate Governance section of David Jones' website.

Under this Policy, the Board will, as soon as it becomes aware of information concerning David Jones that would be likely to have a material effect on the price or value of David Jones' securities, ensure that the information is released to the Company Announcements office of the ASX. The Board has appointed a committee comprising the CEO, Finance Director and the General Manager – Investor Relations to continually monitor compliance and to ensure appropriate communications with the ASX through the office of the General Counsel and Company Secretary.

The Board aims to keep shareholders informed of all major developments affecting David Jones' activities and its state of affairs. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with David Jones' strategy and goals. The Company's senior management and auditors attend the Annual General Meeting to answer questions of shareholders as required.

All recent David Jones announcements, media briefings, details of David Jones meetings, press releases and annual reports for the last five years and information on all corporate governance practices are placed on the David Jones' website at www.davidjones.com.au.

David Jones' Shareholder Communication Policy sets out the various means by which shareholders can obtain information about the Company's activities and engage actively with the Company and exercise their rights as shareholders in an informed manner. A copy of the Shareholder Communication Policy is available in the Corporate Governance section of David Jones' website.

8.6 Community and the environment

Information in relation to the Company's approach to the environment and the community is set out on pages 27 to 32 of the Annual Report.

9. ASX CORPORATE GOVERNANCE PRINCIPLES AND RECOMMENDATIONS

ASX Principle and Recommendations		Reference[1]	Compliance
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	3.2	Comply
1.2	Companies should disclose the process for evaluating the performance of senior executives.	3.9	Comply
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	3.2 - 3.7, 3.9	Comply
Principle 2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	3.5	Comply
2.2	The chair should be an independent director.	3.3, 3.4	Comply
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	3.3	Comply
2.4	The board should establish a nomination committee.	4.3	Comply
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	3.9, 4.2	Comply
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2.	3.1, 3.5, 3.9, 3.10, 3.12, 4.1, 4.2	Comply
Principle 3	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: – the practices necessary to maintain confidence in the company's integrity – the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders – the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	8.1, 8.2, 8.3	Comply
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	8.4	Comply
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	8.1, 8.4	Comply
Principle 4	**Safeguard integrity in financial reporting**		
4.1	The board should establish an audit committee.	4.4	Comply
4.2	The audit committee should be structured so that it: – consists only of non-executive directors – consists of a majority of independent directors – is chaired by an independent chair, who is not chair of the board – has at least three members.	4.4	Comply
4.3	The audit committee should have a formal charter.	4.4	Comply
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	4.1, 4.2	Comply
Principle 5	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	8.5	Comply
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	8.5	Comply

Principle 6	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	8.5	Comply
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	8.5	Comply
Principle 7	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	6.1, 6.2	Comply
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	6.2, 6.3	Comply
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	6.3	Comply
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7.	4.2, 6.2, 6.3	Comply
Principle 8	**Remunerate fairly and responsibly**		
8.1	The board should establish a remuneration committee.	4.3	Comply
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	7 and Remuneration Report	Comply
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	4.1, 4.3, 7.1, 8.4	Comply

[1] References to section numbers refer to the relevant sections of this Corporate Governance Statement.

ENVIRONMENT

1. ENVIRONMENT POLICY

David Jones is committed to managing its operations in an environmentally responsible manner, through investment in efficiency measures and management systems that enable the Company to minimise environmental impacts and meet its reporting obligations.

This commitment is in recognition of David Jones' responsibilities to its shareholders, employees and customers, and aligns with expectations held by the community and government.

In addition to demonstrating the similarities between David Jones' core competencies and the key principles of environmental sustainability, this investment also creates competitive advantage, as it:

– reflects the interests of David Jones' employees and customers, and therefore provides an opportunity to enhance engagement;
– ensures that the Company is well positioned to adapt to changing market conditions and regulatory requirements; and
– enhances David Jones' ability to protect shareholder value, as the business prepares for the transition to a low-carbon economy.

2. ENVIRONMENT STRATEGY

To meet stakeholder expectations in a changing macro-environment, David Jones has continued to invest in efficiency measures to reduce the impact that the Company has on the environment.

In FY2009, David Jones identified additional opportunities to enhance its environmental sustainability, as part of an evolving plan that aims to support the Company's broader strategic and financial objectives. Further evolution of this plan will initially focus on:

– providing a roadmap for ongoing cost mitigation;
– outlining the approach to be employed in meeting regulatory and reporting requirements; and
– ensuring that interested stakeholders are able to access information about David Jones' environmental impacts and initiatives.

The ongoing development and implementation of David Jones' environment strategy will be guided by the following principles:

1. Meet the changing expectations of our stakeholders;
2. Satisfy and (where viable) exceed regulatory requirements;
3. Continue to invest in cost efficiencies that also reduce direct environmental impacts; and
4. Apply internal and external experience to ensure best practice environmental management in the Australian retail sector.

2.1 Key Focus Areas

Given emerging macro-developments, the business has expanded the scope of its environment policy to include: energy, water, waste, packaging, transport and travel, and refrigerant gases.

These impacts have been defined as key focus areas because David Jones has:

– the ability to influence environmental outcomes in these areas; and
– an obligation to reduce and/or report impacts in these areas, to comply with federal, state or local regulation.

3. ENVIRONMENTAL MANAGEMENT

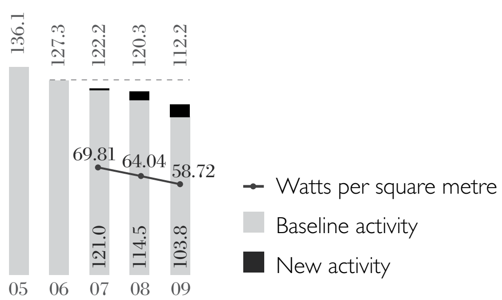
This section of the report provides an overview of David Jones' performance against each of these six key focus areas in its stores, warehouses and corporate offices for the FY2009 period.

3.1 Energy Management

Efficiency initiatives implemented over the past three years continue to reduce David Jones' energy consumption and greenhouse gas emissions, at the lowest cost to the business.

The key driver of financial and environmental benefits to date has been the $2.9 million investment made in energy efficiency measures in FY2008. Since the baseline was established in July 2006, David Jones has reduced like-for-like (**LFL**) energy consumption by 14.5% and total consumption by 11.9%. This result includes a 6.8% reduction in total energy usage (including the impact of new stores and refurbishments) for the FY2009 period.

Consequently, energy efficiency (watts per square metre) has improved a further 8.3% in the 12 months to July 2009 and greenhouse gas emissions from electricity consumed have declined to 105.1 kilo tonnes (53.1 tonnes per million dollars of sales) over the same period.



Energy Consumption/Energy Efficiency (FY2004–FY2009)
Annual GWh and watts per square metre, based on average trading hours

14.5%
REDUCTION IN LFL ENERGY USAGE OVER THREE YEARS

Whilst measures implemented since 2006 have been effective in offsetting the impact of higher electricity costs on the business, ongoing mitigation is required to protect shareholder value into the future. Given the projected impact of climate change policy and environmental factors on the business, David Jones conducted audits across its portfolio in 2009 to identify efficiency opportunities that could be deployed to further reduce electricity consumption.

To ensure that the Company remains responsive to industry developments, David Jones has renewed its membership with the Energy Users Association of Australia. Market intelligence provided by the association is also applied in regular reviews of retail energy rates, network tariffs and landlord on-charges, ensuring that David Jones' electricity prices are on par with the market and regulators.

3.2 Water Management

The aim of water efficiency measures implemented to date has been to reduce the volume of water consumed by existing stores and to optimise water use in new stores. David Jones will continue to work with local authorities and landlords to deliver further improvements, and ensure compliance with regional water efficiency regulations.

3.3 Waste Management

David Jones continues to reduce the amount of waste sent to landfill. The scope of the waste management program has been expanded since July 2008 to also include corporate offices and warehouses, to further reduce ecological degradation and financial risks arising from David Jones' waste disposal activities.

In the three years since new waste management systems were introduced, the amount of general waste sent to landfill has fallen 37.3% to 3,800 tonnes, including a 12.9% reduction in FY2009.

While lower stock intakes have resulted in an underlying decline in the total volume of waste material over the last 12 months, sustained improvements in recycling rates have delivered incremental benefit.

– More than 90% of all cardboard handled by the business in FY2009 was collected for recycling, exceeding both last year's result and the national target of 70-80%.

– The amount of recycled paper has also increased, following the introduction of new recycling systems into corporate offices.

– Recycling rates on soft plastic film have improved by 70% over the past year, as measures implemented prior to July 2008 become embedded as standard business practice.

The business has also committed to drive reductions in hard rubbish collections, through development of environmentally-sound disposal methods for all unique components of the waste stream.

To date, alternative disposal strategies have been developed for a range of different waste materials, including: e-waste, mattresses and large appliances collected from customer homes, metal fixtures and fittings, office furniture, wood pallets and fibreglass mannequins.

Given increasing transport and disposal costs, and community expectations, work will continue in FY2010 to minimise the amount of waste material sent to landfill, ensuring that improvements to date continue to generate environmental and financial benefit.

3.4 Packaging

Whereas the aim of the waste management program is to reduce landfill emissions through re-use and recycling measures, David Jones' commitment to the National Packaging Covenant (**NPC**) is to minimise resource depletion and end-of-life environmental impacts, through collaborative waste avoidance measures.

As a signatory to the NPC, David Jones has an obligation to report on efforts to reduce the amount of distribution and consumer packaging produced by (and for) the business, and publish results of its waste management and recycling initiatives.

In working towards the covenants' objectives, David Jones encourages its supply chain partners to make sustainable packaging decisions that reflect the NPC Environmental Code of Practice for Packaging. Since 2007, the Company has also:

– developed and published its own internal guide to selecting packaging materials; and

– included a new sustainable packaging clause in its standard trading terms agreement.

David Jones also has a responsibility to the NPC to reduce the environmental impact of plastic bags after use. In meeting this commitment, the business has:

– reduced the amount of resin used to produce its plastic bags by 370 tonnes (an average of 41.5%) over the last three years; and

– sold 110,000 reusable shopping bags since introduction of the David Jones branded tote in November 2007.

3.5 Transport and Travel

Given David Jones' logistics model, greenhouse gas emissions from transportation represent a small component of the Company's environmental footprint. In preparation for its first submission to the Department of Climate Change (**DOCC**) in 2010, David Jones will continue to track the amount of diesel and petrol consumed by those vehicles within its operational control.

Whilst there is no regulatory requirement for David Jones to report indirect environmental impacts arising from air travel, the Company does monitor interstate and overseas flights to ensure that its total carbon liability from transport and travel activities is understood. New travel principles introduced in 2009 have resulted in a one-off 44% reduction in the number of miles travelled, reducing David Jones' travel profile to 3.4 million miles.

3.6 Refrigerant Gases

The discharge of refrigerant gases (used in refrigeration and air conditioning) constitutes a relatively small proportion of David Jones' emissions profile. In meeting its obligations to the DOCC, the business will work with its contractors through FY2010 to track and report its use of these gases.

4. ENVIRONMENTAL INITIATIVES, BY FUNCTION

All parts of the business are actively engaged in managing and, where viable, reducing the impact that David Jones has on the environment.

This section of the report outlines the initiatives that are being monitored and implemented at a functional level, that will continue to reduce environmental impacts at a company level.

4.1 Retail Development - new and refurbished stores

The addition of one new store in FY2009 and the refurbishment of a second has contributed to the improvement in energy efficiency across the business. Due largely to the investment in best practice lighting design, the new store at Westfield Doncaster is more energy efficient than the company average and monthly energy consumption at the refurbished Robina Town Centre store has been reduced by an average of 17.6% in the six months to July 2009.

These efficiency gains are in addition to the ongoing reduction in consumption as a result of the 2007-08 refurbishment of David Jones' Sydney CBD stores. These two heritage buildings recorded a further 6.7% energy saving in FY2009, following the earlier upgrade of lighting grids and review of the air conditioning control strategy.

The new store and refurbishment program also provides the opportunity to improve water efficiency. Rainwater tanks will be installed as part of the redevelopment of David Jones' 310 Bourke Street store in Melbourne and new efficiency measures will also be introduced to ensure optimal operation of the cooling towers in both buildings on Bourke Street Mall.

To ensure continued best practice in sustainable retail design, Retail Development reviews its specifications for new stores and refurbishments on an ongoing basis. The FY2010 review will ensure that key learnings from its own development program can be captured and leveraged for David Jones' future benefit.

4.2 Stores and Operations - existing stores

The bulk of David Jones' $2.9 million investment in energy efficiency has been directed at reducing consumption in existing stores, through two key capital upgrades. This program followed initial abatement measures, introduced prior to July 2007, that focused on delivering lower consumption through behavioural and procedural change.

The first of these projects was a lighting upgrade that has delivered an average 31.1% reduction in consumption in the three affected stores. These benefits have been generated by retro-fitting the original incandescent grid with an energy efficient lighting solution, that maintains the amount of light with fewer fittings and globes. Because the new grid also produces less heat, there has been an incremental efficiency gain in the operation of the air conditioning.

The second significant investment was made in 18 stores and aimed to reduce consumption by executing a more energy efficient approach to heating, cooling and ventilation. Most of the benefit from this investment has been from 10 stores, where the installation of a new building management system has delivered an average 10.3% reduction in the amount of electricity consumed. This project also provides new capability to remotely monitor the air conditioning system in these stores, to ensure improvements can be sustained.

In relation to water management, David Jones is working with local water authorities and landlords in Melbourne CBD and greater-Brisbane to improve water efficiency and ensure that the Company continues to comply with regulation in these regions. Measures implemented across six stores in FY2009 include installation of: flow restrictors to taps; water efficient urinals; and new efficiency measures to monitor and reduce water use from cooling towers.

Further to the introduction of new waste management systems in 2007-08, ongoing cultural change and continuous improvement in stores will continue to generate incremental reductions in the amount of waste sent to landfill, and assist in offsetting the impact of higher regulated charges on the business.

4.3 Stores and Operations - warehouses

The warehouse team continues to develop and implement innovative solutions to reduce the amount of hard rubbish sent to landfill, by disposing of waste in a more environmentally-responsible manner. Over the past two years, David Jones' warehouses have:

- donated 25 pallets of material (such as damaged mannequins) to charities and not-for-profit organisations;
- recycled 42 tonnes of metal fixtures and fittings; and
- collected 11,000 mattresses from customer homes, for recycling.

David Jones' relatively low emissions from transportation have been reduced further as a result of load efficiency measures introduced in FY2009. These changes delivered a one-off reduction in the amount of diesel and petrol consumed by the Company's fleet of shuttle trucks, mitigating the impact of higher fuel costs.

4.4 Information Technology

In addition to its investment in printer consolidation and end-of-life replacement of PC-monitors, the Information Technology group has invested heavily in server virtualisation and other server consolidation initiatives in FY2009.

This project reduced the number of existing servers by 70% and has resulted in a 20% reduction in the amount of energy consumed by the David Jones Data Centre. Preliminary analysis indicates that the installation of these energy efficient servers could drive a further 1% reduction in consumption across the two Sydney CBD buildings.

Information Technology also contributes to company efforts to reduce the amount of waste that David Jones sends to landfill. In FY2009, the business processed a further 8.2 tonnes of e-waste for recycling, in addition to the 9.7 tonnes previously reported for the two years to July 2008. End-of-life items disposed of as e-waste include: monitors and televisions; desktop and laptop computers; printers, photocopiers and fax machines; and phones.

4.5 Marketing and Financial Services

The printing of catalogues and direct-mail material represents marketing's single largest environmental impact. David Jones uses recyclable paper for its collateral and sources paper stock from plantation forests, ensuring that old-growth timber is not used in the production of its catalogues. In addition, David Jones' printers continue to invest in new technology to reduce the amount of energy, water and petroleum-based inks used in the production process.

4.6 Finance

Amendments made to the Corporations Act in 2007 removed the mandatory requirement for companies to distribute hard copies of their annual reports to shareholders, provided that an electronic version was available either via email or on the company's web site.

Under these changes, only those shareholders that elect to "opt-in" receive a hard copy of the annual report. As an early adopter of these amendments, David Jones has reduced the number of annual reports printed each year by more than 75%. This represents 38,000 fewer reports (approximately 25 tonnes of paper) in 2007 and 2008.

4.7 Merchandise

The Merchandise group plays an important role in ensuring that David Jones meets its obligations to the NPC, by encouraging suppliers to produce environmentally-friendly packaging that also meets floor-ready standards and ensures product integrity. Briefing sessions conducted in 2008 have been supported by the publication of an internal guide to selecting sustainable packaging material and the NPC's guiding principles for sustainability.

4.8 Procurement

The procurement team will introduce new environmental schedules into its tendering documentation for non-merchandise contracts. These new schedules aim to:

– ensure that service providers are able to meet David Jones' principles in relation to environmental management; and

– define the approach to be employed in managing financial risks and reporting obligations (arising from climate change policy) under all new agreements.

4.9 Human Resources

Going forward, the Human Resources function will play a key role in disseminating information about David Jones' environmental management program to prospective, new and current employees. This communication is critical if David Jones is to capitalise on the efficiency gains made to date and position itself as an employer of choice that is actively engaged in reducing its environmental impacts.

5. SUMMARY

As a consequence of capital and resources invested in efficiency measures to date, David Jones has further reduced the impact that its operations have on the environment.

More significantly though, David Jones now has a broader understanding of the issues that are likely to confront the business as a result of climate change policy and emerging environmental factors.

This awareness is an essential precondition in embedding a culture of environmental sustainability across the organisation, and in ensuring that the business has the capability to address changing market conditions and future regulatory obligations.

In positioning the Company for a transition to a low-carbon economy, David Jones will continue to leverage its expanding knowledge base and invest in efficiency initiatives that reflect stakeholder interests and deliver further financial and incremental environmental benefit.

6. FY2010 ACTION PLAN

Given the key objectives of its environment strategy for the year ahead, David Jones aims to:

– identify and assess opportunities to mitigate the impact of future cost increases, due to market and regulatory pressures and the potential introduction of an emissions trading scheme;

– invest in efficiencies measures that serve to mitigate these cost increases by reducing direct environmental impacts;

– prepare for the Company's first reporting year under the *National Greenhouse and Energy Reporting Act (2007)* and submit an annual update to the NPC; and

– continue development of a cross-functional communication plan that aims to increase employee engagement, improve awareness of environmental programs, and provide information about David Jones' environmental impacts to interested stakeholders.

COMMUNITY

1. COMMUNITY

David Jones is committed to making a valuable contribution to Australian society. In FY2009, consistent with best practice, the Company provided financial support to projects that focussed on the health and well-being of Australian women and children.

In addition, David Jones sought to provide meaningful support to those Australians who were so tragically affected by the Victorian bush fires. Contributions were made to selected charities through cash donations, gift card donations, the contribution of resources, staff time, space in David Jones' stores and sale of charity items.

David Jones has made donations of $1,181,800 for the past year.

2. VICTORIAN BUSH FIRES

2.1 Australian Red Cross – Total Donation of $750,000

As the founding department store in Melbourne, we felt it was our role to respond quickly and proactively to help the people of Victoria through these difficult times, as they have supported us. David Jones donated $750,000 to the Australian Red Cross as set out below:

– David Jones made an immediate donation of $500,000 in gift cards to the Australian Red Cross for distribution to those most affected in the Victorian bush fire tragedy.

– In addition, David Jones harnessed the strength of our national store network to hold a Victorian Bushfire Donation Day on 12 February 2009, where the profit from all sales in all stores was donated to the Australian Red Cross. A further $250,000 was generated from this initiative.

3. WOMEN'S HEALTH

3.1 National Breast Cancer Foundation – Total Donation of $216,000

Breast Cancer is one of the most common causes of cancer related deaths of women in Australia and this year more than 13,000 women will be diagnosed with this devastating disease and sadly many may not win the fight.

David Jones donated $216,000 to the National Breast Cancer Foundation in FY2009 as detailed below:

– During Pink Ribbon month David Jones staff and customers contributed $76,000 through staff breakfasts and the sale of Pink Ribbon merchandise nationally.

– The David Jones Charity Bear raised $110,000 this year with the launch in October of our eighth David Jones Charity Bear, Annabelle.

– Our $30,000 research grant donation in support of treatments for breast cancer this year went to Dr Georgia Halkett of Curtin University of Technology in Western Australia.

Source: Herald Sun 20/02/09

DAVID JONES HAS MADE DONATIONS OF $1,181,800 FOR THE PAST YEAR

We are also pleased to report that on 8 October 2009, David Jones will hold the inaugural David Jones National Breast Cancer Foundation Donation Day whereby all profits made from all sales in all stores will be donated to the National Breast Cancer Foundation.

3.2 Rose Clinic – Total Donation of $50,000

David Jones has a longstanding commitment to the Rose Clinic, which is located in Elizabeth Street, Sydney store and provides services such as breast screening, blood tests and bone density assessments for women. Our Company contributes towards operating costs to assist with the funding of a nurse's wage to service the clinic and makes a donation of $50,000 each financial year. The Rose Clinic has provided services to over 40,000 customers since its launch in 2003.

3.3 Dreamball – Total Donation of $26,800

David Jones made a total donation of $26,800 to the Look Good Feel Better initiative of the Cosmetics, Toiletry and Fragrance Foundation of Australia, supporting women in the community living with cancer.

4. CHILDREN'S HEALTH

4.1 Children's Cancer Institute of Australia – Total Donation of $125,000

David Jones has an ongoing commitment to support research into neuroblastoma and made contributions of $100,000 to a grant for Dr Michelle Henderson, who works in the Experimental Therapeutics Program headed by Professor Michelle Haber.

For the month of February, David Jones supported the inaugural Gold Ribbon Month which saw David Jones staff and customers contribute $25,000 from the sale of Gold Ribbon Merchandise in our stores nationally.

5. OTHER CHARITIES

5.1 Talent Development Program – Total Donation of $14,000

David Jones contributed $14,000 to the Talent Development Program to provide funds to discover, develop and deliver career opportunities for exceptionally talented young performers and songwriters from NSW public schools.

OCCUPATIONAL HEALTH AND SAFETY

1. OH&S POLICY

David Jones is committed to the health, safety and welfare of all employees, contractors, visitors and customers.

The Company's commitment is demonstrated through the ongoing implementation of safety awareness and management activities, which has contributed to an improvement in its OH&S performance.

David Jones aims to continually improve its health and safety performance through its OH&S Program, which ensures that all its sites have policies and procedures, training programs and specialist support to assess and manage its OH&S risks effectively.

Consultations are held with employees on issues that may affect their health, safety and welfare at work.

2. OH&S PERFORMANCE

2.1 FY2009 Performance

To monitor its performance, the Company conducts regular OH&S reviews, site inspections and audits.

For FY2009, David Jones achieved a Lost Time Injury Frequency Rate of 7.9.

All locations have had a marked improvement over the past year in the number of lost time injuries sustained through workplace incidents. This result is attributed to all employees embracing safety as a priority, as the OH&S Program evolves.

2.2 Awards

Each year David Jones recognises special achievement for excellence in safety leadership with the "SafetyFirst@davidjones" Award. This is based on lost time injury performance, workers compensation costs and compliance to OH&S actions.

In FY2009, the Tuggerah store received the "SafetyFirst@davidjones" Award.

3. OH&S INITIATIVES

This year the focus has been to build upon the Company's performance and initiatives implemented in FY2008 to continue to develop a safety culture.

3.1 OH&S Universal Competency

A new universal competency has been developed under the banner "SafetyFirst@davidjones: Think Safe, Act Safe, Be Safe' which endorses the Company's philosophy that employees will more likely be safe if they 'think' and 'act' in a safe manner. The competency is a guide for all employees on the constructive and highly constructive behaviours that David Jones expects to be demonstrated in relation to safety.

The new competency sets clear expectations for OH&S performance for all employees which will assist in developing a culture where all employees value OH&S.

All line managers, supervisors and head office employees will be assessed against this competency as part of their FY2009 performance appraisal.

The introduction of the new OH&S competency builds on the Key Responsibility Area of Lost Time Injuries, which was introduced in FY2008 and linked to the STI Scheme for all Stores Management.

3.2 OH&S Structure

The Company has increased the support to injured employees and line managers through an increase in the number of Regional OH&S Managers and the appointment of Regional Injury Management Specialists as part of the OH&S Management structure. This is in line with its OH&S Policy to ensure that appropriate internal resources are allocated to the OH&S Program.

3.3 Caring For Injured Staff

In line with the Injury Management and Rehabilitation Policy, David Jones is committed to the rehabilitation of injured employees through early intervention by providing access to skilled medical practitioners and physiotherapists. This has allowed for a reduction in the severity of injuries to employees by ensuring all employees who sustain an injury at work receive immediate medical attention.

3.4 Launch of a new OH&S Management System

As a as part of the OH&S continuous improvement program, the first phase of a new OH&S Management System has been developed.

This occurred in consultation with the OH&S Action Teams and in line with the Company's vision, policies, performance standards and associated legislative requirements. The David Jones OH&S Management System will aid in systematically controlling risks to all employees, contractors, visitors and customers.

During the last twelve months, over 650 line managers and supervisors have attended training sessions detailing the content of the new policies and procedures. Frontline employees and OH&S Action Team members have also received training in the OH&S Management System.

49%
REDUCTION IN THE NUMBER OF LOST TIME INJURIES ON THE PREVIOUS YEAR

DIRECTORS' REPORT

The Directors present their Report together with the Financial Statements of David Jones Limited (**Company**) and the Consolidated Entity for the 52 weeks ended 25 July 2009.

DIRECTORS

The Directors of the Company in office at any time during, or since the end of, the financial year are as follows:

Robert Savage	Chairman and independent Non-Executive Director
John Coates AC	Deputy Chairman and independent Non-Executive Director
Mark McInnes	Chief Executive Officer and Executive Director
Stephen Goddard	Finance Director and Executive Director
Reginald Clairs AO	Independent Non-Executive Director
John Harvey	Independent Non-Executive Director
Katie Lahey	Independent Non-Executive Director
Peter Mason AM	Independent Non-Executive Director

The above Directors were in office for the entire financial year and up to the date of this Report.

For details of the Directors' qualifications, experience, special responsibilities and other Directorships, refer to pages 10 to 11, which are to be read as part of this report.

COMPANY SECRETARY

The Company Secretary is Caroline Waldron (LLB (Hons), ACIS). Caroline Waldron was appointed to the position of Company Secretary on 21 March 2005. She is also General Counsel and has more than 14 years in-house legal experience working with boards of directors and senior management in public listed companies in Australia and New Zealand.

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year consisted of department store retailing and a financial services alliance with American Express.

The Consolidated Entity entered into agreements with American Express on 19 February 2008, relating to the assignment of all store card and credit reserve receivables on 1 August 2008 and the launch of a general purpose credit card.

Otherwise, there were no significant changes in the nature of the activities of the Consolidated Entity during the financial year.

DIVIDENDS

Dividends paid or declared by the Company to ordinary shareholders since the end of the previous financial year were as follows:

	Cents Per Share	Total Paid / Payable $000	Date Paid / Payable
Dividends paid during the year			
2008 Final dividend	16.0	78,549	5 November 2008
2009 Interim dividend	11.0	54,518	4 May 2009
Dividends declared after year end			
2009 Final dividend	17.0	85,112	2 November 2009

All dividends were fully franked at the tax rate of 30%.

REVIEW OF OPERATIONS

The profit after income tax expense of the Consolidated Entity for the financial year was $156.522 million.

The full financial position of the Consolidated Entity is shown in the Financial Statements and the accompanying notes on pages 58 to 112.

A detailed review of operations and the results of those operations is set out in the Chairman and Chief Executive Officer's Report on pages 2 to 8.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Comments on likely developments or expected results of the Consolidated Entity's operations are included in the Chairman and Chief Executive Officer's Report. Further information on likely developments in the operations of the Consolidated Entity and the expected results of those operations in future financial periods has been omitted as the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity's interests.

BUSINESS STRATEGIES AND PROSPECTS

Information on the Consolidated Entity's business strategies and its prospects for future financial years is included in the Chairman and Chief Executive Officer's Report. In the opinion of the Directors, further information on the Consolidated Entity's business strategies and its prospects for future financial years would, if included in this Report, be likely to result in unreasonable prejudice to the Consolidated Entity and has accordingly been omitted.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, other than the items noted below, there were no significant changes in the state of affairs of the Consolidated Entity during the financial year.

TRANSFER OF RECEIVABLES

The Consolidated Entity transferred its store card and credit reserve receivables to American Express Australia Limited (American Express) on 1 August 2008. The cash consideration received from American Express on the assignment of receivables of $374.311 million was partly used to repay bank finance facilities resulting in a reduction in current interest bearing liabilities of $241.000 million and a reduction in non-current interest bearing liabilities of $100.000 million. The balance of funds received from American Express resulted in an increase in cash assets of $33.311 million. Further details are disclosed in note 4 to the Financial Statements.

DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each Director during the financial year were:

	DIRECTORS' MEETINGS			AUDIT COMMITTEE MEETINGS		REMUNERATION AND NOMINATIONS COMMITTEE MEETINGS		PROPERTY COMMITTEE MEETINGS	
	SCHEDULED		BY WRITTEN RESOLUTION[1]						
DIRECTOR	A	B		A	B	A	B	A	B
Robert Savage	9	9	3	4[2]	–	4	4	3	3
John Coates AC	9	9	2	4	4	–	–	3	3
Mark McInnes	9	9	3	–	–	–	–	–	–
Stephen Goddard	9	9	3	–	–	–	–	–	–
Reginald Clairs AO	6	9	3	1[2]	–	3	4	–	–
John Harvey	9	9	3	4	4	–	–	–	–
Katie Lahey	9	9	3	–	–	4	4	–	–
Peter Mason AM	9	9	3	4	4	–	–	–	–

A Number of meetings attended
B Number of meetings held during the time the Director held office or was a member of a committee during the year
1 Written resolution passed to deal with specific matters and signed by all Directors
2 Attended on an ex-officio basis

During the financial year, Directors also visited many of the Company's stores and major suppliers to improve their understanding of retail operations.

DIRECTORS' INTERESTS

The relevant interest of each Director in the contributed equity of the companies within the Consolidated Entity, as notified by the Directors to the ASX in accordance with section 205G(l) of the Corporations Act, at the date of this Report is as follows:

DIRECTOR	ORDINARY SHARES IN THE COMPANY	LTI PLAN RIGHTS[1,2]
Robert Savage	125,782	–
John Coates AC	49,776	–
Mark McInnes	1,490,153	3,769,637
Stephen Goddard	607,460	1,905,414
Reginald Clairs AO	185,528	–
John Harvey	33,745	–
Katie Lahey	22,316	–
Peter Mason AM	107,850	–

[1] Not applicable to Non-Executive Directors

[2] In accordance with the LTI Plan rules the number of ordinary shares which may be allocated is dependent on Company and individual performance and can range from zero up to 100% of the rights allocated under some plans.

RIGHTS TO UNISSUED SHARES

At the date of this Report, the Company has on issue rights under the LTI Plan which could convert to 19,505,051 ordinary shares in future periods. The Company will not receive any monetary consideration on the vesting of these rights. Further details including the expiry date of the rights outstanding are disclosed in the Remuneration Report.

SHARES ISSUED DURING OR SINCE THE END OF THE YEAR AS A RESULT OF THE EXERCISE OF RIGHTS

During the financial year, 6,607,438 rights under the LTI Plan converted to 7,001,157 fully paid ordinary shares in the capital of the Company. No money was received by the Company on the conversion of these rights to ordinary shares.

Since the end of the financial year 1,969,585 rights under the LTI Plan converted to 1,969,585 fully paid ordinary shares in the capital of the Company. No money was received by the Company on the conversion of these rights to ordinary shares.

EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

On 24 September 2009, the Directors declared a final dividend of 17 cents per ordinary share, fully franked at the tax rate of 30%. The final dividend is payable on 2 November 2009.

REMUNERATION REPORT

The Remuneration Report, which forms part of the Directors' Report, is set out on pages 38 to 57 and has been audited as required by section 308(3c) of the Corporations Act.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

Indemnification of Directors

The Company has indemnified each Director referred to on page 34 of this Report, the Company Secretary and previous Directors and Secretaries (**Officers**) against all liabilities or loss (other than to the Company or a related body corporate) that may arise from their position as Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or indemnification is otherwise not permitted under the Corporations Act. The indemnity stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses, and covers a period of seven years after ceasing to be an Officer of the Company. The indemnity is contained in a Deed of Access, Insurance and Indemnity, which also gives each Officer access to the Company's books and records.

The Company has also indemnified the current and previous Directors of its controlled entities and certain members of the Company's senior management for all liabilities or loss (other than to the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving a lack of good faith or indemnification is otherwise not permitted under the Corporations Act.

Indemnification of Auditors

The Constitution of the Company provides that it must indemnify its auditors, Ernst & Young, against any liability incurred in their capacity as auditor in defending any proceedings, whether civil or criminal, in which judgement is given in their favour or in which they are acquitted or in connection with any application in relation to any such proceedings in which relief is granted under the Corporations Act.

As part of the Company's terms of engagement with Ernst & Young, the Company has agreed to indemnify Ernst & Young against certain liabilities to third parties arising from their engagement as auditor. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young.

Insurance premiums

The Company has paid insurance premiums for one year of cover in respect of Directors' and Officers' liability insurance contracts, for Officers of the Company and of its controlled entities. The insurance cover is on standard industry terms and provides cover for loss and liability for wrongful acts in relation to the relevant person's role as an Officer, except that cover is not provided for loss in relation to Officers gaining any profit or advantage to which they were not legally entitled, or Officers committing any criminal, dishonest, fraudulent or malicious act or omission, or any knowing or wilful violation of any statute or regulation. Cover is also only provided for fines and penalties in limited circumstances and up to a small financial limit. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy including the amount of the premiums.

During the financial year, the Company has not paid any premium in respect of any insurance relating to Ernst & Young.

ENVIRONMENTAL REGULATION

The Company takes a responsible approach in relation to the management of environmental matters. All significant environmental risks have been reviewed and the Consolidated Entity has no legal obligation to take corrective action in respect of any environmental matter. To the best of the knowledge and belief of the Directors, the Company is not in breach of any environmental legislation in any State or Territory. The Company's approach to environmental matters is further discussed in the Environment section on pages 27 to 30 of this Annual Report.

AUDIT SERVICES

Auditor's independence declaration

The auditor's independence declaration to the Directors of the Company in relation to the auditor's compliance with the independence requirements of the Corporations Act and the professional code of conduct for external auditors, forms part of the Directors' Report, and is set out on page 114.

No person who was an Officer of the Company during the financial year was a director or partner of the Consolidated Entity's external auditor at a time when the Consolidated Entity's external auditor conducted an audit of the Consolidated Entity.

Non-audit services

No non-audit services were undertaken by the Consolidated Entity's external auditor, Ernst & Young, during the financial year.

Audit services

During the financial year, the following fees were paid or were due and payable for services provided by the external auditor of the Company and Consolidated Entity:

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$	$	**$**	$
Audit and review of the Financial Statements	**644,485**	829,536	**644,485**	829,536
Other audit services:				
– assurance procedures in relation to the total shareholder return for LTI Plan	**–**	8,858	**–**	8,858
– audit of workers compensation wages declaration	**3,399**	3,090	**3,399**	3,090
Total other audit services	**3,399**	11,948	**3,399**	11,948
Total auditor's remuneration	**647,884**	841,484	**647,884**	841,484

PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought on behalf of the Company, nor has any application been made in respect of the Company under section 237 of the Corporations Act.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investment Commission and in accordance with that Class Order as in force as at 25 July 2009 amounts in this Report and the accompanying financial statements have been rounded to the nearest one thousand dollars unless otherwise indicated.

Signed in accordance with a resolution of the Directors:

Robert Savage
Chairman

Mark McInnes
Executive Director and Chief Executive Officer

Sydney, 2 October 2009

DIRECTORS' REPORT: REMUNERATION REPORT

CONTENTS

1. SCOPE OF THE REPORT

This Remuneration Report outlines the remuneration arrangements for Key Management Personnel **(KMP)**. The term KMP refers to those persons having the authority and responsibility for planning, directing and controlling the activities of David Jones, directly or indirectly. KMP includes Directors, Non Executive Directors, Executive Directors and the five highest paid senior executives of David Jones. This Remuneration Report incorporates disclosures required by the Corporations Act and has been audited.

2. REMUNERATION PHILOSOPHY AND OBJECTIVES

The key principles of the David Jones remuneration philosophy are integral to embedding a culture that is highly results-oriented and is designed to ensure the Company remunerates employees in a way that recognises and rewards performance while upholding the interests of shareholders, the Company and the individual. David Jones' approach to performance and remuneration can be defined as:

– applying a "pay for performance" philosophy that directly links employee remuneration to the achievement of individual results and the Company's overall performance;

– balancing incentives to appropriately reward superior results in the short term and sustained performance over the long term;

– ensuring employees are remunerated in a way that recognises and rewards individual performance while upholding the longer term interests of shareholders and continued strong performance of the Company; and

– providing remuneration that is market competitive and enabling the attraction, motivation and retention of high performing employees.

2.1 The David Jones Competencies

David Jones competencies describe the skills, capabilities and behaviours required of employees in order to achieve their outcomes. These competencies have been incorporated into every performance-based program that links to recognition, reward and remuneration: the annual performance appraisal, the annual remuneration review, the STI Scheme and the LTI Plan. The David Jones competencies are summarised as follows:

Universal competencies – apply to all employees and include Live for our Customers, Strive to Achieve, See it Do it, Unite the Business and Think Safe, Act Safe, Be Safe.

Management competencies – apply to line managers in addition to the universal competencies and include Results through Others, Business Savvy, Cost Efficiency Leader and Shape our Future.

Senior executive competencies – apply to Senior Executives in addition to the universal and management competencies and includes Grow, Grow, Grow.

The high performance culture established at David Jones has been derived from achieving an effective balance between "what" an employee delivers, "how" they go about doing this and the increased focus on aligning Company performance with employee remuneration.

3. ROLE OF THE REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee (the **Committee**), a sub-committee of the Board, operates under the delegated authority of the Board. The Committee is currently comprised of three Non-Executive Directors as follows:

– Reginald Clairs; (Chairman)

– Katie Lahey; and

– Robert Savage.

Details of the meetings attended by each member of the Remuneration and Nominations Committee may be found on page 35 of the Annual Report. The full charter of the Committee is available on the corporate governance section of the David Jones website – www.davidjones.com.au.

The Committee is responsible to the Board for ensuring the following:

– remuneration practices for all employees are aligned with David Jones' strategy and objectives;

– fair, responsible and equitable remuneration of Non-Executive Directors, Directors, executives and members of senior management having regard to the performance of David Jones, the performance of the individual and the external remuneration environment;

– an appropriate balance between fixed, short and long term incentive components of remuneration;

– the review of, and recommendation to the Board on, the nature and composition of the STI Scheme and the LTI Plan with specific emphasis on senior executives reporting to the CEO;

– the review of, and recommendation to the Board on, the remuneration of Directors (including Non-Executive Directors) and members of the Management Committee and the terms of their employment contracts;

– the review of, and recommendation to the Board on, any annual payments to be made to Executive Directors under the STI Scheme and LTI Plan;

– recommendations to the Board in relation to the appointment or separation of the Company Secretary or any direct reports to the CEO;

– short listed candidates are proposed to the Board for appointments to the Board and to the position of CEO; and

– the review of succession plans for the CEO, Chairman and each of the Board sub committees' chairmen as well as direct reports to the CEO.

The Committee has access to other Directors, members of senior management and specialist advisers as it may require. David Jones has engaged external advisers during the year on matters of remuneration. All advisers are independent and were engaged solely on the basis of their expertise in the relevant field.

4. REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

The remuneration structure for senior executives, including the Company Secretary, involves three components:

– fixed remuneration;

– short-term incentives (**STI**); and

– long-term incentives (**LTI**).

4.1 Summary of Remuneration Mix

The Company's remuneration structure is designed to achieve an effective balance between fixed and variable components of remuneration, specifically, to drive decisions and behaviours that focus on achieving short-term annual results, while at the same time giving consideration to the longer term profitability of the Company and sustainable shareholder value. The following table summarises the current targeted remuneration mix of senior executives:

		% OF TOTAL TARGETED REMUNERATION		
	Position	Fixed Remuneration	STI	LTI
Executive Directors	CEO	35%	35%	30%
	Finance Director	46%	24%	30%
Other Senior Executives	CEO Direct Reports[1]	50%	20%	30%

[1] Based on average of all CEO Direct Reports

As these executives are integral to the formulation and implementation of long-term Company strategy, there has been a steady shift in the weighting of the remuneration mix from fixed remuneration towards variable remuneration components of short-term and long-term incentives.

4.2 Fixed Remuneration

David Jones' policy in relation to employees is to provide "at market" remuneration for fulfilling target requirements of the role and the opportunity for "above market" remuneration for superior performance.

Fixed remuneration is comprised of Employment Cost (**EC**) made up of base salary plus superannuation guarantee contributions and other benefits provided through salary sacrificing arrangements. EC is determined by reference to formal benchmarked information relating to external employment markets, as well as individual performance and position accountabilities, requirements, qualifications and experience.

Any adjustment to fixed remuneration is based on individual performance. An annual appraisal process is undertaken on the individual performance of all executives. Individual performance is assessed against both David Jones competencies and Key Result Areas (**KRAs**), which are technically based and relevant to the employee's annual objectives.

The result of the executive's individual appraisal is linked to the annual remuneration review and determines what, if any, increase will be received. No increases are guaranteed. If the executive does not meet the target requirements of his or her KRAs or competencies, his or her EC is not increased.

In light of the ongoing forecasted challenges of the macro economic environment and impact on retailing, the remuneration review for 2009 has been suspended for the Board, CEO, Finance Director and all executives. This means that the EC for these individuals will not increase in FY2010.

4.3 Short Term Incentive Scheme

The STI Scheme is a performance-based scheme, designed to link specific annual targets (predominantly financial) with the opportunity to earn cash-based incentives derived from a percentage of EC.

The objectives of the STI Scheme are to:

– reinforce and embed the "pay for performance" philosophy underpinning the remuneration philosophy;

– motivate employees towards the achievement of annual Company results;

– reward the results and behaviours consistent with the Company's objectives and values; and

– reinforce direct and individual accountability for achieving financial targets.

The STI Scheme is currently uncapped for all executives, that is, STI payments for above budget performance are directly linked to the level of increase in profit generated, and are subject to review and approval by the Board. To ensure continuous improvement, the STI Scheme performance measures are comprehensively reviewed and communicated annually. At the beginning of the financial year the Committee recommends to the Board the STI Scheme performance targets and measures for senior executives.

4.3.1 Participation and Performance Measures

Annual participation in the STI Scheme is conditional on achieving the required level of performance in the annual performance appraisal process. To qualify for annual participation in the STI Scheme, an employee must achieve the KRAs applicable to their role, as well as consistently demonstrate the behaviours comprising the David Jones competencies. If an employee does not achieve the Company's target appraisal score, they do not participate in the STI Scheme for that year despite achieving their hurdles and qualifiers.

At the commencement of each financial year, eligible employees are advised of their potential STI Scheme reward and the hurdles and qualifiers they need to achieve, in order to qualify for an STI Scheme payment. The nature of STI Scheme hurdles and qualifiers is summarised as follows:

- each employee is allocated a minimum of two hurdles and four qualifiers, depending on the function in which they work;
- irrespective of performance, if one hurdle is not met, no STI is payable;
- all hurdles must be achieved in order to earn an STI Scheme payment;
- when the hurdles are achieved, the employee is further assessed against a number of qualifiers specific to the position they occupy;
- the number of qualifiers achieved determines the actual percentage of their STI Scheme received;
- the employees' STI Scheme reward quantum is determined by reference to a percentage of their EC; and
- the percentage of EC is based on the level of their position, accountability, performance and external market data.

At the end of the financial year, there is a structured and formal STI Scheme evaluation process with a minimum of two review and sign off points per employee. The Committee compares the audited financial results to the hurdles and qualifiers of the Executive Directors and other senior executives for the purpose of validating the level of achievement, STI Scheme calculations and resultant STI Scheme payment. The Committee then makes a recommendation to the Board regarding the appropriateness of the STI Scheme payments based on audited financial results. Specific information relating to the STI Scheme payments for Executive Directors and other senior executives for FY2009 is detailed on page 54 of this Remuneration Report. The following is a summary of the performance measures for KMP:

KMP	STI performance criteria							STI potential at budget as a percentage of EC
	NPAT	CAPEX	Costs	Profit[2]	Sales	GMROI[3]	Strategic	
M. McInnes[1]	✓	✓	✓				✓	100%
S. Goddard[1]	✓	✓	✓				✓	50%
D. Eales	✓			✓	✓		✓	45%
C. Garnsey	✓		✓	✓	✓	✓	✓	45%
A. Karp	✓	✓	✓				✓	45%
P. Robinson	✓		✓	✓	✓	✓	✓	45%
P. Zahra	✓		✓	✓	✓		✓	45%

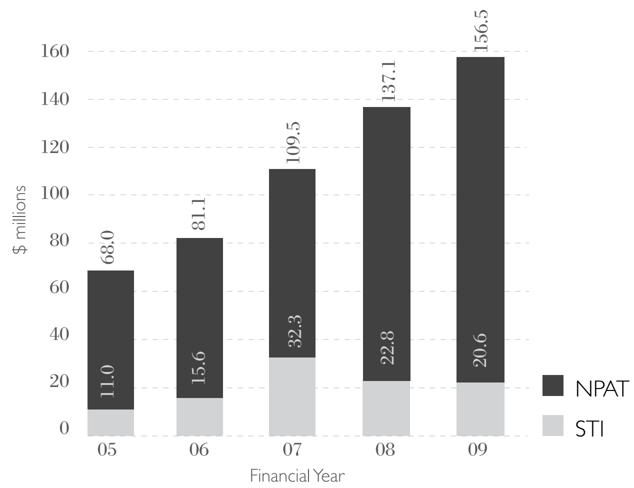
[1] The CEO and Finance Director's future STI payments are dependant on specific NPAT performance targets.
[2] Profit relates to functional responsibility and will be Earnings Before Tax, Buying Gross Profit or Stores Net Profit
[3] GMROI stands for Gross Margin Return on Investment

4.3.2 Payment

Once approved by the Board, the STI Scheme payments are made to participants in cash, generally in October of each year, unless participants have elected to make a pre-tax payment into their superannuation fund.

4.3.3 Link to Company Performance

As the graph below demonstrates, there is a high correlation between the total STI Scheme payments for the Company and NPAT growth over the last five financial years. NPAT is measured on an underlying basis and therefore excludes one off transactions (e.g. the impact of the unwinding of the sale and leaseback and the sale of Little Bourke Street).



Correlation of STI Payments to NPAT

4.4 Long Term Incentive Plans

David Jones currently provides a performance based LTI to its senior executives through the LTI Plan. The LTI Plan is designed to link employee reward to performance measures that drive sustainable growth in shareholder value.

The objectives of the LTI Plan are to:

- align the interests of senior executives with shareholder interests;
- balance short-term with long-term Company focus; and
- retain high calibre senior executives by providing an attractive equity-based incentive.

Refer to Appendix One (on page 52) for a summary of all David Jones LTI and Retention Plans.

4.4.1 Participation

In principle, only senior executives who are able to directly influence the long-term success of the Company and who exhibit a consistent level of high performance will be nominated for LTI Plan participation. Participation in the LTI Plan is subject to annual Board approval in accordance with the LTI Plan Rules. Participation in the plan for Executive Directors is subject to the approval of shareholders in accordance with ASX Listing Rules.

The number of LTI rights granted to senior executives is derived from a percentage of EC. The percentage of EC is based on the level of their position, accountability, performance and external market data.

All LTI rights are nil exercise price rights and no consideration is paid when they vest. One right is equal to a maximum of one share. Participants are prohibited from entering into transactions in financial products which operate to limit the economic risk of unvested rights including any hedging or similar arrangement. A summary of the Company's Share Trading Policy is set out on pages 23 to 24 of this Annual Report.

4.4.2 Performance Measures

All offers made are subject to the Corporations Act, ASX Listing Rules and the terms of the LTI Plan Rules. Pursuant to the LTI Plan Rules, the Board may amend, waive or replace the performance measures in the event of significant events that were not foreseen in the Company's business plan for the period.

4.4.3 After Vesting

Once the rights have vested and converted to shares, the shares are retained in a holding lock. For the KMP, Board approval is required to release the holding lock.

The Company's Share Trading Policy sets out the basis on which Directors and senior executives may deal with their shares and LTI rights. A summary of these terms is set out on pages 23 to 24 of this Annual Report.

4.4.4 Link to Company Performance

The past five years share performance and dividend payments are shown in the two tables below.

	FY2009	FY2008	FY2007	FY2006	FY2005
Share Price (Last day of each financial year)	$5.05	$3.34	$5.63	$3.00	$2.08
Dividends per share (cents)	28.0	27.0	22.0	16.0	13.0

*Total Shareholder Return (**TSR**)*

TSR measures the return a shareholder obtains from ownership of shares in the Company during a defined period of time and takes into account changes in the market value of the shares and dividends paid. TSR is the share price appreciation over the measurement period plus dividends, expressed as a percentage of the investment and reflects the increase in value delivered to shareholders over the performance period. TSR is measured against a peer group of companies over the relevant performance period. The Company's performance is assigned a percentile ranking based on its performance relative to other companies comprising the comparator group (the highest ranking company being ranked at the 100th percentile).

The comparator group is comprised of peer ASX 300 companies, both non-retail and retail that, like the Company, are significantly impacted by consumer spending and sentiment and/or economic cycles.

The share prices used for the purpose of the TSR calculation are determined as the average daily closing price over the three-month period immediately preceding the start and end of the performance period. The TSR of all the companies in the peer group, and the Company, are ranked at the end of the performance period. There is no opportunity to retest the TSR performance.

In the general market, shareholders support a measure that is linked to external factors. The primary reasons for its use as a performance measure are as follows:

- TSR is the prevailing external measure most used by companies and is well regarded by the market;
- TSR is a fair reflection of the Company's performance; and
- TSR is a truly comparative external benchmark when measured against a well-selected peer group.

TSR is a performance measure for the FY2007 – FY2009 LTI, FY2008 – FY2010 LTI, FY2009 – FY2011 Retention Plan and for select senior executives who are participants of the FY2009 – FY2012 Retention Plan.

The table below shows David Jones' TSR performance for the completed LTI Plan offers. David Jones' TSR performance for these offers has exceeded the median of the TSR peer group of companies and has resulted in a performance ranking in the top quartile of the peer group.

LTI PLAN OFFER	DAVID JONES' TSR RETURN	DAVID JONES' PERFORMANCE RANKING
FY2003–FY2005	97.6%	Ranked in top quartile
FY2004–FY2006	165.3%	Ranked in top quartile
FY2005–FY2007	280.2%	Ranked in top quartile
FY2006–FY2008	104.2%	Ranked in top quartile
FY2007–FY2009	75.0%	Ranked in top quartile

*Earnings Per Share (**EPS**)*

EPS represents how much growth in profit has been achieved in the last year for shares that have been issued by the Company and is expressed as growth in NPAT divided by the weighted average number of ordinary shares outstanding during the year. The primary reasons for its use as a performance measure are as follows:

– EPS is seen as strongly linked to shareholder wealth, as a consistent payout ratio will lead to dividend growth;
– EPS as a performance measure is as commonly used as TSR; and
– TSR and EPS were the most widely used combination of performance measures based on external benchmarking data.

In line with prevailing market practice, EPS is measured as a Compound Annual Growth Rate (**CAGR**) from the grant date to the end of the performance period. Accordingly, the EPS result for the final year of the performance period will be compared with the EPS result of the base year, which in the case of the FY2007–FY2009 LTI Plan grant will be FY2006.

There are two significant factors relating to EPS that will impact the EPS result over the period of the existing LTI Plan grants.

The first factor is the Reset Preference Shares (**RPS**) that were introduced in 2002 to raise capital to support the Company's balance sheet as it pursued a strategy of growth projects and high capital expenditure. The RPS fully converted on 1 August 2007 and will have an impact on the Company's EPS in FY2008. This affects the FY2007 – FY2009 LTI Plan.

The second factor is the Retention Plan that was implemented in FY2006 to protect the Company in a time of industry restructure due to a major competitor changing ownership. The retention rights were allocated in October 2008 and this will also have an impact on EPS in FY2009.

Accordingly, the starting EPS measure will be normalised for the affected LTI grants to account for items that are outside the Company's performance and operational objectives.

The table below shows David Jones' adjusted EPS performance since FY2006. Due to adoption of international accounting standards, FY2005 year is not included for a five year comparison.

Financial Year	Adjusted EPS (cents per share)
FY2006	18.9
FY2007	25.2
FY2008	30.9
FY2009	34.5

*Net Profit After Tax (**NPAT**)*

NPAT measure is the growth in NPAT on the previous year measured on an underlying basis, which excludes one off transactions. The reason for the NPAT growth measure replacing the EPS measure for the two Retention Plans is due to the increased participation of senior executives to the FY2009 – FY2012 Retention Plan who previously have not had exposure to equity based incentives. NPAT is a performance measure that the Company has used for a number of years for its STI scheme and is therefore widely understood by these executives.

NPAT results correlate to EPS results and thus NPAT was considered the appropriate measure by the Board to be applied to both the FY2009 – FY2011 and the FY2009 – FY2012 Retention Plans. For some senior executives, including the KMP, NPAT growth and TSR have been selected as the performance measures on the basis that they offer a balance between internal and external measures. NPAT growth can be directly linked to executive decision-making and aligned to shareholder wealth.

The table below shows David Jones' adjusted NPAT annual growth from FY2006. Due to adoption of international accounting standards FY2005 year is not included for a five year comparison.

Financial Year	Adjusted NPAT Annual Growth
FY2006	19.3%
FY2007	35.0%
FY2008	25.2%
FY2009	14.2%

4.4.5 FY2007 – FY2009 Long Term Incentive Plan

Participation

Participation to this plan is limited to senior executives which include the CEO and Finance Director. Details of the grants to the CEO, Finance Director and KMP are tabled in Appendix Four (on page 56) of this report (Equity Holdings of KMP).

Performance Measures

As with prior offers, the LTI rights vest and convert to ordinary shares at the end of the three year performance period subject to the achievement of performance hurdles. Half (50%) is subject to the EPS hurdle and the other 50% is subject to the TSR hurdle. There is no re-testing of TSR.

The following table summarises how entitlements are calculated for each of the two performance measures

		PERFORMANCE LEVEL			
	WEIGHTING	BELOW THRESHOLD	THRESHOLD	TARGET	STRETCH
TSR	50%	<50th Percentile	50th Percentile	62nd Percentile	75th Percentile
EPS	50%	<5%	5%	7.5%	10%
Reward %	100%	0%	50%	75%	100%

Vesting Schedule

All performance measures have been achieved at the stretch performance level with 1,969,585 rights vested and converted to 1,969,585 ordinary shares on 2 October 2009.

4.4.6 FY2008 – FY2010 Long Term Incentive Plan

Participation

Due to the introduction of the FY2009 – FY2012 Retention Plan, participation in this LTI offer was limited to the CEO and Finance Director. Details of the grants to the CEO and Finance Director are tabled in Appendix Four (on page 56) of this report.

Performance Measures

As with prior offers, the LTI rights vest and convert to ordinary shares at the end of the three year performance period, subject to the performance hurdles being met. Half (50%) is subject to the EPS hurdle and the other 50% is subject to the TSR hurdle. There is no re-testing of TSR.

Vesting Schedule

The performance period ends in July 2010. If the performance measures have been met and the rights vest, the rights will be converted to shares. The LTI Plan rules require the shares to be retained in a holding lock. For the KMP, Board approval is required to release the holding lock.

4.4.7 CEO and Finance Director FY2009 – FY2011 Retention Plan

Participation

At the 28 November 2008 Annual General Meeting, shareholders approved the allocation of retention rights to the CEO and Finance Director under the FY2009 – FY2011 Retention Plan.

The FY2009 – FY2011 Retention Plan will operate from 1 August 2008 to end October 2011 and has both performance and retention elements. Specifically, it is designed to achieve the following:

– ongoing tenure and continuity of the skills and expertise of the CEO and Finance Director;

– incentivise the CEO and Finance Director to continue to grow profit returns off the "top of the cycle" result in FY2008;

– incentivise the CEO and Finance Director to maximise shareholder returns, particularly during a period of difficult economic conditions; and

– ensure successful delivery of the Company's Strategic Plan over this period.

The FY2009 – FY2011 Retention Plan replaces the FY2006 – FY2008 Retention Plan. Given the performance element built into the FY2009 – FY2011 Retention Plan grants, it is also intended that no further grants under the LTI Plan be given relating to this period. The FY2009 – FY2011 Retention Plan performance period is three years, covering FY2009, FY2010 and ending in FY2011.

The CEO was granted a total of 3,387,900 Retention Rights and the Finance Director was granted a total of 1,732,258 Retention Rights under the FY2009 – FY2011 Retention Plan. Each right is equal to a maximum of one share.

Performance Measures

For the FY2009 – FY2011 Retention Plan NPAT and TSR were selected as the performance hurdles. Both measures can be directly linked to the performance of the Company and together offer a balance between internal and external measures.

Net Profit After Tax

FY2008 is the base year for measurement of NPAT growth and is measured on an underlying basis, which excludes one off transactions. NPAT measures will be set each year and are independent of each other. The target is 5% growth and the stretch is at 10%, with pro-rata between 5% and 10%.

50% of the tranche vests where NPAT growth reaches target and 100% of the tranche vests when NPAT growth reaches the stretch level. There is no further upside for participants for NPAT over this maximum level.

Total Shareholder Return

The TSR target is set at the 50th percentile of the Company's current TSR comparator group and stretch at the 75th percentile, with pro rata between 50th and 75th. Half of the agreed proportion of shares will vest at the 50% percentile of the comparator group, and the maximum vesting occurs when TSR reaches the 75% percentile of the comparator group. TSR is measured annually for each tranche.

Vesting Schedule

The grant comprises three tranches corresponding to each of the FY2009, FY2010, and FY2011 years. Whilst the rights are granted subject to attaining NPAT and TSR targets, a staggered grant allocation (30%/ 30%/ 40%) has been introduced to ensure ongoing incentives during the life of the plan.

Financial performance conditions of NPAT growth and TSR for tranche 1 of the FY2009 – FY2011 Retention Plan have been achieved at stretch level. Shares will be allocated when the service conditions outlined below are satisfied.

Service Conditions

Subject to the CEO and Finance Director fulfilling the service conditions and in particular, continuous employment aligned to the end date of the final tranche, rights that have met their performance condition will convert to shares. During a period where a participant holds rights that have met their performance conditions that are not allocated, the participant is entitled to the cash equivalent of dividends that would otherwise be paid. The Company pays these dividends as ordinary times earnings and deducts tax as required by the executive's marginal tax rate.

The staggered performance conditions and final service conditions are designed to promote retention across the plan period.

The LTI rights will vest and shares allocated subject to the above performance and service conditions being met. A summary of the vesting schedule is shown below:

Tranche	FY	% Vesting	Measure	Weighting	When shares vest/are allocated
1	FY2009	15%	NPAT	50%	October 2011
		15%	TSR	50%	
2	FY2010	15%	NPAT	50%	October 2011
		15%	TSR	50%	
3	FY2011	20%	NPAT	50%	October 2011
		20%	TSR	50%	
Total		100%	NPAT	50%	
			TSR	50%	

4.4.8 Executive FY2009 – FY2012 Retention Plan

Based on the success of the FY2006 – FY2008 Retention Plan where 100% of executive participants were retained, David Jones has implemented a retention plan that operates over a four year period aligned with the Company's FY2009 – FY2012 Strategic Plan.

This plan replaces the FY2006 – FY2008 Retention Plan as well as the LTI Plans grants for FY2009 – FY2011 and FY2010 – FY2012 which have not occurred.

The plan is designed to achieve the following:

– ongoing tenure and continuity of the skills and expertise of key executives;

– incentivise key executives to maximise shareholder return, particularly during the anticipated downturn across FY2009 and FY2010; and

– ensure delivery of the Company's FY2009 – FY2012 Strategic Plan.

Participation

In line with previously approved plans, this plan is designed to protect the ongoing success of David Jones by retaining key executives. Management recommended and the Board approved that 14.5 million rights be granted to 106 employees (excludes the CEO and Finance Director). The LTI rights will vest and shares will be allocated subject to certain performance and service conditions being met.

Performance Measures

For the FY2009 – FY2012 Retention Plan all participants are assessed based on performance against NPAT. In addition some key executives (including all KMP) have the additional performance measure of relative TSR. NPAT and TSR were selected as the performance hurdles on the basis that both measures can be directly linked to the performance of the Company and together offer a balance between internal and external measures. TSR particularly aligns the interest of shareholders and employees, and has been applied when the executive's role directly influences capital management.

Net Profit After Tax

Performance measure is the growth in NPAT adjusted for one off transactions. FY2008 is the base year for measurement, however NPAT growth targets will be set each year and are independent of each other. For each year the target was set at 5% growth with stretch level set at 10% growth.

The financial performance condition for each tranche will be satisfied when NPAT reaches target, as to 50% of the tranche. When NPAT reaches the stretch level, 100% of the performance condition is satisfied. There is no further upside for participants for NPAT over this maximum level.

Providing the service conditions outlined below are satisfied, the following summary shows the vesting schedule where NPAT is the only measure:

Tranche	FY	% Vesting	Measure	Weighting	When shares vest/are allocated
1	FY2009	20%	NPAT	100%	October 2010
2	FY2010	20%	NPAT	100%	October 2011
3	FY2011	20%	NPAT	100%	October 2011
4	FY2012	40%	NPAT	100%	October 2012
Total		100%	NPAT	100%	

Total Shareholder Return

In addition to the NPAT measure, selected executives (including all KMP) have relative TSR as an additional performance measure, given the ability of these roles to directly influence capital management.

The TSR target is set at the 50th percentile of the Company's current TSR comparator group and stretch at the 75th percentile, with pro rata between the 50th and 75th percentile. At the 50th percentile of the comparator group the performance condition for each tranche will be 50% satisfied. When TSR reaches the 75th percentile of the comparator group the financial performance condition is 100% satisfied. TSR is measured annually for each tranche.

Providing the service conditions outlined below are satisfied the following summary shows the vesting schedule incorporating both NPAT and TSR:

Tranche	FY	% Vesting	Measure	Weighting	When shares vest/are allocated
1	FY2009	10%	NPAT	70%	October 2010
		10%	TSR	30%	
2	FY2010	10%	NPAT	70%	October 2011
		10%	TSR	30%	
3	FY2011	10%	NPAT	50%	October 2011
		10%	TSR	50%	
4	FY2012	20%	NPAT	50%	October 2012
		20%	TSR	50%	
Total		100%	NPAT	58%	
			TSR	42%	

The grant comprises four tranches corresponding to each of the FY2009, FY2010, FY2011 and FY2012 years. Whilst the rights are subject to attaining NPAT and TSR targets (where appropriate), a staggered vesting schedule (20%/ 20%/ 20%/ 40%) has been introduced to ensure employees are incentivised during the life of the plan.

Service Conditions

Subject to the employee fulfilling certain service conditions and in particular, continuous employment aligned to the date of each share allocation, rights will vest and convert to shares and be retained in a holding lock. During a period where a participant holds rights that have met their financial performance conditions and the shares are not allocated, the participant is entitled to the cash equivalent of dividends that would otherwise be paid. The Company pays these dividends as ordinary times earnings and deducts tax as required by the employee's marginal tax rate.

The staggered vesting schedule, incorporating the service conditions, is designed to promote retention across the plan period. A summary of this and other LTI Plans can be found in Appendix One (on page 52) of this report.

4.5 Deferred Employee Share Plan (DESP)

Shareholders approved the DESP at the Annual General Meeting held on 23 November 1998.

This plan provides eligible employees the opportunity to acquire an ownership interest in the Company. Eligible employees may salary sacrifice a minimum of $3,000 per annum to acquire ordinary shares in the capital of the Company each year.

Under the rules of the DESP, the Board may impose relevant requirements, being vesting conditions and other conditions before the participant can withdraw shares from the DESP.

When a participating employee's employment ends, they will receive the Company's shares held on their behalf except where relevant requirements have been imposed by the Board and are not met, or where an employee has been dismissed as a result of fraudulent or wrongful conduct, in which case, the Board has the discretion to require forfeiture of any shares under the plan.

In light of the changes announced as part of the 2009 Federal Budget, the Board approved the suspension of the DESP to new share acquisitions effective 4 June 2009. The DESP is currently under review.

5. SUMMARY OF EMPLOYMENT CONTRACTS

The details of KMP remuneration including EC, STI Scheme, LTI Plan and the Retention Plan are disclosed elsewhere in this Remuneration Report. During the past twelve months the Company has continued to focus on aligning contracts of employment and terms and conditions for senior executives with the intent of securing the leadership team and ensuring continuity of the Company's performance and shareholder returns. Company exposure has been reduced by the establishment of minimum notice periods for executive initiated termination to six months, capping termination payment at either six or twelve months and by including restrictive covenants in all contracts. The following summarises the termination provisions of employment contracts for KMP:

EXECUTIVE DIRECTORS	TERMINATION BY COMPANY	TERMINATION BY EXECUTIVE
Mark McInnes (CEO) 2005 contract continues to apply	If termination is without cause, 12 months' notice is required. EC: Entitled to 12 months notice plus 12 months' severance payment. STI Scheme: receives STI Scheme payment. LTI Plan 08-10 offer: based on performance, entitled to pro-rata payment for months falling within notice period. Retention bonus: The Company will issue 1 share for each LTIP Plan right that has met its financial performance condition from the first, second and third tranches as at the date of notice.	Can terminate by giving 12 months' notice. EC: Entitled to EC up to termination date. STI Scheme and LTI Plan: entitled to STI Scheme and LTI Plan incentives that have accrued to date of termination. Retention bonus: retention bonus rights forfeited. The CEO has a restrictive covenant preventing assisting a competitor, directly or indirectly for 12 months.
Stephen Goddard (Finance Director) Rolling contract	If termination is without cause, 12 months' notice is required. EC: Entitled to 12 months' notice.	The Finance Director can terminate his appointment by giving 12 months' written notice. The Finance Director is prevented from resuming employment with specified competitors for a period of 12 months following termination.
Other senior executives Rolling contracts	The Company can terminate other executives by giving 12 months' notice in writing. EC would be paid for 12 months.	Other executives can terminate their appointment by giving 6 months' written notice unless employment is to be resumed with specified competitors, in which case 12 months notice is required.

After seeking and considering independent advice, the Board is satisfied that the termination arrangements of Mark McInnes and Stephen Goddard are reasonable, having regard to Australian employment practices.

6. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Remuneration Philosophy and Objectives

The Company's remuneration policy is designed to attract and retain appropriately skilled and experienced Non-Executive Directors best able to protect the rights and interests of shareholders and uphold accountability to shareholders for the Company's performance. The remuneration of Non-Executive Directors is not linked in any way to the performance of the Company thus ensuring Director independence and impartiality is maintained.

Remuneration Structure

Non-Executive Directors' fees are recommended by the Remuneration and Nominations Committee and determined by the Board having regard to the following:

– the Company's existing remuneration policies;

– independent remuneration advice;

– fees paid by comparable companies;

– the level of fees required to attract and retain experienced and high calibre Non-Executive Directors; and

– both the responsibilities of, and time commitments required from, each Director to carry out their duties.

Remuneration and benefits specialists with experience in Board remuneration, recommend fee levels, which are considered in detail by the Committee. Recommended fee levels are based on survey data of comparable companies and analysis of fee structures for Non-Executive Directors in a cross section of companies, including retail. Non-Executive Directors cannot participate in either the STI Scheme or LTI Plan.

In accordance with a resolution of shareholders at the 28 November 2008 Annual General Meeting, the maximum aggregate amount to be paid to Non-Executive Directors was increased to an aggregate of $2,300,000.

In light of the ongoing forecasted challenges of the macro economic environment and impact on retailing, the remuneration review for 2009 has been suspended for all executives inclusive of the Board, CEO and Finance Director. This means that the EC for these individuals will not increase in FY2010.

With the establishment of the Property Committee in FY2009, additional fees are paid to the Non-Executive Directors that are members of this Committee.

Non-Executive Directors base fees are as follows:

	Board			Audit Committee		Remuneration & Nominations Committee		Property Committee	
	Chairman $	Deputy Chairman $	Member $	Chairman $	Member $	Chairman $	Member $	Chairman $	Member $
2009 fees	454,800	263,800	171,000	42,700	23,500	28,500	18,800	42,700	23,700
2008 fees	421,000	244,200	157,900	40,000	22,400	26,900	17,900	N/A	N/A

Non-Executive Directors may participate in the DESP by electing to sacrifice Directors' fees and have shares purchased under the plan at market value. In light of the changes announced as part of the 2009 Federal Budget, the Board approved the suspension of the DESP to new share acquisitions effective 4 June 2009. The DESP is currently under review.

Retirement Benefit

Retirement benefits for Non-Executive Directors are closed to participation for directors appointed after 14 October 2003. Contributions to the retirement benefit plan for Non-Executive Directors (other than notional interest adjustments based on the retirement allowance balance) were discontinued from October 2004. Any amounts that had been previously accrued were crystallised to be held until such time as the Director retires from the Board. Details of the accrued retirement allowance balances for each of the Non-Executive Directors are as follows:

Non-Executive Director	Balance at 26 July 2008 $	Interest to 25 July 2009 $	Balance at 25 July 2009 $
Robert Savage	269,864	11,907	281,771
John Coates AC	321,205	14,172	335,377
Reginald Clairs AO	165,717	7,312	173,029
John Harvey	110,772	4,888	115,660
Katie Lahey	284,143	12,537	296,680
Total	1,151,701	50,816	1,202,517

Details of the remuneration of the Non-Executive Directors for the financial year ended 25 July 2009 and the previous financial year are set out in Appendix Two (on page 54) and Appendix Three (on page 55) of this Remuneration Report.

7. REMUNERATION OF KEY MANAGEMENT PERSONNEL

KMP are persons having the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly, including the Directors of David Jones and the five highest paid senior executives. The following persons were KMP of the Consolidated Entity at any time during the financial year:

Name	Title	Period of Responsibility
Executive Directors		
Mark McInnes	Chief Executive Officer and Executive Director	27 July 2008 – 25 July 2009
Stephen Goddard	Finance Director and Executive Director	27 July 2008 – 25 July 2009
Non-Executive Directors		
Robert Savage	Chairman and Independent Non-Executive Director	27 July 2008 – 25 July 2009
John Coates AC	Deputy Chairman and Independent Non-Executive Director	27 July 2008 – 25 July 2009
Reginald Clairs AO	Independent Non-Executive Director	27 July 2008 – 25 July 2009
John Harvey	Independent Non-Executive Director	27 July 2008 – 25 July 2009
Katie Lahey	Independent Non-Executive Director	27 July 2008 – 25 July 2009
Peter Mason AM	Independent Non-Executive Director	27 July 2008 – 25 July 2009
Senior Executives		
Damian Eales	Group General Manager – Financial Services and Marketing	27 July 2008 – 25 July 2009
Colette Garnsey	Group General Manager – Apparel, Accessories, Footwear and Cosmetics	27 July 2008 – 25 July 2009
Antony Karp	Group General Manager – Retail Development	27 July 2008 – 25 July 2009
Patrick Robinson	Group General Manager – Home and Food	27 July 2008 – 25 July 2009
Paul Zahra	Group General Manager – Stores and Operations	27 July 2008 – 25 July 2009

Shareholdings of the KMP and changes during the year can be found in Note 28 of the Financial Statements.

Refer to Appendix Two (on page 54): Remuneration of KMP for the Year Ended 25 July 2009

Refer to Appendix Three (on page 55): Remuneration of KMP for the Year Ended 26 July 2008

APPENDIX ONE – SUMMARY OF LONG TERM INCENTIVE AND RETENTION PLANS

FEATURE	FY2006 – FY2008 OFFER	FY2007 – FY2009 OFFER	FY2008 – FY2010 OFFER	FY2009 – FY2012 OFFER	FY2009 – FY2011 OFFER
OFFERED TO	CEO, Finance Director and senior executives	CEO, Finance Director and senior executives	CEO and Finance Director	Senior Executives	CEO and Finance Director
GRANT DATE	3 April 2006	1 March 2007	23 July 2008	24 July 2008	28 November 2008
VESTING DATE	31 July 2008	31 July 2009	31 July 2010	Staggered up to October 2012	Staggered up to October 2011
PERFORMANCE MEASURES	TSR compared to peer group and capital management (ROFE)	TSR compared to peer group and EPS		TSR compared to peer group and NPAT	TSR compared to peer group and NPAT
RETESTING RULES	The performance period may be extended by one year and retested for the TSR measure	No retest			
PLAN STATUS	Fully vested at stretch		Performance periods not yet concluded		
	ASX LISTED RETAILERS				
PEER GROUP FOR TSR COMPARATOR	Woolworths Limited, Harvey Norman Holdings Limited, Metcash Limited, Specialty Fashion Group Limited, Funtastic Limited, JB Hi-Fi Limited, Just Group Limited and Super Cheap Auto Group Limited.	Woolworths Limited, Harvey Norman Holdings Limited, Metcash Limited, Specialty Fashion Group Limited, Funtastic Limited, JB Hi-Fi Limited and Super Cheap Auto Group Limited.	Clive Peeters Limited, Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Metcash Limited, Nick Scali Limited, Orotongroup Limited, Specialty Fashion Group Limited, Super Cheap Auto Group Limited and Woolworths Limited.	Clive Peeters Limited, Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Metcash Limited, Nick Scali Limited, Orotongroup Limited, Specialty Fashion Group Limited, Super Cheap Auto Group Limited and Woolworths Limited.	Clive Peeters Limited, Fantastic Holdings Limited, Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Metcash Limited, Nick Scali Limited, Orotongroup Limited, Specialty Fashion Group Limited, Super Cheap Auto Group Limited and Woolworths Limited.

FEATURE	FY2006 – FY2008 OFFER	FY2007 – FY2009 OFFER	FY2008 – FY2010 OFFER	FY2009 – FY2012 OFFER	FY2009 – FY2011 OFFER
	NON RETAILERS THAT DEMONSTRATE CYCLICAL PATTERNS				
PEER GROUP FOR TSR COMPARATOR	APN News & Media Limited, Austereo Group Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Flight Centre Limited, Globe International Limited, GUD Holdings Limited, Housewares International Limited, Kresta Holdings Limited, Pacific Brands Limited, PMP Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited and West Australian Newspaper Holdings Limited.	APN News & Media Limited, Austereo Group Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Flight Centre Limited, Globe International Limited, GUD Holdings Limited, Housewares International Limited, Kresta Holdings Limited, Pacific Brands Limited, PMP Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited and West Australian Newspaper Holdings Limited.	APN News & Media Limited, Austereo Group Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Fisher & Paykel Appliances Holdings Limited, Flight Centre Limited, Globe International Limited, GUD Holdings Limited, Housewares International Limited, Kresta Holdings Limited, Pacific Brands Limited, PMP Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Wesfarmers Limited and West Australian Newspaper Holdings Limited.	APN News & Media Limited, Austereo Group Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Fisher & Paykel Appliances Holdings Limited, Flight Centre Limited, Globe International Limited, GUD Holdings Limited, Breville Group Limited, Kresta Holdings Limited, Pacific Brands Limited, PMP Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Wesfarmers Limited and West Australian Newspaper Holdings Limited.	APN News & Media Limited, Austereo Group Limited, Austar United Communications Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Fisher & Paykel Appliances Holdings Limited, Flight Centre Limited, GUD Holdings Limited, Breville Group Limited, Macquarie Media Group, Pacific Brands Limited, PMP Limited, Premier Investments Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Wesfarmers Limited and West Australian Newspaper Holdings Limited.

APPENDIX TWO – THE REMUNERATION OF KMP FOR THE YEAR ENDED 25 JULY 2009

	Short-Term Employee Benefits				Post-Employment Benefits		Other Long-Term Benefits	Share-Based Payment				
	Cash Salary & Fees $	Cash Bonus (STI) $	Non Monetary Benefits $	Other $	Super $	Other Retire-ment Benefits[1] $	Long Service Leave Accrual $	Shares[2] $	LTI Plan Rights[3] $	Total Compen-sation $	Percentage of Remun-eration in LTI Plan Rights %	Percentage of Remun-eration Performance Related %
Executive Directors												
Mark McInnes	1,782,335	2,678,400	12,404	900	47,568	–	65,645	–	2,358,479	6,945,731	34%	73%
Stephen Goddard	921,269	996,673	12,404	1,220	94,444	–	47,226	–	1,173,832	3,247,068	36%	67%
Non-Executive Directors												
Robert Savage	393,862	–	–	100	13,805	11,907	–	51,700	–	471,374	–	–
John Coates AC	271,929	–	–	100	13,805	14,172	–	–	–	300,006	–	–
Reginald Clairs AO	167,045	–	–	100	13,805	7,312	–	13,750	–	202,012	–	–
John Harvey	185,662	–	–	100	13,805	4,888	–	–	–	204,455	–	–
Katie Lahey	171,329	–	–	100	13,805	12,537	–	–	–	197,771	–	–
Peter Mason AM	176,095	–	–	100	13,805	–	–	–	–	190,000	–	–
Senior executives												
Damian Eales	688,410	558,232	–	900	13,805	–	39,114	–	736,865	2,037,326	36%	64%
Colette Garnsey	698,362	595,792	11,460	500	40,100	–	24,224	–	752,426	2,122,864	35%	64%
Antony Karp	648,146	463,240	11,460	484	47,569	–	13,706	–	736,865	1,921,470	38%	62%
Patrick Robinson	688,347	329,116	7,519	1,740	47,569	–	29,101	–	742,836	1,846,228	40%	58%
Paul Zahra	760,306	945,840	–	900	47,569	–	23,639	–	752,426	2,530,680	30%	67%
Total	7,553,097	6,567,293	55,247	7,244	421,454	50,816	242,655	65,450	7,253,729	22,216,985		

Notes to the table:

[1] 'Other retirement benefits' represents an adjustment equivalent to deposit interest paid by trading banks on previously frozen Directors' retirement allowance.

[2] 'Shares' represents the dollar value of shares salary sacrificed under the DESP during the financial year.

[3] 'LTI Plan rights' is the independent value ascribed to LTI Plan rights provided to senior executives as part of their remuneration. Further details of the LTI Plan can be found in section 4 of the Remuneration Report.

APPENDIX THREE – THE REMUNERATION OF KMP FOR THE YEAR ENDED 26 JULY 2008

	Short-Term Employee Benefits				Post-Employment Benefits		Other Long-Term Benefits	Share-Based Payment				
	Cash Salary & Fees $	Cash Bonus (STI) $	Non Monetary Benefits $	Other $	Super $	Other Retirement Benefits[1] $	Long Service Leave Accrual $	Shares[2] $	LTI Plan Rights[3] $	Total Compensation $	Percentage of Remuneration in LTI Plan Rights %	Percentage of Remuneration Performance Related %
Executive Directors												
Mark McInnes	1,912,250	3,088,333	13,063	859	50,000	–	67,486	–	1,739,532	6,871,523	25%	70%
Stephen Goddard	969,374	1,269,135	13,063	859	100,000	–	18,200	–	861,117	3,231,748	27%	66%
Non-Executive Directors												
Robert Savage	336,486	–	–	100	13,181	17,336	–	56,400	–	423,503	–	–
John Coates AC	222,286	–	–	100	13,181	20,634	–	–	–	256,201	–	–
Reginald Clairs AO	150,020	–	–	100	13,181	10,646	–	15,000	–	188,947	–	–
John Harvey	157,820	–	–	100	13,181	7,114	–	–	–	178,215	–	–
Katie Lahey	156,353	–	–	100	13,181	18,253	–	–	–	187,887	–	–
Peter Mason AM	113,296	–	–	100	8,975	–	–	–	–	122,371	–	–
Senior executives												
Damian Eales	655,418	733,015	26,240	859	13,181	–	12,106	–	437,906	1,878,725	23%	62%
Colette Garnsey	648,667	559,433	12,174	480	54,781	–	27,711	–	453,468	1,756,714	26%	58%
Antony Karp	589,330	733,015	12,174	404	50,000	–	5,225	–	437,906	1,828,054	24%	64%
Patrick Robinson	597,069	483,015	8,193	2,962	50,000	–	20,457	–	443,877	1,605,573	28%	58%
Paul Zahra	723,374	559,433	–	1,853	43,855	–	35,997	–	453,468	1,817,980	25%	56%
Total	7,231,743	7,425,379	84,907	8,876	436,697	73,983	187,182	71,400	4,827,274	20,347,441		

Notes to the table:

1 'Other retirement benefits' represents an adjustment equivalent to deposit interest paid by trading banks on previously frozen Directors' retirement allowance.

2 'Shares' represents the dollar value of shares salary sacrificed under the DESP during the financial year.

3 'LTI Plan rights' is the independent value ascribed to LTI Plan rights provided to senior executives as part of their remuneration. Further details of the LTI Plan can be found in section 4 of the Remuneration Report.

APPENDIX FOUR – EQUITY HOLDINGS OF KMP

Long Term Incentive Plan Rights Holdings of Key Management Personnel

The following tables show the movements in LTI Plan rights holdings of KMP for the current financial year.

For the year ended 25 July 2009

		Holding at 26 July 2008[1]	Granted as Remun-eration[1]	Vested during the Year[1]	Holding at 25 July 2009[1]	Fair Value of Right – TSR	Fair Value of Right – ROFE	Fair Value of Right – EPS	Fair Value of Right – NPAT
Name	LTI Plan	Number	Number	Number	Number	$	$	$	$
Directors[2]									
Mark	06-08 offer	449,380	–	(449,380)	–	2.39	2.06	–	–
McInnes	05–08 retention offer	1,000,000	–	(1,000,000)	–	–	–	–	2.40
	07–09 offer	489,850	–	–	489,850	2.03	–	3.23	–
	08–10 offer	381,737	–	–	381,737	1.69	–	3.02	–
	09–11 retention offer								
	– Tranche 1	–	1,016,370	–	1,016,370	1.63	–	–	1.82
	– Tranche 2	–	1,016,370	–	1,016,370	1.59	–	–	1.82
	– Tranche 3	–	1,355,160	–	1,355,160	1.61	–	–	1.82
	Aggregate value		*$5,810,249*	*$7,365,908*					
Stephen	06–08 offer	175,620	–	(175,620)	–	2.39	2.06	–	–
Goddard	05–08 retention offer	600,000	–	(600,000)	–	–	–	–	2.40
	07–09 offer	233,601	–	–	233,601	2.03	–	3.23	–
	08–10 offer	173,156	–	–	173,156	1.69	–	3.02	–
	09–11 retention offer								
	– Tranche 1	–	519,677	–	519,677	1.63	–	–	1.82
	– Tranche 2	–	519,677	–	519,677	1.59	–	–	1.82
	– Tranche 3	–	692,904	–	692,904	1.61	–	–	1.82
	Aggregate value		*$2,970,822*	*$3,799,092*					
Senior executives									
Damian	06–08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
Eales	07–09 offer	101,787	–	–	101,787	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value		–	*$1,760,000*					
Colette	06–08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
Garnsey	07–09 offer	116,376	–	–	116,376	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value		–	*$1,760,000*					

Name	LTI Plan	Holding at 26 July 2008[1] Number	Granted as Remun-eration[1] Number	Vested during the Year[1] Number	Holding at 25 July 2009[1] Number	Fair Value of Right – TSR $	Fair Value of Right – ROFE $	Fair Value of Right – EPS $	Fair Value of Right – NPAT $
Senior executives (continued)									
Antony Karp	06-08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
	07-09 offer	101,787	–	–	101,787	2.60	–	3.80	–
	09-12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value		–	*$1,760,000*					
Patrick Robinson	06-08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
	07-09 offer	107,385	–	–	107,385	2.60	–	3.80	–
	09-12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value		–	*$1,760,000*					
Paul Zahra	06-08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
	07-09 offer	116,376	–	–	116,376	2.60	–	3.80	–
	09-12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value		–	*$1,760,000*					

Notes to the table:

[1] The numbers disclosed above are the number of rights allocated to each participant in the plan. The actual number of shares issued could be higher or lower, dependent on Company performance and the conversion ratio of the right to ordinary shares.

[2] Non-Executive Directors are not entitled to participate in the LTI Plan and therefore no holdings are disclosed.

The valuation of the LTI and Retention Rights was prepared by an independent valuer using the Black Scholes option pricing model. For the inputs for these valuations refer to Note 29 of the Financial Statements.

No LTI Plan rights were forfeited during the year.

INCOME STATEMENTS

For the 52 weeks ended 25 July 2009 and 52 weeks ended 26 July 2008
David Jones Limited and its controlled entities

		CONSOLIDATED		DAVID JONES LIMITED	
		2009	2008	**2009**	2008
	Note	**$000**	$000	**$000**	$000
Revenue from sale of goods		**1,985,490**	2,097,999	**1,985,490**	2,097,999
Cost of sales		**(1,199,344)**	(1,268,227)	**(1,199,344)**	(1,268,227)
Gross profit		**786,146**	829,772	**786,146**	829,772
Other income	2	**64,538**	107,517	**183,912**	18,286
Employee benefits expenses		**(338,892)**	(347,460)	**(332,502)**	(346,063)
Lease and occupancy expenses		**(156,548)**	(170,906)	**(156,535)**	(170,913)
Depreciation and amortisation expenses	3	**(43,979)**	(41,544)	**(43,975)**	(41,541)
Advertising, marketing and visual merchandising expenses		**(45,521)**	(54,439)	**(43,153)**	(54,103)
Administration expenses		**(20,399)**	(34,028)	**(16,316)**	(33,925)
Net financing expenses	3	**(9,243)**	(41,178)	**(276)**	(162)
Other expenses		**(18,670)**	(38,119)	**(31,515)**	(51,808)
Profit before income tax expense		**217,432**	209,615	**345,786**	149,543
Income tax expense	5	**(60,910)**	(62,329)	**(64,647)**	(52,770)
Profit after income tax expense attributable to equity holders of the parent entity	24	**156,522**	147,286	**281,139**	96,773
Basic earnings per share (cents per share)	7	**31.5**	30.6		
Diluted earnings per share (cents per share)	7	**30.3**	30.0		

The above Income Statements should be read in conjunction with the accompanying notes to the Financial Statements.

BALANCE SHEETS

At 25 July 2009 and 26 July 2008
David Jones Limited and its controlled entities

		CONSOLIDATED		DAVID JONES LIMITED	
	Note	**2009 $000**	2008 $000	**2009 $000**	2008 $000
CURRENT ASSETS					
Cash and cash equivalents	8	**13,615**	66,564	**13,615**	10,564
Receivables	9	**25,942**	414,980	**25,106**	31,903
Inventories	10	**244,843**	257,288	**244,843**	257,288
Financial assets	11	**774**	704	**774**	598
Other assets	12	**8,805**	7,769	**8,501**	6,479
Total current assets		**293,979**	747,305	**292,839**	306,832
NON-CURRENT ASSETS					
Financial assets	11	**12**	798	**105,255**	105,255
Property, plant and equipment	13	**724,080**	670,687	**724,070**	670,674
Intangible assets	14	**38,192**	36,910	**27,887**	26,605
Deferred tax assets	15	**69,590**	73,910	**69,052**	68,862
Other assets	12	**1,364**	35	**1,364**	35
Total non-current assets		**833,238**	782,340	**927,628**	871,431
Total assets		**1,127,217**	1,529,645	**1,220,467**	1,178,263
CURRENT LIABILITIES					
Payables	16	**244,102**	274,608	**464,845**	588,077
Interest bearing liabilities	17	**1,870**	242,360	**1,870**	1,360
Current tax liabilities	18	**3,349**	22,997	**3,349**	22,997
Provisions	19	**52,049**	53,731	**52,049**	53,731
Financial liabilities	20	**2,309**	1,009	**521**	1,009
Other liabilities	21	**555**	8,828	**555**	7,473
Total current liabilities		**304,234**	603,533	**523,189**	674,647
NON-CURRENT LIABILITIES					
Interest bearing liabilities	17	**100,000**	270,000	**–**	–
Provisions	19	**6,856**	7,904	**6,856**	7,904
Financial liabilities	20	**–**	695	**–**	695
Other liabilities	21	**28,742**	27,723	**28,742**	27,723
Total non-current liabilities		**135,598**	306,322	**35,598**	36,322
Total liabilities		**439,832**	909,855	**558,787**	710,969
Net assets		**687,385**	619,790	**661,680**	467,294
EQUITY					
Contributed equity	22	**479,117**	455,341	**479,117**	455,341
Reserves	23	**55,748**	35,460	**57,000**	34,536
Retained earnings/(Accumulated losses)	24	**152,520**	128,989	**125,563**	(22,583)
Total equity		**687,385**	619,790	**661,680**	467,294

The above Balance Sheets should be read in conjunction with the accompanying notes to the Financial Statements.

STATEMENTS OF CHANGES IN EQUITY

For the 52 weeks ended 25 July 2009 and 52 weeks ended 26 July 2008
David Jones Limited and its controlled entities

		CONSOLIDATED		DAVID JONES LIMITED	
		2009	2008	**2009**	2008
	Note	**\$000**	\$000	**\$000**	\$000
Total equity at the beginning of the financial year		**619,790**	513,296	**467,294**	412,232
Unrealised gains on cash flow hedges		**23,014**	14,747	**13,324**	9,744
Unrealised losses on cash flow hedges		**(23,580)**	(12,828)	**(11,212)**	(8,968)
Realised gains on cash flow hedges		**(755)**	(621)	**(755)**	(621)
Realised gains on early termination of cash flow hedge		**(300)**	–	**–**	–
Income tax recognised directly in equity	5	**8,213**	2,046	**7,409**	2,269
Net Profit recognised directly in equity		**6,592**	3,343	**8,766**	2,424
Profit for the financial year		**156,522**	147,286	**281,139**	96,773
Total recognised income for the financial year		**163,114**	150,629	**289,905**	99,197
Transactions with equity holders in their capacity as equity holders:					
Issue of shares:					
– Dividend Reinvestment Plan		**25,862**	29,561	**25,862**	29,561
– Purchase of shares for the LTI Plan		**(2,168)**	–	**(2,168)**	–
– Employee share plans		**82**	97	**82**	97
Conversion of RPS to ordinary shares		**–**	33,187	**–**	33,187
Dividends provided for or paid:					
– Cash component	6	**(107,128)**	(85,204)	**(107,128)**	(85,204)
– Dividend Reinvestment Plan	6	**(25,862)**	(29,561)	**(25,862)**	(29,561)
Share-based payments	3	**13,695**	7,785	**13,695**	7,785
Total equity at the end of the financial year		**687,385**	619,790	**661,680**	467,294

The above Statements of Changes in Equity should be read in conjunction with the accompanying notes to the Financial Statements.

CASH FLOW STATEMENTS

For the 52 weeks ended 25 July 2009 and 52 weeks ended 26 July 2008
David Jones Limited and its controlled entities

	Note	CONSOLIDATED 2009 $000	CONSOLIDATED 2008 $000	DAVID JONES LIMITED 2009 $000	DAVID JONES LIMITED 2008 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of GST)		**2,207,818**	2,378,346	**2,184,790**	2,314,385
Payments to suppliers and employees (inclusive of GST)		**(1,981,762)**	(2,123,152)	**(1,938,915)**	(2,140,865)
Commissions received		**41,710**	–	**41,710**	–
Interest received		**1,081**	56,967	**656**	188
Borrowing costs paid		**(9,294)**	(41,279)	**(327)**	(264)
Income tax paid		**(68,026)**	(68,919)	**(77,076)**	(57,481)
Net cash flows from operating activities	8	**191,527**	201,963	**210,838**	115,963
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for property, plant and equipment		**(94,437)**	(73,289)	**(94,437)**	(73,289)
Payments for software		**(4,646)**	(338)	**(4,646)**	(338)
Proceeds from sale of property		**–**	42,000	**–**	42,000
Net cash flows used in investing activities		**(99,083)**	(31,627)	**(99,083)**	(31,627)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid on ordinary shares		**(107,128)**	(85,204)	**(107,128)**	(85,204)
Proceeds from the assignment of storecard and credit reserve receivables		**374,311**	–	**–**	–
Repayment of receivables funding		**(241,000)**	–	**–**	–
Repayment of borrowings		**(170,000)**	(180,000)	**–**	–
Purchase of shares for LTI Plan		**(2,168)**	–	**(2,168)**	–
Interest paid on RPS		**–**	(1,333)	**–**	(1,333)
Proceeds from loan repayments under employee share plan		**82**	97	**82**	97
Net cash flows used in financing activities		**(145,903)**	(266,440)	**(109,214)**	(86,440)
Net (decrease)/increase in cash and cash equivalents		**(53,459)**	(96,104)	**2,541**	(2,104)
Cash and cash equivalents at beginning of the financial year		**65,204**	161,308	**9,204**	11,308
Cash and cash equivalents at end of the financial year		**11,745**	65,204	**11,745**	9,204

Notes:

(i) Reconciliation to the Balance Sheet:

Cash and cash equivalents is comprised of the following:

Cash and cash equivalents	**13,615**	66,564	**13,615**	10,564
Bank overdraft	**(1,870)**	(1,360)	**(1,870)**	(1,360)
Cash and cash equivalents at end of the financial year	**11,745**	65,204	**11,745**	9,204

(ii) Non-cash financing and investing activities

During the year, the following share transactions occurred:

8,502,658 shares (2008: 6,963,393) were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash during the year were $25.862 million (2008: $29.561 million).

The above Cash Flow Statements should be read in conjunction with the accompanying notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 25 July 2009 and 52 weeks ended 26 July 2008
David Jones Limited and its controlled entities

CONTENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

David Jones Limited (Company) is a public company incorporated and operating in Australia and is listed on the ASX (trading under the symbol DJS). The consolidated Financial Statements for the 52 weeks ended 25 July 2009 comprise the Company and its subsidiaries (together referred to as the Consolidated Entity).

(a) Basis of preparation

The Financial Statements have been prepared on an historical cost basis except that derivative financial instruments are stated at their fair value.

The Company is of a kind referred to in ASIC Class order 98/100 dated 10 July 1998 (updated by CO 05/641 effective 28 July 2005) and in accordance with the Class Order, amounts in the Financial Statements and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

The preparation of financial statements in conformity with the Australian Accounting Standards Board requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period include:

– Income taxes: Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

– Inventory valuation: As disclosed in note 1(l), the lower of cost and net realisable value is used to calculate the value of inventory at period end. Cost is determined using the retail inventory method and estimated average department mark-up ratios.

– Impairment of goodwill: As disclosed in note 1(s), the Consolidated Entity tests at each period end to determine whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on a value in use calculation. As disclosed in note 14, these calculations use assumptions relating to cash flow projections.

– Provisions: As disclosed in note 19, estimates are used in the calculation of provisions.

– Share-based payments: As disclosed in note 29, the Consolidated Entity calculates the share-based payments expense using assumptions relating to future financial performance against targets, and the retention of eligible employees.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied by each entity within the Consolidated Entity for all periods reported in the Financial Statements.

(b) Statement of compliance

The Financial Statements complies with Australian Accounting Standards as issued by the Australian Board and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

For the 52 weeks ended 25 July 2009 and 52 weeks ended 26 July 2008
David Jones Limited and its controlled entities

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) New accounting standards and interpretations

The following standards and amendments applicable to the Consolidated Entity were issued but not yet effective, and they have not been applied by the Consolidated Entity and the Company in these Financial Statements.

Reference	Title	Summary	Application date of standard	Impact on Consolidated Entity's Financial Statements	Application date for Consolidated Entity for Financial year ending:
AASB 8	Operating Segments	Replaces presentation requirements of AASB 114 Segment Reporting.	1 January 2009	Impact on disclosure only.	31 July 2010
AASB 2007 – 3	Amendments to Australian Accounting Standards arising from AASB 8	Amendments arising from AASB 8 Operating Segments.	1 January 2009	Impact on disclosure only.	31 July 2010
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	Requires that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	The Consolidated Entity will no longer be able to expense borrowing costs associated with a qualifying asset. Likely impact considered to be insignificant.	31 July 2010
AASB 101 (Revised), AASB 2007-8 and AASBT 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a Statement of Comprehensive Income. Other revisions include impacts on the presentation of items in the Statement of Changes in Equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	Impact on presentation only.	31 July 2010
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations.	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' and prescribing accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	No major impact identified.	31 July 2010
AASB 3 (Revised)	Business Combinations	A number of changes to the accounting for business combinations entered into at a non-controlling interest.	1 July 2009	Applicable for future acquisitions only.	31 July 2010

Reference	Title	Summary	Application date of standard	Impact on Consolidated Entity's Financial Statements	Application date for Consolidated Entity for Financial year ending:
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	A number of changes to the accounting for business combinations entered into at a non-controlling interest.	1 July 2009	Applicable for future acquisitions only.	31 July 2010
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project.	The improvements project is in two parts: Part I deals with accounting changes identified by the IASB; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact.	1 January 2009	No major impact identified.	31 July 2010
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project.	This relates to the 2nd group of amendments issued by the IASB in relation to the Annual Improvements Project	1 July 2009	No major impact identified.	31 July 2010
AASB 2008-7	Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments are to AASB 127 deleting the cost method.	1 January 2009	Amendments may be applicable for future acquisitions only.	31 July 2010
AASB 2008-8	Amendments to Australian Accounting Standards – Eligible Hedged Items	The amendments clarify how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	No impact identified.	31 July 2010
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments (AASB 4, AASB 7, AASB 1023 & AASB 1038)	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using a 3 level hierarchy.	1 January 2009	Impact on disclosure only.	31 July 2010
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvement Project (AASB 2, AASB 138, AASB Ints 9 & 16)	The main amendments of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by an entity or entities within the Group.	1 July 2009	No major impact identified.	31 July 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(d) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated Financial Statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's Financial Statements.

(ii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated Financial Statements.

(e) Revenue

Revenue is recognised in the Income Statement to the extent that it is probable that the economic benefits will flow to the Consolidated Entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Risks and rewards are considered as being passed to the buyer at the earlier of delivery of the goods or the transfer of legal title to the customer. Revenue from the sale of goods is recognised net of returns.

Revenue from the sale of goods on interest-free credit terms was measured at the fair value of the consideration receivable. The fair value of the consideration was determined by discounting all future receipts at the rate of interest applicable to the Consolidated Entity's receivables funding. The unwinding of the difference between the fair value and nominal value of the consideration was recognised as interest revenue.

Revenue from customer gift cards is recognised when the card's balance is partially or fully redeemed by the customer through the purchase of goods using the card. When a revenue transaction involves the issue of a promotional gift card that may be subsequently redeemed, the future expected cost of settling the obligation is provided for at the time of the revenue transaction.

(ii) Commission earned

Revenue from commissions earned is recognised when it is probable that the economic benefits will flow to the Consolidated Entity.

(iii) Financial service fees

Revenue from financial service fees relating to the establishment of customer loans was deferred and recognised over the expected life of the instrument on an effective interest rate basis. Other fees charged by the Consolidated Entity for servicing a customer loan were recognised as revenue as the services are provided.

(iv) Interest

Revenue is recognised as the interest accrued using the effective interest rate method, which was the rate that discounts estimated future cash receipts through the expected life of the financial instrument.

(f) Expenses

(i) Operating lease expenses

Payments made under operating leases, where the lease agreement includes predetermined fixed rate increases, are recognised in the Income Statement on a straight-line basis over the term of the lease. Other operating lease payments are expensed as incurred.

Lease incentives received are recognised in the Income Statement as an integral part of the total lease expense and spread over the lease term.

(ii) Net financing expenses

Net financing expenses comprise interest payable on borrowings calculated using the effective interest method, foreign exchange gains and losses, gains and losses on hedging instruments that are recognised in the Income Statement and amortisation of transaction costs that are capitalised and amortised over the life of the borrowings.

(iii) Pre-opening expenses

Pre-opening expenses in connection with new stores are charged to the Income Statement in the period in which they are incurred

(g) Leases

Leases of property, plant and equipment where the Consolidated Entity, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations are included in other liabilities.

(h) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the Income Statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year based on the corporate tax rate of 30% and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for Financial Statements purposes and the amounts used for taxation purposes, with the exception of goodwill. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Balance Sheet date.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses, except where the deferred income tax asset relating to the deductible difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The Company and its wholly owned Australian resident entities have formed a tax-consolidated group with effect from 28 July 2002 and have therefore been taxed as a single entity from that date. The head entity within the tax-consolidated group is David Jones Limited.

Current tax expense, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax consolidated group using the 'group allocation' approach.

Details of the Consolidated Entity's tax funding agreement and tax sharing agreement are disclosed in note 5.

(i) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(j) Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand, and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(k) Trade and other receivables

Trade and other receivables are stated at amounts to be received in the future and are disclosed net of any provision for doubtful debts.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off. An allowance for doubtful debt is made when there is objective evidence that the Consolidated Entity will not be able to collect the debts. Bad debts are written off when identified in the Income Statement.

(l) Inventories

Finished goods on hand or in transit are stated at the lower of cost and net realisable value with cost primarily being determined by using the retail inventory method. This method utilises the current selling prices of inventories and reduces prices to cost by the application of average department mark up ratios.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Supplier rebates, discounts and subsidies (to the extent they exceed the incremental cost for a specific promotion) are recognised as a reduction in the cost of inventory and are recorded as a reduction in cost of sales when the inventory is sold. Inventories do not include finished goods on hand in store departments that are subject to Retail Brand Management agreements as these goods are purchased from the supplier immediately prior to a sales transaction occurring.

(m) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

The cost of assets includes the costs of dismantling and removing the items (based on best estimates at the time of acquisition) and restoring the site on which they are located. Changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation, or from changes in the discount rate, are also capitalised.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

For the 52 weeks ended 25 July 2009 and 52 weeks ended 26 July 2008
David Jones Limited and its controlled entities

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(m) Property, plant and equipment continued

(ii) Subsequent costs

The Consolidated Entity recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance costs are recognised in the Income Statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the Income Statement on a straight-line basis over the estimated useful lives of buildings, plant and equipment. The estimated useful lives in the current and comparative year are as follows:

Leasehold improvements	10–25 years
Plant and equipment	5–25 years
Computer equipment	3–5 years
Fixtures and fittings	5–13 years
Buildings	75 years

The assets' residual values and useful life are reviewed, and adjusted if appropriate, at each Balance Sheet date.

(iv) Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

(n) Intangibles

(i) Goodwill

Goodwill represents the excess of the acquisition cost over the fair value of the Consolidated Entity's share of the net identifiable assets of the acquired subsidiary or business combination (refer note 1(o)) at the date of acquisition. Goodwill is included within intangible assets and is not amortised. Instead, it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For goodwill balances recognised prior to 1 August 2004, the carrying value is net of goodwill amortisation up to 31 July 2004.

(ii) Software

Software is amortised on a straight-line basis over the estimated useful life of the asset. It is disclosed within intangible assets and is assessed annually for any indicators of impairment. The useful life of software assets for the current and comparative year was 5 years.

(o) Business combinations

The purchase method of accounting is used to account for all business combinations. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Consolidated Entity's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the Consolidated Entity's share of fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement, but only after a reassessment of the identification and measurement of the net assets acquired.

(p) Derivative financial instruments

The Consolidated Entity holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Consolidated Entity designates certain derivatives as either hedges of the fair value of recognised assets or liabilities of a firm commitment (fair value hedges); or hedges of highly probable forecast transactions (cash flow hedges).

The Consolidated Entity documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Consolidated Entity also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement within net financing expenses, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedge

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity as part of the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement, within net financing expenses.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement, within net financing expenses. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the Income Statement.

(q) Other financial assets

The Consolidated Entity classifies its investments in the following categories: financial assets at fair value through the Income Statement; loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification of investments is determined at the time of initial recognition.

(i) Financial assets at fair value through Income Statement

This category has two sub-categories: financial assets held for trading; and those designated at fair value through the Income Statement on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the Balance Sheet date, which are classified as non-current assets. Loans and receivables are included in receivables in the Balance Sheet.

(r) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement.

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at each balance date. The quoted market price used for financial assets held by the Consolidated Entity is the current bid price. The appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Consolidated Entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at each balance date.

The nominal value less estimated impairment adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Consolidated Entity for similar financial instruments.

(s) Impairment

(i) Financial assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's effective interest rate determined at the time of initial recognition. The carrying amount of the asset is reduced either directly or through use of an allowance account. The amount of the loss is recognised in the Income Statement.

The Consolidated Entity first assesses whether objective evidence of impairment exists for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(s) Impairment continued

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the Income Statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

(ii) Other assets

At each reporting date, the Consolidated Entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Consolidated Entity makes a formal estimate of recoverable amount.

Recoverable amount is the higher of fair value less costs to sell, and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or group of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the Income Statement, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the Income Statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(t) Trade and other payables

Trade and other payables are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services. The amounts, which are stated at cost, are unsecured, non interest bearing and usually settled within 30-90 days of recognition.

(u) Interest bearing liabilities

Interest bearing liabilities are initially recognised at fair value, net of transaction costs incurred. After initial recognition the liabilities are carried at amortised cost using the effective interest method.

Interest bearing liabilities are classified as current liabilities unless the Consolidated Entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(v) Provisions

A provision is recognised in the Balance Sheet when the Consolidated Entity has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. A description of the nature of each provision is disclosed in note 19.

(w) Employee benefits

(i) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for wages and salaries (including non-monetary benefits) and annual leave in respect of employees' services up to the reporting date are measured at the undiscounted amounts expected to be paid when the liability is settled including on-costs such as payroll tax, superannuation and workers compensation insurance.

Non-accumulating benefits such as sick leave are not provided for and are expensed as the benefits are taken by employees.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made for services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using the rates attached to national government bonds at the balance date that have maturity dates approximating the expected future cash outflows.

(iii) Superannuation contributions

Contributions to defined contribution funds are recognised as an expense in the Income Statement as they become payable.

(iv) Share-based payments

Share-based compensation is provided to eligible employees as part of their remuneration. The fair value of rights granted to employees is recognised as an employee benefits expense with a corresponding increase to the share based payments reserve.

The fair value is measured at grant date and recognised as an expense over the period during which the employees become unconditionally entitled to the underlying shares.

The fair value of the rights granted is valued by an external valuer taking into account the terms and conditions upon which the rights were granted.

The amount recognised as an expense is adjusted to reflect the actual number of share rights that vest (except in cases where forfeiture is due to the Total Shareholder Return (TSR) being below the vesting threshold).

Where a tax deduction arises for the settlement of share-based payments, the amount recognised as a benefit to income tax expense is limited to the tax effect of the related share-based payments expense. Any remaining amount is recognised directly in equity in the share-based payments reserve. A deferred tax balance is recognised for any deductions earned for which the related share-based payment has not been recognised and for the estimate of any probable deductions that will occur in the future.

(v) Bonus plans

The Consolidated Entity recognises a provision and an expense for bonuses payable under the Short Term Incentive (STI) Scheme based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Consolidated Entity recognises a provision when a contractual obligation exists or where there is a past practice that has created a constructive obligation.

(x) Contributed Equity

Ordinary shares are classified as contributed equity.

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

(y) Dividends

Provision is made for the amount of any dividend declared in respect of ordinary shares on or before the end of the period but not distributed at the Balance Sheet date.

(z) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign exchange rate ruling at the Balance Sheet date.

(aa) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash flows are included in the Cash Flow Statement on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(ab) Segment Reporting

A business segment is a distinguishable component of the Consolidated Entity that is engaged in providing products or services that are subject to risks and rewards that are different from those of other segments.

For the 52 weeks ended 25 July 2009 and 52 weeks ended 26 July 2008
David Jones Limited and its controlled entities

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	$000	$000
2. OTHER INCOME				
Commissions received	**45,436**	–	**44,202**	–
Sundry income	**9,362**	14,270	**9,054**	5,970
Interest income	**1,077**	2,081	**656**	188
Financial services fees & interest – David Jones store card	**8,663**	79,038	**–**	–
Dividend received from subsidiary	**–**	–	**130,000**	–
Profit on sale of property: Little Bourke Street, Melbourne Victoria	**–**	12,128	**–**	12,128
Total Other Income	**64,538**	107,517	**183,912**	18,286
3. PROFIT BEFORE INCOME TAX				
Profit before income tax expense includes the following specific items:				
Depreciation	**40,963**	38,761	**40,959**	38,758
Amortisation	**3,016**	2,783	**3,016**	2,783
Total depreciation and amortisation	**43,979**	41,544	**43,975**	41,541
Loss on disposal of plant and equipment	**429**	39	**429**	39
Net financing expenses:				
Interest and finance charges (gross)	**8,370**	43,936	**256**	154
Interest expense/(income) on hedging instrument	**1,153**	(2,782)	**–**	–
Interest and finance charges	**9,523**	41,154	**256**	154
Net unrealised foreign exchange loss	**20**	8	**20**	8
Realised (gain)/loss on hedging instruments recognised in the Income Statement	**(300)**	16	**–**	–
Total net financing expenses	**9,243**	41,178	**276**	162
Share-based payments expense	**13,695**	7,785	**13,695**	7,785
Defined contribution superannuation expense	**25,251**	24,970	**25,251**	24,970
Amount set aside to provide for Directors' retirement allowance	**54**	71	**54**	71
Rental expense on operating leases:				
Other persons – minimum lease payments	**73,698**	66,610	**73,698**	66,610
Contingent rentals	**7,872**	7,394	**7,872**	7,394
Total rental expense	**81,570**	74,004	**81,570**	74,004

4. SEGMENT REPORTING

Business and geographical segments

The Consolidated Entity operates in Australia and was organised into the following divisions by product and service type for the financial year:

- Department Stores comprising David Jones department stores, rack stores and corporate head office; and
- Financial Services primarily comprising the alliance between the Consolidated Entity and American Express from which commissions and other income have been earned. In prior periods, the Financial Services segment was comprised of the David Jones store card and other related financial services.

Segment accounting policies

Segment accounting policies are the same as the Consolidated Entity's policies described in note 1.

During the financial year, there were no changes in segment accounting policies that had a material effect on segment information.

PRIMARY REPORTING – BUSINESS SEGMENTS	DEPARTMENT STORES 2009 $000	DEPARTMENT STORES 2008 $000	FINANCIAL SERVICES 2009 $000	FINANCIAL SERVICES 2008 $000	CONSOLIDATED 2009 $000	CONSOLIDATED 2008 $000
REVENUE						
Sales to customers outside the Consolidated Entity	**1,985,490**	2,097,999	**–**	–	**1,985,490**	2,097,999
Other revenues from customers outside the Consolidated Entity	**8,720**	16,254	**54,407**	88,792	**63,127**	105,046
Total segment revenues	**1,994,210**	2,114,253	**54,407**	88,792	**2,048,617**	2,203,045
Unallocated revenue					**1,411**	2,471
Total consolidated revenue					**2,050,028**	2,205,516
RESULT						
Segment result	**175,870**	169,749	**41,274**	38,385	**217,144**	208,134
Unallocated items					**288**	1,481
Profit before income tax expense					**217,432**	209,615
ASSETS						
Segment assets	**1,044,681**	1,008,513	**945**	383,091	**1,045,626**	1,391,604
Unallocated assets					**81,690**	138,041
Total assets					**1,127,316**	1,529,645
LIABILITIES						
Segment liabilities	**377,291**	458,028	**–**	357,098	**377,291**	815,126
Unallocated liabilities					**62,640**	94,729
Total liabilities					**439,931**	909,855
Other Segment Information:						
Acquisition of non-current assets	**99,083**	73,627	**–**	–	**99,083**	73,627
Depreciation and amortisation	**43,979**	41,544	**–**	–	**43,979**	41,544
Significant non-cash expenses other than depreciation and amortisation	**13,695**	7,785	**–**	14,552	**13,695**	22,337

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4. SEGMENT REPORTING CONTINUED

Financial Services – Agreement with American Express

On 19 February 2008, the Consolidated Entity entered into agreements with American Express Australia Limited (American Express) relating to the assignment of all store card and credit reserve receivables and the launch of a general purpose credit card.

Impact on segment assets

The transfer of receivables was completed on 1 August 2008, resulting in the legal assignment of all contractual rights to cash flows from the store card and credit reserve receivables to American Express. The Consolidated Entity therefore derecognised $374.311 million of store card and other related receivables on 1 August 2008, on the basis that it no longer held contractual right to receive cashflows from the receivables, and that substantially all of the risks and rewards associated with the variability in cashflows from the receivables had been transferred to American Express. This represents a material change to segment assets of the Financial Services segment. The cash consideration received by American Express of $374.311 million was partly used to repay bank finance facilities (reducing current interest bearing liabilities by $241.000 million and non-current interest bearing liabilities of $100.000 million).
The balance of funds received resulted in an increase in cash assets of $33.311 million.

Impact on segment results

In prior periods, revenue earned by the Financial Services segment primarily related to revenue received from store card holders in the form of interest payments, fees and other charges. Following the legal assignment of the receivables to American Express, and the launch of the general purpose credit card in October 2008, such revenues are earned directly by American Express. Under the terms of the agreements with American Express, the Consolidated Entity is responsible for certain marketing, branding and advertising activities for which it receives commission. The other revenue in the Financial Services segment of $54.407 million disclosed above primarily represents commissions received from American Express during the period.

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	$000	$000
5. INCOME TAX EXPENSE				
Recognised in the Income Statement:				
Current tax expense				
Current year	**53,335**	65,981	**62,386**	54,499
Over provision in prior years	**(2)**	(187)	**(2)**	(187)
	53,333	65,794	**62,384**	54,312
Deferred tax (benefit)/expense				
Origination and reversal of temporary differences	**7,683**	(3,330)	**2,369**	(1,407)
Over provision in prior years	**(106)**	(135)	**(106)**	(135)
	7,577	(3,465)	**2,263**	(1,542)
Total income tax expense in Income Statement	**60,910**	62,329	**64,647**	52,770

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	$000	$000
5. INCOME TAX EXPENSE CONTINUED				
Reconciliation between prima facie tax on net profit before tax to tax expense:				
Profit before income tax expense	**217,432**	209,615	**345,786**	149,543
Tax at the corporate tax rate of 30% (2008: 30%)	**65,230**	62,885	**103,736**	44,863
Increase in income tax expense due to:				
– non-deductible entertainment	**104**	257	**104**	257
– non-deductible share-based payments expense	**655**	2,336	**655**	2,336
– assessable income on disposal of property	**–**	3,601	**–**	3,601
– non-deductible legal fees	**284**	–	**284**	–
– other	**543**	(420)	**543**	(420)
Decrease in income tax expense due to:				
– acquisition of shares for LTI Plan relating to grants vested in prior year	**(4,965)**	(954)	**(4,965)**	(954)
– utilisation of capital losses	**–**	(4,004)	**–**	(4,004)
– depreciation of buildings	**(833)**	(1,050)	**(667)**	(884)
– exempt dividend income	**–**	–	**(39,000)**	–
– tax consolidation – group allocation	**–**	–	**4,065**	8,297
	61,018	62,651	**64,775**	53,092
Income tax expense over provided in prior years	**(108)**	(322)	**(108)**	(322)
Income tax expense	**60,910**	62,329	**64,647**	52,770
Current tax recognised directly in equity	**(4,960)**	(2,346)	**(4,960)**	(2,346)
Deferred tax recognised directly in equity:				
– share based payments	**(2,857)**	–	**(2,857)**	–
– cash flow hedges	**(396)**	300	**408**	77
	(8,213)	(2,046)	**(7,409)**	(2,269)

Tax consolidation

The Company and its wholly owned Australian resident subsidiaries formed a tax-consolidated group for income tax purposes with effect from 28 July 2002 and have therefore been taxed as a single entity from that date. The head entity within the tax-consolidated group is David Jones Limited. This entity is legally liable for the income tax liabilities of the tax-consolidated group. The accounting policies dealing with the accounting treatment of the tax consolidation are set out in note 1.

Nature of tax funding agreement and tax sharing agreement

The members of the tax-consolidated group have entered into a tax funding agreement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding agreement requires payments to/(from) the head entity equal to the current tax liability/(asset) assumed by the head entity, and for any deferred tax assets arising from tax losses assumed by the head entity, resulting in the head entity recognising an inter-entity payable/(receivable) equal to the amount of the tax liability/(asset) assumed.

The members of the tax-consolidated group have also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the Financial Statements in respect of this agreement, as payment of any amounts under the tax sharing agreement is considered remote.

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5. INCOME TAX EXPENSE CONTINUED

In preparing the accounts for the Company for the current year, the following amounts have been recognised as tax-consolidation contribution adjustments:

	DAVID JONES LIMITED	
	2009	2008
	$000	$000
Total increase/(reduction) to tax expense of David Jones Limited	**9,051**	(11,482)
Total (reduction)/increase to inter-company assets of David Jones Limited	**(9,051)**	11,482
	–	–

	Cents Per Share	Total Amount $000	Date of Payment
6. DIVIDENDS			
Dividends recognised by the Company:			
2009			
2008 Final ordinary	16.0	**78,472**	5 November 2008
2009 Interim ordinary	11.0	**54,518**	4 May 2009
Total dividends recognised		**132,990**	
2008			
2007 Final ordinary	13.0	61,940	8 November 2007
2008 Interim ordinary	11.0	52,825	7 May 2008
Total dividends recognised		114,765	

All dividends paid in the current and prior financial year were fully franked at the tax rate of 30%.

Subsequent event

Since the end of the financial year, the Directors have declared the following dividend on ordinary shares, fully franked at the tax rate of 30%:

2009 Final ordinary	17.0	85,112	2 November 2009

The financial effect of the final ordinary dividend for 2009 has not been recognised in the Financial Statements for the year ended 25 July 2009 and will be recognised in subsequent financial statements.

Dividend franking account

Franking credits available to shareholders of the Company for subsequent financial years, based on a tax rate of 30% (2008: 30%) are $84.125 million (2008: $92.747 million).

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

– franking credits that will arise from the payment of the current tax liability;

– franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and

– franking credits that may be prevented from being distributed in subsequent financial years.

The ability to utilise the franking credits is dependent upon there being sufficient available profits to declare dividends. The impact on the franking account of the dividend recommended by the Directors since the end of the financial year, but not recognised as a liability at year end, will be a reduction in the franking account of $36.477 million (2008: $33.633 million).

For income tax purposes, the Company and its wholly owned Australian subsidiaries formed a tax consolidated group for which one franking account is maintained.

	CONSOLIDATED	
	2009	2008
	Cents per Share	Cents per Share
7. EARNINGS PER SHARE		
Basic earnings per share	**31.5**	30.6
Diluted earnings per share	**30.3**	30.0
	$000	$000
The following data was used in calculating basic and dilutive earnings per share:		
Profit after income tax expense	**156,522**	147,286
	NUMBER	NUMBER
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**497,425,200**	481,817,069
Effect of dilution – LTI Plan	**19,933,965**	9,579,930
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**517,359,165**	491,396,000
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	**2,012,210**	447,401

There have been no other material transactions involving ordinary shares or potential ordinary shares since balance date and before the completion of these Financial Statements.

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
8. CASH AND CASH EQUIVALENTS				
Cash at bank and on hand	**13,615**	10,564	**13,615**	10,564
Short-term deposits	**–**	56,000	**–**	–
	13,615	66,564	**13,615**	10,564

In the prior year, short-term deposits were for various terms maturing within 7 days at a floating interest rate of 7.25% pa. The Consolidated Entity's exposure to interest rate risk, including a sensitivity analysis for financial assets and liabilities, is disclosed in note 32.

Reconciliation of profit after income tax to the net cash flows from operations				
Profit after income tax	**156,522**	147,286	**281,139**	96,773
Adjusted for other non-cash items and transfers:				
– Depreciation and amortisation expenses	**43,979**	41,544	**43,975**	41,541
– Net loss/(gain) on disposal of assets	**429**	(12,128)	**429**	(12,128)
– Share-based payments expense	**13,695**	7,785	**13,695**	7,785
– Hedge reserve	**(1,620)**	1,297	**1,360**	153
– Interest classified as financing activity	**–**	1,333	**–**	1,333
Changes in assets and liabilities:				
– Receivables	**14,726**	(7,793)	**6,795**	(14,082)
– Inventories	**12,445**	22,993	**12,445**	22,993
– Other assets	**(1,649)**	430	**(3,527)**	1,862
– Payables	**(30,506)**	8,636	**(123,232)**	(18,547)
– Taxation	**(7,115)**	(6,590)	**(12,429)**	(4,711)
– Interest bearing liabilities	**–**	4,193	**–**	60
– Provisions	**(2,730)**	(10,250)	**(2,730)**	(10,250)
– Other liabilities	**(6,649)**	3,227	**(7,082)**	3,181
Net cash from operating activities	**191,527**	201,963	**210,838**	115,963

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	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
9. RECEIVABLES				
CURRENT				
Store card and credit reserve receivables	**–**	383,077	**–**	–
Amounts receivable from suppliers	**12,087**	19,617	**12,087**	19,617
Less: provision for doubtful debts	**(4,420)**	(4,496)	**(4,420)**	(4,496)
Net amounts receivable from suppliers	**7,667**	15,121	**7,667**	15,121
Other receivables	**18,275**	16,782	**17,439**	16,782
	25,942	414,980	**25,106**	31,903

Notes:

(i) All Store card and credit reserve receivables were interest bearing, with the exception of receivables relating to interest free sales promotions. The payment terms varied between each credit option and include the following:

Standard credit option
The minimum payment for each statement period was the greater of $10 or 2.00% of the adjusted closing balance plus any unpaid minimum payments from earlier statement periods.

Instalment credit option
For each purchase under an instalment credit option, the purchase was divided into a number of equal monthly instalments. The number of instalments was equal to the number of months specified for the credit option. In each of the months specified for the credit option, an instalment was added to the minimum payment. The first instalment was included in the statement of account for the period which includes the date of purchase. The minimum payment in relation to a statement period for an instalment credit option was the sum of the monthly instalments for that statement period, the interest charges for the statement period, and any unpaid minimum payments from earlier statement periods.

Credit reserve loans
The minimum payment due for each statement period was the greater of $10 or 1.95% of the closing balance plus any unpaid minimum payments from earlier statement periods.

(ii) Refunds receivable from suppliers and other debtors are non-interest bearing and are generally on 30 to 90 day terms.

(iii) Details of the effective interest rate and credit risk of current receivables are disclosed in note 32.

Allowances for Doubtful Debts
Movements in the allowances for doubtful debts for amounts due from suppliers and store card and credit reserve receivables for the prior year were as follows:

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Movements in the allowance for Doubtful Debts				
Balance at the beginning of the year	**(4,496)**	(13,815)	**(4,496)**	(3,767)
Charge for the year	**(19)**	(14,472)	**(19)**	(734)
Written off	**95**	23,791	**95**	5
Balance at the end of the year	**(4,420)**	(4,496)	**(4,420)**	(4,496)

Aged Analysis of Receivables
The aged analysis of amounts due from suppliers, for the current year, and both amounts due from suppliers and store card and credit reserve receivables at balance date, for the prior year, were as follows:

Aged Analysis of Receivables				
Neither past due nor impaired	**2,542**	387,076	**2,542**	3,999
Less than 30 days overdue	**4,546**	7,064	**4,546**	7,064
More than 30 days but less than 90 days overdue	**417**	2,439	**417**	2,439
More than 90 days overdue	**162**	1,619	**162**	1,619
Total store card and credit reserve receivables	**7,667**	398,198	**7,667**	15,121

9. RECEIVABLES CONTINUED

For the year ended 26 July 2008, the store card and credit reserve receivables balance was classified as current (neither past due nor impaired) as the receivables were transferred to American Express on 1 August 2008. The Consolidated Entity derecognised its store card and credit reserve receivables on the date of transfer.

In relation to all other receivables no amounts are impaired, nor are any amounts past due. Based on the credit history of other receivables, it is expected that these amounts will be received when due.

The credit quality of all financial assets that are neither past due nor impaired is consistently monitored with reference to historical default rates, payment history, account aging, borrower specific events, consumer credit bureau and other publicly available information so as to identify any potential adverse changes in credit quality. The credit quality of receivables at balance date is considered satisfactory.

The Consolidated Entity's accounting policy for impairment is disclosed in note 1(s).

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
10. INVENTORIES				
Retail inventories	**244,843**	257,288	**244,843**	257,288
	244,843	257,288	**244,843**	257,288
11. FINANCIAL ASSETS				
CURRENT				
Forward exchange contracts	**774**	598	**774**	598
Interest rate swaps	**–**	106	**–**	–
	774	704	**774**	598
NON-CURRENT				
Shares in controlled entities – at recoverable amount	**–**	–	**105,243**	105,243
Shares in other corporations – at cost	**12**	12	**12**	12
Interest rate swaps	**–**	786	**–**	–
	12	798	**105,255**	105,255

Forward exchange and interest rate swap contracts are designated as cash flow hedges. Information in relation to the Consolidated Entity's exposure to forward exchange and interest rate risks are disclosed in note 32.

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
12. OTHER ASSETS				
CURRENT				
Prepayments	**8,805**	7,769	**8,501**	6,479
	8,805	7,769	**8,501**	6,479
NON-CURRENT				
Prepayments	**1,364**	35	**1,364**	35
	1,364	35	**1,364**	35

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13. PROPERTY, PLANT AND EQUIPMENT

The movements in the Consolidated Entity's property, plant and equipment balances are as follows:

Year ended 25 July 2009	Land and Buildings and Integral Plant $000	Leasehold Improvements $000	Plant and Equipment $000	Computer Equipment $000	Fixtures and Fittings $000	Work in Progress $000	Total $000
At 27 July 2008, net of accumulated depreciation	**385,980**	**88,195**	**22,804**	**6,383**	**123,761**	**43,564**	**670,687**
Additions	–	**14,804**	**2,778**	**1,409**	**45,304**	**30,142**	**94,437**
Disposals and write-downs	–	**(6)**	**(5)**	**(37)**	**(353)**	–	**(401)**
Transfers and reclassifications	–	–	–	–	**320**	–	**320**
Depreciation charge for the year	**(2,240)**	**(7,158)**	**(4,211)**	**(1,544)**	**(25,810)**	–	**(40,963)**
At 25 July 2009, net of accumulated depreciation	**383,740**	**95,835**	**21,366**	**6,211**	**143,222**	**73,706**	**724,080**
At 26 July 2008							
Cost	**390,073**	**185,807**	**64,093**	**45,971**	**279,402**	**43,564**	**1,008,910**
Accumulated depreciation	**(4,093)**	**(97,612)**	**(41,289)**	**(39,588)**	**(155,641)**	–	**(338,223)**
Net carrying amount	**385,980**	**88,195**	**22,804**	**6,383**	**123,761**	**43,564**	**670,687**
At 25 July 2009							
Cost	**390,073**	**196,425**	**65,247**	**38,319**	**304,228**	**73,706**	**1,067,998**
Accumulated depreciation	**(6,333)**	**(100,590)**	**(43,881)**	**(32,108)**	**(161,006)**	–	**(343,918)**
Net carrying amount	**383,740**	**95,835**	**21,366**	**6,211**	**143,222**	**73,706**	**724,080**
Year ended 26 July 2008							
At 29 July 2007, net of accumulated depreciation	411,608	88,960	20,362	3,646	113,163	28,430	666,169
Additions	–	5,121	3,155	1,537	19,577	43,899	73,289
Disposals and write-downs	(23,286)	(2,803)	(289)	(31)	(3,463)	–	(29,872)
Transfers and reclassifications	–	3,367	3,785	3,121	18,354	(28,765)	(138)
Depreciation charge for the year	(2,342)	(6,450)	(4,209)	(1,890)	(23,870)	–	(38,761)
At 26 July 2008, net of accumulated depreciation	385,980	88,195	22,804	6,383	123,761	43,564	670,687
At 28 July 2007							
Cost	413,552	197,360	51,172	44,566	265,740	28,430	1,000,820
Accumulated depreciation	(1,944)	(108,400)	(30,810)	(40,920)	(152,577)	–	(334,651)
Net carrying amount	411,608	88,960	20,362	3,646	113,163	28,430	666,169
At 26 July 2008							
Cost	390,073	185,807	64,093	45,971	279,402	43,564	1,008,910
Accumulated depreciation	(4,093)	(97,612)	(41,289)	(39,588)	(155,641)	–	(338,223)
Net carrying amount	385,980	88,195	22,804	6,383	123,761	43,564	670,687

13. PROPERTY, PLANT AND EQUIPMENT CONTINUED

The movements in the Company's property, plant and equipment balances are as follows:

Year ended 25 July 2009	Land and Buildings and Integral Plant $000	Leasehold Improvements $000	Plant and Equipment $000	Computer Equipment $000	Fixtures and Fittings $000	Work in Progress $000	Total $000
At 27 July 2008, net of accumulated depreciation	**385,980**	**88,195**	**22,791**	**6,383**	**123,761**	**43,564**	**670,674**
Additions	**–**	**14,804**	**2,778**	**1,409**	**45,304**	**30,142**	**94,437**
Disposals and write-downs	**–**	**(6)**	**(5)**	**(37)**	**(353)**	**–**	**(401)**
Transfers and reclassifications	**–**	**–**	**–**	**–**	**320**	**–**	**320**
Depreciation charge for the year	**(2,240)**	**(7,158)**	**(4,208)**	**(1,544)**	**(25,810)**	**–**	**(40,959)**
At 25 July 2009, net of accumulated depreciation	**383,740**	**95,835**	**21,356**	**6,211**	**143,222**	**73,706**	**724,070**
At 26 July 2008							
Cost	**390,073**	**185,807**	**64,055**	**45,971**	**279,402**	**43,564**	**1,008,872**
Accumulated depreciation	**(4,093)**	**(97,612)**	**(41,264)**	**(39,588)**	**(155,641)**	**–**	**(338,198)**
Net carrying amount	**385,980**	**88,195**	**22,791**	**6,383**	**123,761**	**43,564**	**670,674**
At 25 July 2009							
Cost	**390,073**	**196,425**	**65,209**	**38,322**	**304,218**	**73,706**	**1,067,953**
Accumulated depreciation	**(6,333)**	**(100,590)**	**(43,853)**	**(32,111)**	**(160,996)**	**–**	**(343,883)**
Net carrying amount	**383,740**	**95,835**	**21,356**	**6,211**	**143,222**	**73,706**	**724,070**
Year ended 26 July 2008							
At 29 July 2007, net of accumulated depreciation	411,608	88,960	20,155	3,646	113,353	28,430	666,152
Additions	–	5,121	3,155	1,537	19,577	43,899	73,289
Disposals and write-downs	(23,286)	(2,803)	(289)	(31)	(3,463)	–	(29,872)
Transfers and reclassifications	–	3,367	3,976	3,121	18,164	(28,765)	(137)
Depreciation charge for the year	(2,342)	(6,450)	(4,206)	(1,890)	(23,870)	–	(38,758)
At 26 July 2008, net of accumulated depreciation	385,980	88,195	22,791	6,383	123,761	43,564	670,674
At 28 July 2007							
Cost	413,552	197,360	50,957	44,566	265,532	28,430	1,000,397
Accumulated depreciation	(1,944)	(108,400)	(30,802)	(40,920)	(152,179)	–	(334,245)
Net carrying amount	411,608	88,960	20,155	3,646	113,353	28,430	666,152
At 26 July 2008							
Cost	390,073	185,807	64,055	45,971	279,402	43,564	1,008,872
Accumulated depreciation	(4,093)	(97,612)	(41,264)	(39,588)	(155,641)	–	(338,198)
Net carrying amount	385,980	88,195	22,791	6,383	123,761	43,564	670,674

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14. INTANGIBLE ASSETS

The movements in the Consolidated Entity's and the Company's intangible balances are as follows:

	CONSOLIDATED			DAVID JONES LIMITED		
Year ended 25 July 2009	Software $000	Goodwill $000	Total $000	Software $000	Goodwill $000	Total $000
At 27 July 2008, net of accumulated amortisation	**6,605**	**30,305**	**36,910**	**6,605**	**20,000**	**26,605**
Additions	**4,646**	**–**	**4,646**	**4,646**	**–**	**4,646**
Disposals and write downs	**(28)**	**–**	**(28)**	**(28)**	**–**	**(28)**
Transfers and reclassifications	**(320)**	**–**	**(320)**	**(320)**	**–**	**(320)**
Amortisation charge for the year	**(3,016)**	**–**	**(3,016)**	**(3,016)**	**–**	**(3,016)**
At 25 July 2009, net of accumulated amortisation	**7,887**	**30,305**	**38,192**	**7,887**	**20,000**	**27,887**
At 26 July 2008						
Cost	**31,412**	**30,305**	**61,717**	**31,184**	**20,000**	**51,184**
Accumulated amortisation	**(24,807)**	**–**	**(24,807)**	**(24,579)**	**–**	**(24,579)**
Net carrying amount	**6,605**	**30,305**	**36,910**	**6,605**	**20,000**	**26,605**
At 25 July 2009						
Cost	**34,537**	**30,305**	**64,842**	**34,309**	**20,000**	**54,309**
Accumulated amortisation	**(26,650)**	**–**	**(26,650)**	**(26,422)**	**–**	**(26,422)**
Net carrying amount	**7,887**	**30,305**	**38,192**	**7,887**	**20,000**	**27,887**
Year ended 26 July 2008						
At 29 July 2007, net of accumulated amortisation	8,912	30,305	39,217	8,912	20,000	28,912
Additions	338	–	338	338	–	338
Transfers and reclassifications	138	–	138	138	–	138
Amortisation charge for the year	(2,783)	–	(2,783)	(2,783)	–	(2,783)
At 26 July 2008, net of accumulated amortisation	6,605	30,305	36,910	6,605	20,000	26,605
At 28 July 2007						
Cost (gross carrying amount)	30,936	30,305	61,241	30,708	20,000	50,708
Accumulated amortisation	(22,024)	–	(22,024)	(21,796)	–	(21,796)
Net carrying amount	8,912	30,305	39,217	8,912	20,000	28,912
At 26 July 2008						
Cost	31,412	30,305	61,717	31,184	20,000	51,184
Accumulated amortisation	(24,807)	–	(24,807)	(24,579)	–	(24,579)
Net carrying amount	6,605	30,305	36,910	6,605	20,000	26,605

Impairment test for goodwill and other assets

The goodwill balance relates to the acquisition of a group of department stores in Western Australia ($10.305 million) and a department store in New South Wales ($20.000 million). The recoverable amount of these cash generating units is determined based on a value in use calculation. The calculation uses a cash flow projection over the remaining term of each store lease discounted at a pre-tax rate of 14.05%. The cash flows are based on financial projections determined by the Company based on a sales growth rate of 1.00% for the remaining lease period, and reflect both past experience and market expectations. Sensitivity analyses were performed taking the financial projections noted and reducing sales by up to 25.00% with the discount rate being increased to 14.15%, and reduced to 13.95%. The results of the sensitivity analyses indicate that under these conditions it is reasonable to expect that no impairment losses would arise.

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
15. DEFERRED TAX ASSETS AND LIABILITIES				
Deferred tax assets are attributable to the following items:				
Inventory	**7,189**	6,923	**7,189**	6,923
Plant and equipment	**15,521**	15,990	**15,521**	16,263
Accrued expenses	**8,229**	8,329	**8,229**	8,329
Provisions for:				
– Directors retirement allowance	**361**	345	**361**	345
– Doubtful debts	**1,310**	6,263	**1,310**	1,349
– Employee benefits	**15,624**	16,757	**15,624**	16,757
– Sales returns	**876**	812	**876**	812
Revenue received in advance	**–**	407	**–**	–
Interest free sales	**–**	2,067	**–**	2,067
Straight-lining of lease rentals	**8,789**	8,492	**8,789**	8,492
Hedge accounting	**5,360**	7,414	**4,822**	7,681
Share based payments	**5,713**	–	**5,713**	–
Other amounts	**618**	111	**618**	(156)
	69,590	73,910	**69,052**	68,862
Reconciliation of movement of deferred tax assets:				
Opening balance	**73,910**	70,745	**68,862**	67,351
Charges recognised in income statement	**(7,577)**	3,465	**(2,263)**	1,542
Amounts recognised against equity	**3,257**	(300)	**2,453**	(31)
	69,590	73,910	**69,052**	68,862
16. PAYABLES				
Trade payables	**129,576**	140,791	**129,576**	140,835
Other payables and accruals	**114,526**	133,817	**110,344**	124,591
Intercompany payables	**–**	–	**224,925**	322,651
	244,102	274,608	**464,845**	588,077

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	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
17. INTEREST BEARING LIABILITIES				
CURRENT				
Bank overdraft	**1,870**	1,360	**1,870**	1,360
Receivables purchase facility	**–**	241,000	**–**	–
	1,870	242,360	**1,870**	1,360
NON-CURRENT				
Unsecured bank loan	**100,000**	270,000	**–**	–
	100,000	270,000	**–**	–

Information in relation to the Consolidated Entity's exposure to interest rate risk is disclosed in note 32.

Receivables Purchase Facility

The receivables purchase facility was established through a bank to partially fund the Consolidated Entity's store card receivables. Under this facility the risks and rewards relating to the receivables remained with the Consolidated Entity. The facility was repaid and cancelled on 1 August 2008 after the transfer of receivables to American Express.

Unsecured Bank Loan

The unsecured syndicated bank loan in the form of a revolving cash advance facility was established in July 2007 and drawn down on 28 September 2007.

The unsecured syndicated loan facility had two tranches at the beginning of the year:

- $350.000 million core term tranche repayable on 28 September 2012; and
- $100.000 million short term tranche repayable on 27 September 2008.

The short term tranche was for funding working capital requirements expired on 27 September 2008 and was not renewed.

At 26 July 2008, $100.000 million of the core term tranche facility had been drawn down to partially fund store card receivables. This amount was repaid following the transfer of store card receivables to American Express on 1 August 2008.

Further information in relation to this finance facility is disclosed in note 32.

	Note	CONSOLIDATED 2009 $000	CONSOLIDATED 2008 $000	DAVID JONES LIMITED 2009 $000	DAVID JONES LIMITED 2008 $000
17. INTEREST BEARING LIABILITIES CONTINUED					
Financing facilities					
Access to the following lines of credit was available at balance date:					
Total facilities	(i)				
Unsecured bank loan		**350,000**	350,000	**–**	–
Overdraft and trade finance facility	(ii)	**29,600**	29,600	**29,600**	29,600
Working capital facility		**–**	100,000	**–**	–
Receivables purchase facility	(iii)	**–**	250,000	**–**	–
Bank guarantee	(iv)	**1,252**	1,182	**1,252**	1,182
		380,852	730,782	**30,852**	30,782
Used at balance date					
Unsecured bank loan		**100,000**	270,000	**–**	–
Overdraft and trade finance facility		**1,870**	1,360	**1,870**	1,360
Working capital facility		**–**	–	**–**	–
Receivables purchase facility		**–**	241,000	**–**	–
Bank guarantee		**1,252**	1,182	**1,252**	1,182
		103,122	513,542	**3,122**	2,542
Unused at balance date					
Unsecured bank loan		**250,000**	80,000	**–**	–
Overdraft and trade finance facility		**27,730**	28,240	**27,730**	28,240
Working capital facility		**–**	100,000	**–**	–
Receivables purchase facility		**–**	9,000	**–**	–
Bank guarantee		**–**	–	**–**	–
		277,730	217,240	**27,730**	28,240

Notes:

(i) All facilities are denominated in Australian dollars, unsecured and subject to borrowing covenants, which have been met.

(ii) The overdraft and trade finance facilities are subject to annual review in February each year.

(iii) The receivables purchase facility was repaid and cancelled on 1 August 2008.

(iv) The bank guarantee facility is available until November 2009.

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	CONSOLIDATED		DAVID JONES LIMITED	
	2009 $000	2008 $000	**2009 $000**	2008 $000
18. CURRENT TAX LIABILITIES				
Movements during the year were as follows:				
Balance at beginning of the year	**22,997**	28,468	**22,997**	28,468
Over provision from prior year	**(2)**	(187)	**(2)**	(187)
Current period income tax provision recognised in income statement	**53,340**	65,981	**53,340**	65,981
Current period income tax provision recognised in equity	**(4,960)**	(2,346)	**(4,960)**	(2,346)
Income tax paid	**(68,026)**	(68,919)	**(68,026)**	(68,919)
Balance at the end of the year	**3,349**	22,997	**3,349**	22,997
19. PROVISIONS				
CURRENT				
Employee entitlements	**48,610**	50,140	**48,610**	50,140
Sales returns	**2,919**	2,707	**2,919**	2,707
Dismantling and restoration	**520**	884	**520**	884
	52,049	53,731	**52,049**	53,731
NON-CURRENT				
Employee entitlements	**5,063**	5,717	**5,063**	5,717
Directors' retirement allowance	**1,203**	1,148	**1,203**	1,148
Dismantling and restoration	**590**	1,039	**590**	1,039
	6,856	7,904	**6,856**	7,904

Movement
Movement in the carrying amount of each class of provision, excluding employee benefits and Directors' retirement allowance, are set out below. The numbers disclosed are for the Consolidated Entity and the Company.

	Sales Returns $000	Dismantling and Restoration $000	**Total $000**
Balance at the beginning of the year	2,707	1,923	**4,630**
Provisions made during the year	3,308	85	**3,393**
Provisions used during the year	(3,096)	(898)	**(3,994)**
Balance at the end of the year	2,919	1,110	**4,029**
Current	2,919	520	**3,439**
Non-current	–	590	**590**
Total	**2,919**	**1,110**	**4,029**

Sales returns
A provision is recognised for the estimated cost of sales returns, which have occurred during the year. The provision is estimated with reference to actual sales during the period and the historical level of sales returns processed in accordance with the Consolidated Entity's returns policy.

Dismantling and restoration
A provision is recognised in respect of existing lease contracts for the estimated present value of expenditure required to complete dismantling and site restoration obligations under those contracts at balance date. Future dismantling and restoration costs are reviewed annually. Any changes are reflected in the present value of the dismantling and restoration provision at the end of the reporting period.

The amount of the provision for future dismantling costs is capitalised and is amortised in accordance with the policy set out in note 1(m). The unwinding of the effect of discounting of the provision is recognised as a finance expense.

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
20. FINANCIAL LIABILITIES				
CURRENT				
Forward exchange contracts	**521**	1,009	**521**	1,009
Interest rate swap contracts	**1,788**	–	**–**	–
	2,309	1,009	**521**	1,009
NON-CURRENT				
Forward exchange contracts	**–**	695	**–**	695
	–	695	**–**	695

Forward exchange and interest rate swap contracts are designated as cash flow hedges. Information in relation to the Consolidated Entity's exposure to forward exchange and interest rate risks are disclosed in note 32.

	CONSOLIDATED		DAVID JONES LIMITED	
21. OTHER LIABILITIES				
CURRENT				
Straight-lining of lease rentals	**555**	582	**555**	582
Unearned revenue	**–**	1,355	**–**	–
Discount on deferred payment of interest free sales	**–**	6,891	**–**	6,891
	555	8,828	**555**	7,473
NON-CURRENT				
Straight lining of lease rentals	**28,742**	27,723	**28,742**	27,723
	28,742	27,723	**28,742**	27,723
22. CONTRIBUTED EQUITY				
Ordinary shares, fully paid	**479,117**	455,341	**479,117**	455,341
	479,117	455,341	**479,117**	455,341
Movements in ordinary share capital				
Balance at the beginning of the year	**455,341**	392,496	**455,341**	392,496
Dividend Reinvestment Plan	**25,862**	29,561	**25,862**	29,561
Purchase of shares for the LTI Plan	**(2,168)**	–	**(2,168)**	–
Employee share plan	**82**	97	**82**	97
Conversion of RPS	**–**	33,187	**–**	33,187
Balance at the end of the year	**479,117**	455,341	**479,117**	455,341

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	DAVID JONES LIMITED	
	2009 Number of Shares	2008 Number of Shares
22. CONTRIBUTED EQUITY CONTINUED		
Movements in the number of ordinary shares		
Balance at the beginning of the year	**483,452,861**	451,021,398
Dividend reinvestment plan	**8,502,658**	6,963,393
Shares issued under the LTI Plan	**7,001,157**	2,180,219
Shares issued for the LTI Plan	**1,700,000**	–
Conversion of RPS	**–**	23,287,851
Balance at the end of the year	**500,656,676**	483,452,861

Terms and conditions of ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

In the event of the winding up of the Company, ordinary shareholders rank after all other shareholders and creditors, and are fully entitled to any proceeds of liquidation.

	CONSOLIDATED		DAVID JONES LIMITED	
	2009 $000	2008 $000	**2009 $000**	2008 $000
23. RESERVES				
Share based payments reserve	**56,823**	35,310	**56,823**	35,310
Cash flow hedge reserve	**(1,075)**	150	**177**	(774)
	55,748	35,460	**57,000**	34,536
Movements:				
Share based payments reserve				
Balance at beginning of the year	**35,310**	25,180	**35,310**	25,180
Share based payments expense for the year	**13,695**	7,785	**13,695**	7,785
Income tax recognised directly in equity	**7,817**	2,345	**7,817**	2,345
Balance at the end of the year	**56,823**	35,310	**56,823**	35,310
Cash flow hedge reserve				
Balance at beginning of the year	**150**	(851)	**(774)**	(851)
Movement during the year	**(1,225)**	1,001	**951**	77
Balance at the end of the year	**(1,075)**	150	**177**	(774)

Share based payments reserve

The share based payments reserve is used to recognise the fair value of LTI Plan rights issued and the income tax effect of amounts recognised directly in equity.

Cash flow hedge reserve

The cash flow hedge reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
24. RETAINED EARNINGS/ (ACCUMULATED LOSSES)				
Balance at the beginning of the year	**128,989**	96,471	**(22,583)**	(4,593)
Net profit attributable to members of the parent entity	**156,522**	147,286	**281,139**	96,773
Dividends recognised on ordinary shares during the year	**(132,990)**	(114,765)	**(132,990)**	(114,765)
Balance at the end of the year	**152,520**	128,989	**125,563**	(22,583)

25. CONTINGENT LIABILITIES

The Directors are of the opinion that provisions are not required in respect of the matters disclosed below, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of being reliably measured.

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
Indemnities				
Indemnities to third parties given in the ordinary course of business	**1,252**	1,182	**1,252**	1,182

Litigation

In the ordinary course of business, the Consolidated Entity becomes involved in litigation. Provision has been made for known obligations where the existence of the liability is probable and can be reasonably measured. As the outcomes of these matters remain uncertain, contingent liabilities exist for possible amounts eventually payable that are in excess of the amounts provided for. The financial estimate of these amounts is impracticable.

Finance facilities

David Jones Finance Pty Limited, a controlled entity within the group, is the borrower of certain finance facilities. The borrowings of David Jones Finance Pty Limited are guaranteed by the Company and certain controlled entities.

Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit, and lodgement of Financial Statements and Directors' reports.

It is a condition of the Class Order that the Company and each of the participating subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed, dated 22 March 2005, is that the Company guarantees to each creditor, payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act. If a winding up occurs under other provisions of the Corporations Act, the Company will only be liable in the event that, after six months, any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

– David Jones Financial Services Limited;

– David Jones Finance Pty Limited;

– 299–307 Bourke Street Pty Limited; and

– David Jones Properties Pty Limited.

The Company and the above subsidiaries represent a Closed Group for the purposes of the Class Order.

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25. CONTINGENT LIABILITIES CONTINUED

Deed of cross guarantee (continued)

Set out below is a consolidated Income Statement and a consolidated Balance Sheet comprising the Company and the controlled entities that are party to the Deed, after eliminating all transactions between these parties, at balance date.

	CONSOLIDATED	
	2009 $000	2008 $000
Summarised Income Statement		
Profit before related income tax expense	**216,337**	206,714
Income tax (expense)/credit	**(61,000)**	(62,405)
Profit after income tax expense	**155,377**	144,309
Summary of movements in consolidated retained earnings		
Balance at the beginning of the year	**121,017**	91,473
Dividends recognised during the year	**(132,990)**	(114,765)
Net profit attributable to parties of the Closed Group	**155,377**	144,309
Balance at the end of the year	**143,404**	121,017
CURRENT ASSETS		
Cash and cash equivalents	**13,615**	66,564
Receivables	**25,942**	414,980
Inventories	**244,843**	257,288
Financial assets	**774**	704
Other assets	**8,805**	7,769
Total current assets	**293,979**	747,305
NON-CURRENT ASSETS		
Financial assets	**105,255**	106,041
Property, plant and equipment	**724,080**	670,687
Intangible assets	**27,887**	26,605
Deferred tax assets	**69,590**	73,910
Other assets	**1,364**	35
Total non-current assets	**928,176**	877,278
Total assets	**1,222,155**	1,624,583
CURRENT LIABILITIES		
Payables	**313,157**	343,873
Interest bearing liabilities	**1,870**	342,360
Current tax liabilities	**3,349**	22,997
Provisions	**52,049**	53,731
Financial liabilities	**2,309**	1,009
Other liabilities	**555**	7,473
Total current liabilities	**373,289**	771,443

	CONSOLIDATED	
	2009	2008
	$000	$000
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**100,000**	170,000
Provisions	**6,855**	7,904
Financial liabilities	**–**	695
Other liabilities	**28,742**	27,723
Total non-current liabilities	**135,597**	206,322
Total liabilities	**508,886**	977,765
Net assets	**713,269**	646,818
EQUITY		
Contributed equity	**514,117**	490,341
Reserves	**55,748**	35,460
Retained earnings	**143,404**	121,017
Total equity	**713,269**	646,818

	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$000	$000	**$000**	$000
26. COMMITMENTS FOR EXPENDITURE				
Capital expenditure commitments				
Commitments for the acquisition of property, plant and equipment contracted for at the reporting date but not recognised as a liability in the Financial Statements, payable:				
Within one year	**25,033**	10,199	**25,033**	10,199
Later than one year but not later than five years	**–**	–	**–**	–
Later than five years	**–**	–	**–**	–
	25,033	10,199	**25,033**	10,199
Operating lease commitments				
Future operating lease rentals payable:				
Within one year	**72,626**	71,888	**72,626**	71,888
Later than one year but not later than five years	**272,277**	269,602	**272,277**	269,602
Later than five years	**866,659**	847,290	**866,659**	847,290
	1,211,562	1,188,780	**1,211,562**	1,188,780

The Consolidated Entity leases retail premises and warehousing facilities. Generally, the operating lease agreements are for an average term of 23 years and include renewal options. Under most leases, the Consolidated Entity is responsible for property taxes, insurance, maintenance and other expenses related to the leased properties.

The operating lease commitments set out above comprise base rental payments plus agreed percentage increases.

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	CONSOLIDATED		DAVID JONES LIMITED	
	2009	2008	**2009**	2008
	$	$	**$**	$
27. AUDITOR'S REMUNERATION				
During the financial year, the following fees were paid or payable for services provided by Ernst & Young, the auditor of David Jones Limited and it's Controlled Entities:				
Audit services:				
– audit and review of Financial Statements	**644,485**	829,536	**644,485**	829,536
– assurance procedures in relation to LTI Plan	**–**	8,858	**–**	8,858
– audit of workers compensation wages declaration	**3,399**	3,090	**3,399**	3,090
	647,884	841,484	**647,884**	841,484

There were no non-audit services undertaken by the Consolidated Entity's external auditor during the financial year.

28. KMP DISCLOSURES

KMPs are persons having the authority and responsibility for planning, directing and controlling the Company's activities directly or indirectly, including Directors of David Jones Limited. The information shown is for the Consolidated Entity and the Company.

	2009	2008
	$	$
Compensation by category for KMP		
Short term employee benefits	**14,182,881**	14,750,905
Post employment benefits	**472,270**	510,680
Other long-term benefits	**242,655**	187,182
Share-based payments	**7,319,179**	4,898,674
Total compensation	**22,216,985**	20,347,441

The Remuneration Report includes disclosures of the individual components of remuneration for each KMP.

28. KMP DISCLOSURES CONTINUED

EQUITY HOLDINGS OF KMP

Long Term Incentive (LTI) Plan rights holdings of KMP

The following tables show the movements in LTI Plan rights holdings of KMP for the current and prior financial year.

For the year ended 25 July 2009

		Holding at 26 July 2008[1]	Granted as Remun-eration[1]	Vested during the Year[1]	Holding at 25 July 2009[1]	Fair Value of Right – TSR	Fair Value of Right – ROFE	Fair Value of Right – EPS	Fair Value of Right – NPAT
Name	LTI Plan	Number	Number	Number	Number	$	$	$	$
Directors[2]									
Mark	06–08 offer	449,380	–	(449,380)	–	2.39	2.06	–	–
McInnes	05–08 retention offer	1,000,000	–	(1,000,000)	–	–	–	–	2.40
	07–09 offer	489,850	–	–	489,850	2.03	–	3.23	–
	08–10 offer	381,737	–	–	381,737	1.69	–	3.02	–
	09–11 retention offer								
	– Tranche 1	–	1,016,370	–	1,016,370	1.63	–	–	1.82
	– Tranche 2	–	1,016,370	–	1,016,370	1.59	–	–	1.82
	– Tranche 3	–	1,355,160	–	1,355,160	1.61	–	–	1.82
	Aggregate value		*$5,810,249*	*$7,365,908*					
Stephen	06–08 offer	175,620	–	(175,620)	–	2.39	2.06	–	–
Goddard	05–08 retention offer	600,000	–	(600,000)	–	–	–	–	2.40
	07–09 offer	233,601	–	–	233,601	2.03	–	3.23	–
	08–10 offer	173,156	–	–	173,156	1.69	–	3.02	–
	09–11 retention offer								
	– Tranche 1	–	519,677	–	519,677	1.63	–	–	1.82
	– Tranche 2	–	519,677	–	519,677	1.59	–	–	1.82
	– Tranche 3	–	692,904	–	692,904	1.61	–	–	1.82
	Aggregate value		*$2,970,822*	*$3,799,092*					
Senior executives									
Damian	06–08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
Eales	07–09 offer	101,787	–	–	101,787	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value			*$1,760,000*					
Colette	06–08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
Garnsey	07–09 offer	116,376	–	–	116,376	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value			*$1,760,000*					

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28. KMP DISCLOSURES CONTINUED

Long Term Incentive (LTI) Plan rights holdings of KMP (continued)

For the year ended 25 July 2009 (continued)

Name	LTI Plan	Holding at 26 July 2008[1] Number	Granted as Remun-eration[1] Number	Vested during the Year[1] Number	Holding at 25 July 2009[1] Number	Fair Value of Right – TSR $	Fair Value of Right – ROFE $	Fair Value of Right – EPS $	Fair Value of Right – NPAT $
Senior executives (continued)									
Antony	06–08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
Karp	07–09 offer	101,787	–	–	101,787	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value			*$1,760,000*					
Patrick	06–08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
Robinson	07–09 offer	107,385	–	–	107,385	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value			*$1,760,000*					
Paul	06–08 retention offer	400,000	–	(400,000)	–	–	–	–	2.47
Zahra	07–09 offer	116,376	–	–	116,376	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	200,000	–	–	200,000	2.09	–	–	2.97
	– Tranche 2	200,000	–	–	200,000	1.64	–	–	2.74
	– Tranche 3	200,000	–	–	200,000	1.65	–	–	2.74
	– Tranche 4	400,000	–	–	400,000	1.57	–	–	2.51
	Aggregate value			*$1,760,000*					

Notes to the table:

[1] The numbers disclosed above are the number of rights allocated to each participant in the plan. The actual number of shares issued could be higher or lower, dependent on Company performance and the conversion ratio of the right to ordinary shares.

[2] Non-Executive Directors are not entitled to participate in the LTI Plan and therefore no holdings are disclosed.

28. KMP DISCLOSURES CONTINUED

Long Term Incentive (LTI) Plan rights holdings of KMP (continued)

For the year ended 26 July 2008

Name	LTI Plan	Holding at 28 July 2007[1] Number	Granted as Remun-eration[1] Number	Vested during the Year[1] Number	Holding at 26 July 2008[1] Number	Fair Value of Right – TSR $	Fair Value of Right – ROFE $	Fair Value of Right – EPS $	Fair Value of Right – NPAT $
Directors[2]									
Mark	05–07 offer	382,653	–	(382,653)	–	1.96	1.92	–	–
McInnes	06–08 offer	449,380	–	–	449,380	2.39	2.06	–	–
	05–08 retention offer	1,000,000	–	–	1,000,000	–	–	–	2.40
	07–09 offer	489,850	–	–	489,850	2.03	–	3.23	–
	08–10 offer	–	381,737	–	381,737	1.69	–	3.02	–
	Aggregate value		*$898,991*	*$2,829,719*					
Stephen	05–07 offer	173,469	–	(173,469)	–	1.96	1.92	–	–
Goddard	06–08 offer	175,620	–	–	175,620	2.39	2.06	–	–
	05–08 retention offer	600,000	–	–	600,000	–	–	–	2.40
	07–09 offer	233,601	–	–	233,601	2.03	–	3.23	–
	08–10 offer	–	173,156	–	173,156	1.69	–	3.02	–
	Aggregate value		*$407,782*	*$1,282,803*					
Executives									
Damian	05–07 offer	71,429	–	(71,429)	–	1.37	1.62	–	–
Eales	06–08 retention offer	400,000	–	–	400,000	–	–	–	2.47
	07–09 offer	101,787	–	–	101,787	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	–	200,000	–	200,000	2.09	–	–	2.97
	– Tranche 2	–	200,000	–	200,000	1.64	–	–	2.74
	– Tranche 3	–	200,000	–	200,000	1.65	–	–	2.74
	– Tranche 4	–	400,000	–	400,000	1.57	–	–	2.51
	Aggregate value		*$2,278,200*	*$528,217*					
Collette	05–07 offer	118,367	–	(118,367)	–	1.37	1.62	–	–
Garnsey	06–08 retention offer	400,000	–	–	400,000	–	–	–	2.47
	07–09 offer	116,376	–	–	116,376	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	–	200,000	–	200,000	2.09	–	–	2.97
	– Tranche 2	–	200,000	–	200,000	1.64	–	–	2.74
	– Tranche 3	–	200,000	–	200,000	1.65	–	–	2.74
	– Tranche 4	–	400,000	–	400,000	1.57	–	–	2.51
	Aggregate value		*$2,278,200*	*$875,324*					
Antony	05–07 offer	48,112	35,000[3]	(83,112)	–	1.37	1.62	–	–
Karp	06–08 retention offer	400,000	–	–	400,000	–	–	–	2.47
	07–09 offer	101,787	–	–	101,787	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	–	200,000	–	200,000	2.09	–	–	2.97
	– Tranche 2	–	200,000	–	200,000	1.64	–	–	2.74
	– Tranche 3	–	200,000	–	200,000	1.65	–	–	2.74
	– Tranche 4	–	400,000	–	400,000	1.57	–	–	2.51
	Aggregate value		*$2,457,050*	*$614,613*					

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28. KMP DISCLOSURES CONTINUED

Long Term Incentive (LTI) Plan rights holdings of KMP (continued)

For the year ended 26 July 2008 (continued)

		Holding at 28 July 2007[1]	Granted as Remun-eration[1]	Vested during the Year[1]	Holding at 26 July 2008[1]	Fair Value of Right – TSR	Fair Value of Right – ROFE	Fair Value of Right – EPS	Fair Value of Right – NPAT
Patrick Robinson	05–07 offer	118,367	–	(118,367)	–	1.37	1.62	–	–
	06–08 retention offer	400,000	–	–	400,000	–	–	–	2.47
	07–09 offer	107,385	–	–	107,385	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	–	200,000	–	200,000	2.09	–	–	2.97
	– Tranche 2	–	200,000	–	200,000	1.64	–	–	2.74
	– Tranche 3	–	200,000	–	200,000	1.65	–	–	2.74
	– Tranche 4	–	400,000	–	400,000	1.57	–	–	2.51
	Aggregate value		*$2,278,200*	*$875,324*					
Paul Zahra	05–07 offer	118,367	–	(118,367)	–	1.37	1.62	–	–
	06–08 retention offer	400,000	–	–	400,000	–	–	–	2.47
	07–09 offer	116,376	–	–	116,376	2.60	–	3.80	–
	09–12 retention offer								
	– Tranche 1	–	200,000	–	200,000	2.09	–	–	2.97
	– Tranche 2	–	200,000	–	200,000	1.64	–	–	2.74
	– Tranche 3	–	200,000	–	200,000	1.65	–	–	2.74
	– Tranche 4	–	400,000	–	400,000	1.57	–	–	2.51
	Aggregate value		*$2,278,200*	*$875,324*					

Notes:

[1] The numbers disclosed represent the number of rights allocated to each participant in the plan. The actual number of shares issued could be higher or lower, dependent on Company performance and the conversion ratio of the right to ordinary shares.

[2] Non-Executive Directors are not entitled to participate in the LTI Plan and therefore no holdings are disclosed.

[3] During the year an additional 35,000 rights were issued to Anthony Karp at $5.11 based on performance.

28. KMP DISCLOSURES CONTINUED

Shareholdings of KMP

The following tables show the movements in the number of ordinary shares held in the Company, directly, indirectly or beneficially, by each KMP, including their related parties, for the current and prior financial year.

Year ended 25 July 2009

	Holding at 26 July 2008	Granted as remuneration[1]	Allocated under LTI Plan	Net change – other[2]	Holding at 25 July 2009
Directors					
Robert Savage	104,171	12,796	–	8,815	125,782
John Coates	41,945	–	–	7,831	49,776
Mark McInnes	886,195	–	1,674,070	(1,559,962)	1,000,303
Stephen Goddard	609,744	–	863,430	(349,315)	1,123,859
Reginald Clairs	175,263	3,403	–	6,862	185,528
John Harvey	30,939	–	–	2,806	33,745
Katie Lahey	21,702	–	–	614	22,316
Peter Mason	102,504	–	–	5,346	107,850
Executives					
Damian Eales	351,826	–	400,000	–	751,826
Colette Garnsey	5,629	–	400,000	(400,000)	5,629
Antony Karp	121,659	–	400,000	366	522,025
Patrick Robinson	417,142	–	400,000	(10,000)	807,142
Paul Zahra	420,671	–	400,000	21	820,692

Year ended 26 July 2008

	Holding at 28 July 2007	Granted as remuneration[1]	Allocated under LTI Plan	Net change – other[2]	Holding at 26 July 2008
Directors					
Robert Savage	84,908	14,286	–	4,977	104,171
John Coates	39,616	–	–	2,329	41,945
Mark McInnes	1,162,215	–	573,980	(850,000)	886,195
Stephen Goddard	349,540	–	260,204	–	609,744
Reginald Clairs	167,461	3,800	–	4,002	175,263
John Harvey	30,000	–	–	939	30,939
Katie Lahey	17,261	–	–	4,441	21,702
Peter Mason	–	–	–	102,504	102,504
Executives					
Damian Eales	244,683	–	107,143	–	351,826
Colette Garnsey	628,078	–	177,551	(800,000)	5,629
Antony Karp	4,375	–	107,168	10,116	121,659
Patrick Robinson	239,591	–	177,551	–	417,142
Paul Zahra	243,107	–	177,551	13	420,671

Notes:

[1] Includes shares acquired through the DESP.

[2] 'Net change – other' includes on-market purchases and sales of ordinary shares, and shares acquired through the dividend reinvestment plan.

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28. KMP DISCLOSURES CONTINUED

Shareholdings of KMP (continued)

Other transactions and balances with KMP

David Jones employees, including KMPs, are entitled to a staff discount on purchases made from the Consolidated Entity. The discount varies depending on the merchandise purchased and does not exceed 10%.

Loans to KMP

There were no loans between the Consolidated Entity and KMPs during the current or prior financial year except for amounts due for purchases made on an arm's length basis on the David Jones store card or the David Jones American Express Card.

29. EMPLOYEE SHARE PLANS

Share-based payment arrangements

The Consolidated Entity provides share-based payment arrangements to employees under the following plans:

- LTI Plan
- Employee Share Plan
- EESP
- DESP

LTI Plan

Rights to ordinary shares are granted to senior executives under the LTI Plan. Offers are generally made annually to key executives. The performance period of the rights is typically three years and it is a requirement that the executive stays in continued employment for the full period. The number of rights that vest is dependent upon the achievement of specified performance conditions. The rights can only be equity settled in ordinary shares. The information in the tables that follow relate to both the Consolidated Entity and the Company.

29. EMPLOYEE SHARE PLANS CONTINUED

LTI Plan (continued)

Movements in the LTI Plan rights for the 52 weeks ended 25 July 2009:

			NUMBER OF LTI PLAN RIGHTS							
Offer Description/ Performance Period	Date of Grant	Expiry Date	Balance at start of year	Granted during period	Forfeited during period	Vested during period	Balance at end of year	Exercisable at end of year	Fair value per right TSR hurdle	Fair value per right ROFE/ EPS/NPAT hurdle
06–08 Offer Executive Directors 1 August 2005 – 31 July 2008	2 December 2005	31 July 2008	625,000	–	–	625,000	–	–	$2.39	$2.06
06 – 08 Offer 1 August 2005 – 31 July 2008	3 April 2006	31 July 2008	169,876	–	7,438	162,438	–	–	$3.04	$2.47
Retention Offer – Executive Directors 1 August 2004 – 31 July 2007	2 December 2005	31 July 2008	1,600,000	–	–	1,600,000	–	–	–	$2.40
Retention Offer 1 August 2005 – 31 July 2008	3 April 2006	31 July 2008	4,220,000	–	–	4,220,000	–	–	–	$2.47
07–09 Offer Executive Directors 1 August 2006 – 31 July 2009	1 December 2006	31 July 2009	723,451	–	–	–	723,451	723,451	$2.03	$3.23
07–09 Offer 1 August 2006 – 31 July 2009	1 March 2007	31 July 2009	1,312,493	–	66,359	–	1,246,134	1,246,134	$2.60	$3.80
08–10 Offer Executive Directors 1 August 2007 – 31 July 2010	23 July 2008	31 July 2010	554,893	–	–	–	554,893	–	$1.69	$3.02
09–12 Retention Offer – Tranche 1 1 August 2008 – 31 July 2009	24 July 2008	October 2010	2,901,000	22,000	122,000	–	2,801,000	–	$2.09	$2.97
09–12 Retention Offer – Tranche 2 1 August 2009 – 31 July 2010	24 July 2008	October 2011	2,901,000	22,000	122,000	–	2,801,000	–	$1.64	$2.74
09–12 Retention Offer – Tranche 3 1 August 2010 – 31 July 2011	24 July 2008	October 2011	2,901,000	22,000	122,000	–	2,801,000	–	$1.65	$2.74
09–12 Retention Offer – Tranche 4 1 August 2011 – 31 July 2012	24 July 2008	October 2012	5,802,000	44,000	244,000	–	5,602,000	–	$1.57	$2.51
Retention Offer Executive Directors – Tranche 1 1 August 2008 – 31 July 2009	28 November 2008	October 2011	–	1,536,047	–	–	1,536,047	–	$1.63	$1.82
Retention Offer Executive Directors – Tranche 2 1 August 2009 – 31 July 2010	28 November 2008	October 2011	–	1,536,047	–	–	1,536,047	–	$1.59	$1.82
Retention Offer Executive Directors – Tranche 3 1 August 2010 – 31 July 2011	28 November 2008	October 2011	–	2,048,064	–	–	2,048,064	–	$1.61	$1.82

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29. EMPLOYEE SHARE PLANS CONTINUED

LTI Plan (continued)

Movements in the LTI Plan rights for the 52 weeks ended 26 July 2008:

			NUMBER OF LTI PLAN RIGHTS							
Offer Description/ Performance Period	Date of Grant	Expiry Date	Balance at start of year	Granted during period	Forfeited during period	Vested during period	Balance at end of year	Exercisable at end of year	Fair value per right TSR hurdle	Fair value per right ROFE/ EPS/NPAT hurdle
05–07 Offer Executive Directors 1 August 2004 – 31 July 2007	26 November 2004	31 July 2007	556,122	–	–	556,122	–	–	$1.96	$1.92
05–07 Offer 1 August 2004 – 31 July 2007	30 June 2005	31 July 2007	874,021	23,333	–	897,354	–	–	$1.37	$1.62
06–08 Offer Executive Directors 1 August 2005 – 31 July 2008	2 December 2005	31 July 2008	625,000	–	–	–	625,000	625,000	$2.39	$2.06
06–08 Offer 1 August 2005 – 31 July 2008	3 April 2006	31 July 2008	164,551	13,358	8,033	–	169,876	169,876	$3.04	$2.47
Retention Offer – Offer Executive Directors 1 August 2004 – 31 July 2007	2 December 2005	31 July 2008	1,600,000	–	–	–	1,600,000	1,600,000	–	$2.40
Retention Offer 1 August 2005 – 31 July 2008	3 April 2006	31 July 2008	4,220,000	–	–	–	4,220,000	4,220,000	–	$2.47
07–09 Offer Executive Directors 1 August 2006 – 31 July 2009	1 December 2006	31 July 2009	723,451	–	–	–	723,451	–	$2.03	$3.23
07–09 Offer 1 August 2006 – 31 July 2009	1 March 2007	31 July 2009	1,342,463	–	29,970	–	1,312,493	–	$2.60	$3.80
08–10 Offer Executive Directors 1 August 2007 – 31 July 2010	23 July 2008	31 July 2010	–	554,893	–	–	554,893	–	$1.69	$3.02
09–12 Retention Offer – Tranche 1 1 August 2008 – 31 July 2009	24 July 2008	October 2010	–	2,901,000	–	–	2,901,000	–	$2.09	$2.97
09–12 Retention Offer – Tranche 2 1 August 2009 – 31 July 2010	24 July 2008	October 2011	–	2,901,000	–	–	2,901,000	–	$1.64	$2.74
09–12 Retention Offer – Tranche 3 1 August 2010 – 31 July 2011	24 July 2008	October 2011	–	2,901,000	–	–	2,901,000	–	$1.65	$2.74
09–12 Retention Offer – Tranche 4 1 August 2011 – 31 July 2012	24 July 2008	October 2012	–	5,802,000	–	–	5,802,000	–	$1.57	$2.51

The numbers disclosed above are the number of rights allocated to all participants in the plan. The actual number of shares issued could be higher or lower, dependent on Company performance and the conversion ratio of the right to ordinary shares.

29. EMPLOYEE SHARE PLANS CONTINUED

	CONSOLIDATED		DAVID JONES LIMITED	
	2009 Number	2008 Number	**2009 Number**	2008 Number
Shares issued under the plan to participating employees on 29 September 2008 (2008: 4 October 2007)	**7,001,157**	2,180,219	**7,001,157**	2,180,219
	$	$	**$**	$
Market price of David Jones Limited shares on the date of issue	**4.40**	4.93	**4.40**	4.93

Summary of LTI and Retention Plans

FEATURE	FY2006 – FY2008 OFFER	FY2007 – FY2009 OFFER	FY2008 – FY2010 OFFER	FY2009 – FY2012 OFFER	FY2009 – FY2011 OFFER
OFFERED TO	CEO, Finance Director and senior executives	CEO, Finance Director and senior executives	CEO and Finance Director	Senior Executives	CEO and Finance Director
GRANT DATE	3 April 2006	1 March 2007	23 July 2008	24 July 2008	28 November 2008
VESTING DATE	31 July 2008	31 July 2009	31 July 2010	Staggered up to October 2012	Staggered up to October 2011
PERFORMANCE MEASURES	TSR compared to peer group and capital management (ROFE)	TSR compared to peer group and EPS		TSR compared to peer group and NPAT	TSR compared to peer group and NPAT
RETESTING RULES	The performance period may be extended by one year and retested for the TSR measure	No retest			
PLAN STATUS	Fully vested at stretch		Performance periods not yet concluded		
	ASX LISTED RETAILERS				
PEER GROUP FOR TSR COMPARATOR	Woolworths Limited, Harvey Norman Holdings Limited, Metcash Limited, Specialty Fashion Group Limited, Funtastic Limited, JB Hi-Fi Limited, Just Group Limited and Super Cheap Auto Group Limited.	Woolworths Limited, Harvey Norman Holdings Limited, Metcash Limited Specialty Fashion Group Limited, Funtastic Limited, JB Hi-Fi Limited and Super Cheap Auto Group Limited.	Clive Peeters Limited, Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Metcash Limited, Nick Scali Limited, Orotongroup Limited, Specialty Fashion Group Limited, Super Cheap Auto Group Limited and Woolworths Limited.	Clive Peeters Limited, Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Metcash Limited, Nick Scali Limited, Orotongroup Limited, Specialty Fashion Group Limited, Super Cheap Auto Group Limited and Woolworths Limited.	Clive Peeters Limited, Fantastic Holdings Limited, Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Metcash Limited, Nick Scali Limited, Orotongroup Limited, Specialty Fashion Group Limited, Super Cheap Auto Group Limited and Woolworths Limited.

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29. EMPLOYEE SHARE PLANS CONTINUED

Summary of LTI and Retention Plans (continued)

FEATURE	FY2006 – FY2008 OFFER	FY2007 – FY2009 OFFER	FY2008 – FY2010 OFFER	FY2009 – FY2012 OFFER	FY2009 – FY2011 OFFER
	NON RETAILERS THAT DEMONSTRATE CYCLICAL PATTERNS				
PEER GROUP FOR TSR COMPARATOR	APN News & Media Limited, Austereo Group Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Flight Centre Limited, Globe International Limited, GUD Holdings Limited, Housewares International Limited, Kresta Holdings Limited, Pacific Brands Limited, PMP Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited and West Australian Newspaper Holdings Limited.	APN News & Media Limited, Austereo Group Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Flight Centre Limited, Globe International Limited, GUD Holdings Limited, Housewares International Limited, Kresta Holdings Limited, Pacific Brands Limited, PMP Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited and West Australian Newspaper Holdings Limited.	APN News & Media Limited, Austereo Group Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Fisher & Paykel Appliances Holdings Limited, Flight Centre Limited, Globe International Limited, GUD Holdings Limited, Housewares International Limited, Kresta Holdings Limited, Pacific Brands Limited, PMP Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Wesfarmers Limited and West Australian Newspaper Holdings Limited.	APN News & Media Limited, Austereo Group Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Fisher & Paykel Appliances Holdings Limited, Flight Centre Limited, Globe International Limited, GUD Holdings Limited, Breville Group Limited, Kresta Holdings Limited, Pacific Brands Limited, PMP Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Wesfarmers Limited and West Australian Newspaper Holdings Limited.	APN News & Media Limited, Austereo Group Limited, Austar United Communications Limited, Consolidated Media Holdings Limited, Fairfax Media Limited, Fisher & Paykel Appliances Holdings Limited, Flight Centre Limited, GUD Holdings Limited, Breville Group Limited, Macquarie Media Group, Pacific Brands Limited, PMP Limited, Premier Investments Limited, Salmat Limited, Seven Network Limited, STW Communications Group Limited, Ten Network Holdings Limited, Wesfarmers Limited and West Australian Newspaper Holdings Limited.

29. EMPLOYEE SHARE PLANS CONTINUED

Inputs into the valuation of LTI Plan rights and retention rights

The valuation of the LTI and retention rights were prepared by an independent valuer using the Black Scholes and Monte Carlo pricing models. The valuations of LTI Plan rights were based on the following inputs:

	FY2006–FY2008 OFFER		FY2006–FY2008 OFFER TO EXECUTIVE DIRECTORS	
GRANT DATE	3 April 2006		2 December 2005	
SHARE PRICE	$2.81		$2.40	
DIVIDEND YIELD	5.69%		5.83%	
RISK FREE RATE	5.37%		5.32%	
EXERCISE PRICE	–		–	
VOLATILITY	30%		28%	
VALUATION	TSR	ROFE	TSR	EPS
	$3.04	$2.47	$2.39	$2.06
VALUATION MODEL USED	TSR – Monte Carlo simulation ROFE – Black Scholes		TSR – Monte Carlo simulation ROFE – Black Scholes	

	FY2007 – FY2009 OFFER		FY2007 – FY2009 OFFER TO EXECUTIVE DIRECTORS		FY2008 – FY2010 OFFER TO EXECUTIVE DIRECTORS	
GRANT DATE	1 March 2007		1 December 2006		23 July 2008	
SHARE PRICE	$4.37		$3.77		$3.33	
DIVIDEND YIELD	5.80%		5.80%		4.90%	
RISK FREE RATE	6.00%		6.00%		6.66%	
EXERCISE PRICE	–		–		–	
VOLATILITY	28%		28%		33%	
VALUATION	TSR	EPS	TSR	EPS	TSR	EPS
	$2.60	$3.80	$2.03	$3.23	$1.69	$3.02
VALUATION MODEL USED	TSR – Monte Carlo simulation EPS – Black Scholes		TSR – Monte Carlo simulation EPS – Black Scholes		TSR – Monte Carlo simulation EPS – Black Scholes	

The valuation of FY2009–FY2012 retention rights to executives were based on the following inputs:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4
Grant date	24 July 2008	24 July 2008	24 July 2008	24 July 2008
Share price	$3.44	$3.44	$3.44	$3.44
Dividend yield	Expected future dividend payments			
Risk-free rate	6.57%	6.50%	6.50%	6.43%
Volatility	33%	33%	33%	33%
Value per right – NPAT	$2.97	$2.74	$2.74	$2.51
Value per right – TSR	$2.09	$1.64	$1.65	$1.57

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29. EMPLOYEE SHARE PLANS CONTINUED

The valuation of FY2009–FY2011 retention rights to Executive Directors were based on the following inputs:

	Tranche 1	Tranche 2	Tranche 3
Grant date	28 November 2008	28 November 2008	28 November 2008
Share price (5 day VWAP)	$2.50	$2.50	$2.50
Dividend yield		Expected future dividend payments	
Risk free rate	3.5%	3.5%	3.5%
Volatility	39%	39%	39%
Value per right – NPAT	$1.82	$1.82	$1.82
Value per right – TSR	$1.63	$1.59	$1.61

Employee Share Plan (ESP)

The ESP provides employees with an interest-free loan to enable the purchase of ordinary shares in the Company. Shares under the ESP were acquired by a trustee on behalf of the employee. Dividends and other distributions on the shares are applied to repay the outstanding loan balance. The shares vest with the employee after three years. Each shareholder loan is limited in recourse to the proceeds on sale of the shares acquired.

The ESP is divided into a General and Executive division.

General division

This division was open to all full-time and permanent part-time employees with more than twelve months continuous service and casual employees whose service was deemed by the Company to be more than five years' continuous service. The Company had discretion to offer shares to particular employees with lesser periods of service. In 1995 each eligible employee received between 500 and 5,000 shares, depending upon their position within the Company.

A total of 2,571,500 shares ($5,143,000) were issued under the initial offer to employees under this division of the ESP on 27 November 1995. No shares have been issued under the general division since the initial offer.

Executive division

No shares under the Executive Division remain on issue to executives as they have all been forfeited by executives and sold by the Trustee.

Exempt Employee Share Plan (EESP)

The EESP provides eligible employees the opportunity to acquire an ownership interest in the Company. Non Executive Directors of the Company are not eligible to participate in the EESP. Eligible employees may be offered up to $1,000 worth of the Company's ordinary shares each year, provided specific financial and qualitative corporate objectives are met to the satisfaction of the Board. Shares acquired under the offer must remain in the EESP until the earlier of three years after allocation, or termination of employment of the participant.

The Plan Trustee will use funds it receives from the Company to either subscribe to a new issue of shares in the Company on behalf of the participating employees or purchase shares on the ASX on behalf of the participating employees. These shares will be registered in the name of the Plan Trustee on behalf of the EESP participants.

No shares were issued to eligible employees during the period and no shares were purchased by the Trustee on behalf of participants under the Plan.

29. **EMPLOYEE SHARE PLANS** CONTINUED

Deferred Employee Share Plan (DESP)

Shareholders approved the DESP at the Annual General Meeting held on 23 November 1998.

This plan provides eligible employees the opportunity to acquire an ownership interest in the Company. Eligible employees may salary sacrifice a minimum of $3,000 per annum to acquire ordinary shares in the capital of the Company each year.

Under the rules of the DESP, the Board may impose relevant requirements, being vesting conditions and other conditions before the participant can withdraw shares from the DESP.

When a participating employee's employment ends, they will receive the Company's shares held on their behalf except where relevant requirements have been imposed by the Board and are not met or where an employee has been dismissed as a result of fraudulent or wrongful conduct in which case the Board has the discretion to require forfeiture of any shares under the plan.

In light of the 2009 Federal Budget announced changes to employee share plans, the Board approved the suspension of the DESP to new share acquisitions effective 4 June 2009. The DESP is currently under review.

Details of the shares in each plan for the year are as follows:

	ESP Number	EESP Number	DESP Number
Shares held in plan at 27 July 2008	365,000	283,400	289,135
Shares purchased during the year	–	–	20,738
Share issued from DRP	–	6,809	18,150
Shares disposed during the year	(19,000)	(10,015)	(22,395)
Shares held in plan at 25 July 2009	**346,000**	**280,194**	**305,628**

	ESP $	EESP $	DESP $
David Jones share price at 25 July 2009	5.05	5.05	5.05
Market value of shares	1,747,300	1,414,980	1,543,421
Loan balance at 26 July 2008	303,395	–	–
Loan repayments	(82,236)	–	–
Loan balance at 25 July 2009	**221,159**	**–**	**–**

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		Class of Share	Interest Held 2009 %	2008 %
30. CONSOLIDATED ENTITIES				
Parent entity:				
David Jones Limited	(i)			
Subsidiaries:	(ii)			
Aherns Holdings Pty Ltd (investor)		Ordinary	**100**	100
Ahern's (Suburban) Pty Ltd (retailer)	(iii)	Ordinary	**100**	100
Akitin Pty Limited (investor)		Ordinary	**100**	100
Helland Close Pty Ltd (liquor licence holder)		Ordinary	**100**	100
299–307 Bourke Street Pty Ltd (property owner)	(iv)	Ordinary	**100**	100
David Jones Credit Pty Limited (investor)		Ordinary	**100**	100
John Martin Retailers Pty Limited (non-operating)		Ordinary	**100**	100
David Jones Financial Services Limited (financial services)		Ordinary	**100**	100
David Jones Insurance Pty Limited (financial services)		Ordinary	**100**	100
David Jones Finance Pty Limited (finance company)		Ordinary	**100**	100
David Jones (Adelaide) Pty Limited (investor)	(v)	Ordinary	**100**	100
Buckley & Nunn Pty Limited (investor)		Ordinary	**100**	100
David Jones Properties (South Australia) Pty Limited (investor)		Ordinary	**100**	100
David Jones Properties (Victoria) Pty Limited (property owner)		Ordinary	**100**	100
David Jones Properties (Queensland) Pty Limited (property owner)		Ordinary	**100**	100
Speertill Pty Ltd (liquor licence holder)		Ordinary	**100**	100
David Jones Properties Pty Limited (property owner)		Ordinary	**100**	100
David Jones Employee Share Plan Pty Limited (corporate trustee)		Ordinary	**100**	100
David Jones Share Plans Pty Limited (corporate trustee)		Ordinary	**100**	100

Notes:

(i) David Jones Limited is the ultimate parent entity.

(ii) All subsidiaries are incorporated in Australia and carry on business in their country of incorporation.

(iii) Issued capital is owned by Aherns Holdings Pty Ltd.

(iv) Issued capital is owned by David Jones Finance Pty Limited.

(v) Issued capital of the entity is owned 50% by David Jones Limited and 50% by David Jones Properties (South Australia) Pty Limited.

31. RELATED PARTY DISCLOSURES

Transactions between Directors and the Company

From time to time Directors may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by senior management.

Details of indemnification and insurance of Directors and Officers are disclosed in the Directors' Report.

Interest in controlled entities

Information relating to controlled entities is set out in notes 5, 11, 16, 25 and 30.

Superannuation plans

The Company contributes to several defined contribution superannuation plans.

All superannuation contributions are made in accordance with the relevant trust deeds and the Superannuation Guarantee Charge.

Other related party transactions

Interest on borrowings between entities is charged at commercial rates, which are at the discretion of David Jones Limited

32. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital Risk Management

The Consolidated Entity's key objective when managing capital is to minimise its weighted average cost of capital while retaining flexibility to pursue growth and capital management opportunities.

In managing its capital structure, the Consolidated Entity also seeks to safeguard it's ability to continue as a going concern so that it can continue to provide appropriate returns to shareholders and benefits for other stakeholders.

Total capital of the Consolidated Entity consists of debt, which includes interest bearing liabilities (refer note 17), cash and cash equivalents (refer note 8), and equity comprising issued capital, reserves and retained earnings (refer notes 22, 23 and 24 respectively and the Statement of Changes in Equity).

The capital structure of the Consolidated Entity is monitored using a gearing ratio based on balances at year end. The gearing ratio is calculated as net debt divided by the sum of net debt plus equity. In view of the transaction completed on 1 August 2008 in relation to receivables, net debt is calculated as total interest bearing liabilities (excluding the amount attributable to the funding of receivables) less cash and cash equivalents, and equity is calculated with reference to the amount of equity shown in the Balance Sheet (excluding the amount attributable to the Financial Services segment).

The calculation of the Consolidated Entity's gearing ratio at the balance date of 11.3% (2008: 15.3%) is shown below:

	CONSOLIDATED			
	2009 $000	**2009 %**	2008 $000	2008 %
Gearing Ratio[1]				
Net debt	**88,255**	**11.3**	104,796	15.3
Equity	**689,486**	**88.7**	580,803	84.7
Capital employed	**777,741**	**100.0**	685,599	100.0

Note:

[1] The gearing ratio for the Company is not shown as all debt and cash deposits are transacted by a subsidiary company.

The Company utilises its Dividend Reinvestment Plan to assist with raising equity for the expansion of its retail store portfolio.

The Company's policy for dividend payments to shareholders is to maintain a payout ratio of not less than 85% of profit after tax. Franking credits available for distribution after 25 July 2009 are estimated to be $47.648 million (following payment of the 2009 final dividend).

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32. CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

Financial Risk Management

The Consolidated Entity's key objective of financial risk management is to drive profitable growth while limiting its exposure to adverse financial impacts arising from exposures to market, credit and liquidity risks.

By setting and implementing appropriate policies, creating transparent limits on risks exposures, optimising investment decision making and developing analytical capabilities, risk management contributes to the Consolidated Entity's efforts to create shareholder and customer value.

In addition to business risk, the Consolidated Entity recognises four fundamental sources of risk:

- Interest rate risk
- Foreign currency risk
- Credit risk
- Liquidity risk

The Consolidated Entity seeks to manage the effects of these risks using derivative financial instruments.

The use of financial derivatives is governed by written policies approved by the Company's Board of Directors, including the Treasury Policy and Delegations Manual.

The level of exposure to the above sources of risk is routinely monitored by the Company's Board of Directors. The Consolidated Entity's Treasury department is responsible for the management of these risks, with the exception of consumer credit risk which was managed by Financial Services.

A summary of the underlying economic positions as represented by the carrying values and fair values of the Consolidated Entity's financial assets and financial liabilities is shown below:

	CONSOLIDATED				DAVID JONES LIMITED			
	CARRYING AMOUNT		FAIR VALUE		CARRYING AMOUNT		FAIR VALUE	
	2009 $000	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000	**2009 $000**	2008 $000
Financial Assets								
Cash and cash equivalents	**13,615**	66,564	**13,615**	66,564	**13,615**	10,564	**13,615**	10,564
Receivables	**25,942**	414,980	**25,942**	414,980	**25,106**	31,903	**25,106**	31,903
Forward exchange contracts	**774**	598	**774**	598	**774**	598	**774**	598
Interest rate swap contracts	**8,031**	892	**8,031**	892	**–**	–	**–**	–
Shares in other corporations	**12**	12	**12**	12	**12**	12	**12**	12
Total financial assets	**48,374**	483,046	**48,374**	483,046	**39,507**	43,077	**39,507**	43,077
Financial Liabilities								
Payables	**244,102**	274,608	**244,102**	274,608	**464,845**	588,077	**464,845**	588,077
Current tax liabilities	**3,349**	22,997	**3,349**	22,997	**3,349**	22,997	**3,349**	22,997
Interest bearing liabilities:								
– Bank overdraft	**1,870**	1,360	**1,870**	1,360	**1,870**	1,360	**1,870**	1,360
– Receivables purchase facility	**–**	241,000	**–**	241,000	**–**	–	**–**	–
– Unsecured bank loan	**100,000**	270,000	**93,730**	270,000	**–**	–	**–**	–
Forward exchange contracts	**521**	1,704	**521**	1,704	**521**	1,704	**521**	1,704
Interest rate swap contracts	**1,788**	–	**1,788**	–	**–**	–	**–**	–
Total financial liabilities	**351,630**	811,669	**345,360**	811,669	**470,585**	614,138	**470,585**	614,138

Significant accounting policies in relation to the financial assets and financial liabilities are disclosed in note 1. Unless otherwise stated, all calculations and methodologies are unchanged from prior reporting periods.

32. CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

A description of each of the fundamental sources of risk recognised by the Consolidated Entity is shown below.

(a) Interest rate risk

Interest rate risk refers to the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The Consolidated Entity's exposure to the risk of changes in market interest rates relates primarily to unsecured bank loans and previously the store card receivables.

The Consolidated Entity's policy is to manage its interest cost using a mix of fixed and variable rate debt and to enter into interest rate swap contracts in respect of these underlying transactions. At balance date, the fixed rate was 6.9% (2008: 6.85%) and the floating rates were at bank bill rates plus the Consolidated Entity's credit margin.

The table below shows the level of exposure to interest rate risk at balance date for financial assets and financial liabilities.

	CONSOLIDATED				DAVID JONES LIMITED			
	Interest Bearing $000	Non-Interest Bearing $000	Total $000	Average Interest Rate % Per annum	Interest Bearing $000	Non-Interest Bearing $000	Total $000	Average Interest Rate % Per annum
2009								
Financial Assets								
Cash and cash equivalents	**–**	**13,615**	**13,615**	**0.00**	**–**	**13,615**	**13,615**	**0.00**
Receivables	**–**	**25,942**	**25,942**	**0.00**	**–**	**25,106**	**25,106**	**0.00**
	–	**39,557**	**39,557**		**–**	**38,721**	**38,721**	
Financial Liabilities								
Payables	**–**	**244,102**	**244,102**	**0.00**	**–**	**464,845**	**464,845**	**0.00**
Bank overdraft	**1,870**	**–**	**1,870**	**9.25**	**1,870**	**–**	**1,870**	**9.25**
Unsecured bank loan	**21,000**	**–**	**21,000**	**3.60**	**–**	**–**	**–**	**0.00**
Interest rate swap contracts	**–**	**1,788**	**1,788**	**0.00**	**–**	**–**	**–**	**0.00**
	22,870	**245,890**	**268,760**		**1,870**	**464,845**	**466,715**	
2008								
Financial Assets								
Cash and cash equivalents	56,000	10,564	66,564	7.25	–	10,564	10,564	–
Receivables	383,077	31,903	414,980	15.70	–	31,903	31,903	–
Interest rate swap contracts	–	892	892	–	–	–	–	–
	439,077	43,359	482,436		–	42,467	42,467	
Financial Liabilities								
Payables	–	274,608	274,608	–	–	588,077	588,077	–
Bank overdraft	1,360	–	1,360	11.60	1,360	–	1,360	11.60
Receivables purchase facility	241,000	–	241,000	7.92	–	–	–	–
Unsecured bank loan	270,000	–	270,000	8.01	–	–	–	–
	512,360	274,608	786,968		1,360	588,077	589,437	

32. CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

(a) Interest rate risk (continued)

Interest rate sensitivity analysis

The table below shows the effect on profit before tax and equity, if interest rates at balance date had been 100 basis points (bps) higher or lower with all other variables remaining constant. There is no sensitivity analysis for the Company as it is not directly subject to interest rate risk.

	CONSOLIDATED			
	Profit before Tax		Equity	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Interest rates 100bps higher: increase/(decrease) in:	**(229)**	(2,860)	**405**	1,026
Interest rates 100bps lower: increase/(decrease) in:	**229**	2,860	**(414)**	(1,045)

A sensitivity interval of 100 bps has been selected based on an analysis of historical rates and market expectations of the direction of future interest rates in Australia. A 100 bps upward shift would move short term interest rates at balance date from 6.52% to 7.52% (2008: 7.66% to 8.66%) and from 6.52% to 5.52% (2008: 7.66% to 6.66%) for a downwards shift. The sensitivity interval of 100 bps is considered reasonable in view of the current level of volatility in credit markets.

The sensitivity analysis shown for the prior year was based on unhedged interest bearing liabilities at 26 July 2008 relating to the funding of store card and credit reserve receivables.

(b) Foreign currency risk

Foreign currency risk refers to the risk that the value or the cash flows arising from a financial commitment, or recognised asset or liability will fluctuate due to changes in foreign currency rates.

The Consolidated Entity has exposure to movements in foreign exchange rates in relation to forecast purchases of imported goods denominated in foreign currencies. The Consolidated Entity enters into forward foreign exchange contracts to hedge its anticipated foreign currency risk. Currencies utilised to purchase imported goods are denominated in Euro, United States Dollars, Hong Kong Dollars and Pounds Sterling.

It is the Consolidated Entity's policy not to enter into forward contracts until a firm commitment is in place and to negotiate the terms of the hedge derivative instrument to match the terms of the hedged item so as to maximise hedge effectiveness. All forward currency contracts are in the same currency as the hedged item.

At balance date, the Consolidated Entity had hedged 99% (2008: 99%) of its foreign currency purchases for which firm commitments existed.

The following table sets out the gross value to be paid under foreign currency contracts and the weighted average contracted exchange rates of contracts outstanding at balance date. All contracts expire by 2010. The information shown is for the Consolidated Entity and the Company.

	EXCHANGE RATE		AUSTRALIAN DOLLAR EQUIVALENT	
	2009	2008	**2009 $000**	2008 $000
Gross Value Payable under Foreign Currency Contracts:				
Buy Euro	**0.5574**	0.6136	**10,063**	28,164
Buy United States Dollars	**0.8360**	0.8443	**13,593**	24,246
Buy Hong Kong Dollars	**–**	6.9979	**–**	114
Buy Pounds Sterling	**0.4518**	0.4686	**610**	576
			24,266	53,100

32. CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

(b) Foreign currency risk (continued)

As these contracts are hedging firm purchase commitments, any unrealised gains and losses on the contracts, together with the cost of the contracts, will be recognised in the Financial Statements at the time the underlying transaction occurs. The mark to market gain on the contracts at balance date was $0.253 million (2008: Loss $1.106 million).

The Consolidated Entity also enjoys a natural hedge for adverse foreign currency fluctuations relating to the purchase of imported goods through its ability to set the retail price of this merchandise.

Foreign currency exchange rate sensitivity analysis

The table below shows the effect on both the profit before tax and equity if foreign exchange rates at balance date had been 10% higher or lower with all other variables remaining constant. The information shown is for the Consolidated Entity and the Company.

	Profit before Tax		Equity	
	2009 $000	2008 $000	**2009 $000**	2008 $000
Foreign Currency Exchange Rate Sensitivity Analysis				
Foreign exchange rates 10% higher: increase/(decrease) in:	**7**	38	**(2,194)**	(4,530)
Foreign exchange rates 10% lower: increase/(decrease) in:	**(8)**	(46)	**2,679**	5,557

A sensitivity interval of 10% is considered reasonable based on an analysis of historical exchange rate movements over the last five years, and expectations of potential future movements in the exchange rate.

(c) Credit risk

Credit risk is the risk that a contracting entity or counterparty will not complete its obligations under a financial instrument and cause the Consolidated Entity to incur a financial loss. The Consolidated Entity has exposure to credit risk on all financial assets in its Balance Sheet.

Credit risks can be divided into two broad categories: consumer credit risk and institutional credit risk.

Consumer credit risk

Consumer credit risk arose principally from the David Jones store credit card and associated financial loan products. As this portfolio consisted of hundreds of thousands of borrowers across multiple geographies, occupations and social segments, its risk was substantially reduced through diversification. Store card holders were typically domiciled in Australia.

The level of consumer credit risk losses was affected by general economic conditions and borrowing specific events. Consumer credit risk was managed by the Company according to policies covering new card approvals, credit limits, extensions and authorisations, collections and fraud prevention.

Institutional credit risk

Institutional credit risk arises principally from short term deposits, derivative financial instruments and other receivables between the Consolidated Entity and a counterparty.

Unlike consumer credit risk, institutional credit risk is characterised by a lower loss frequency but higher severity.

Under the Company's Treasury policy, credit risk on short term deposits and derivative hedge instruments is mitigated, as counterparties are required to be pre approved financial institutions, with a minimum Standard & Poor's long term credit rating of A. Dealing limits are also applied to each counterparty.

The maximum exposure to credit risk of the Consolidated Entity at balance date, by class of financial asset is represented by the carrying amount of the financial assets presented in the Balance Sheet and notes to the Financial Statements.

The Consolidated Entity does not have any significant credit risk exposure to a single or group of customers or institutions. At 25 July 2009, the Consolidated Entity had 100% of its aggregate institutional credit risk spread over four counterparties, with a Standard & Poor's long term credit rating of A to AA.

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32. CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

(d) Liquidity risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as and when they fall due.

The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation.

Various factors are considered by the Consolidated Entity in determining its liquidity needs including economic and financial market conditions, the retail industry cycle, seasonality in business operations, growth in business segments, cost and availability of alternative liquidity sources.

The Consolidated Entity's Treasury Policy requires it to have readily accessible funding arrangements in place, and to maintain a minimum liquidity reserve of $40.000 million at all times in the form of undrawn standby facilities. The balance of the liquidity reserve at the balance date was $268.130 million (2008: $273.100 million).

The contractual maturities of financial liabilities is set out below:

	CONSOLIDATED Maturing in				DAVID JONES LIMITED Maturing in			
	0–6 Months $000	6–12 Months $000	Over 1 to 5 Years $000	Total $000	0–6 Months $000	6–12 Months $000	Over 1 to 5 Years $000	Total $000
2009								
FINANCIAL LIABILITIES								
Payables	**244,102**	**–**	**–**	**244,102**	**464,845**	**–**	**–**	**464,845**
Current tax liabilities	**3,349**	**–**	**–**	**3,349**	**3,349**	**–**	**–**	**3,349**
Bank overdraft	**1,965**	**–**	**–**	**1,965**	**1,965**	**–**	**–**	**1,965**
Unsecured bank loan	**1,759**	**1,731**	**107,611**	**111,101**	**–**	**–**	**–**	**–**
Forward exchange contracts	**17,122**	**7,144**	**–**	**24,266**	**17,122**	**7,144**	**–**	**24,266**
Interest rate swaps	**1,029**	**755**	**4**	**1,788**	**–**	**–**	**–**	**–**
	269,326	**9,630**	**107,615**	**386,571**	**487,281**	**7,144**	**–**	**494,425**
2008								
FINANCIAL LIABILITIES								
Payables	274,608	–	–	274,608	588,077	–	–	588,077
Current tax liabilities	22,997	–	–	22,997	22,997	–	–	22,997
Bank overdraft	1,415	–	–	1,415	1,415	–	–	1,415
Receivables purchase facility	248,583	–	–	248,583	–	–	–	–
Unsecured bank loan	10,814	10,814	338,732	360,360	–	–	–	–
Forward exchange contracts	19,238	21,629	12,233	53,100	19,238	21,269	12,233	53,100
	577,655	32,443	350,965	961,063	631,727	21,629	12,233	665,589

The cash flows presented above are contractual and calculated on an undiscounted basis. They are based on interest rates at balance date and may not therefore reconcile to the carrying amounts shown in the Balance Sheet. The interest rate swap contracts are classified as being effective hedging instruments and therefore all cash flow movements will be recognised in the Balance Sheet.

33. EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

Dividends declared after 25 July 2009 are disclosed in note 6.

DIRECTORS' DECLARATION

1. In the opinion of the Directors:
   (a) the Financial Statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the Company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
      (i) giving a true and fair view of the financial position as at 25 July 2009 and performance for the year ended on that date of the Company and the Consolidated Entity; and
      (ii) complying with Australian Accounting Standards and Corporations Regulations 2001; and
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. As at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 25 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee.
3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ending 25 July 2009.

Signed in accordance with a resolution of the Directors:

Robert Savage
Chairman

Mark McInnes
Executive Director and Chief Executive Officer

Sydney, 2 October 2009

AUDITOR'S INDEPENDENCE DECLARATION

ERNST & YOUNG

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of David Jones Limited

In relation to our audit of the financial report of David Jones Limited for the 52 weeks ended 25 July 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Graeme McKenzie
Partner

2 October 2009

Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Independent auditor's report to the members of David Jones Limited

Report on the Financial Report

We have audited the accompanying financial report of David Jones Limited, which comprises the balance sheet as at 25 July 2009, and the income statement, statement of changes in equity and cash flow statement for the 52 weeks ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is set out on page 114 and forms part of the Directors' Report.

Auditor’s Opinion

In our opinion:

1. the financial report of David Jones Limited is in accordance with the *Corporations Act 2001*, including:

    i giving a true and fair view of the financial position of David Jones Limited and the consolidated entity at 25 July 2009 and of their performance for the 52 weeks ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 38 to 57 of the directors' report for the 52 weeks ended 25 July 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor’s Opinion

In our opinion the Remuneration Report of David Jones Limited for the 52 weeks ended 25 July 2009, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Graeme McKenzie
Partner

Sydney
2 October 2009

Liability limited by a scheme approved
under Professional Standards Legislation

SHAREHOLDER INFORMATION

As at 24 September 2009

David Jones Limited and its controlled entities

Current shareholder information is available on the Company's website which is updated regularly.

TOP 20 ORDINARY SHAREHOLDERS

	SHAREHOLDER	NUMBER OF SHARES	%
1	NATIONAL NOMINEES LIMITED	60,056,976	12.00
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	47,134,139	9.41
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	41,884,017	8.37
4	ANZ NOMINEES LIMITED (CASH INCOME A/C)	14,625,550	2.92
5	COGENT NOMINEES PTY LIMITED	14,551,925	2.91
6	CITICORP NOMINEES PTY LIMITED	7,496,505	1.50
7	UBS NOMINEES PTY LTD	4,848,188	0.97
8	QUEENSLAND INVESTMENT CORPORATION	4,824,149	0.96
9	AMP LIFE LIMITED	3,684,267	0.74
10	ARGO INVESTMENTS LIMITED	3,426,706	0.68
11	CITICORP NOMINEES PTY LIMITED (CFS WSLE IMPUTATION FND A/C)	3,019,536	0.60
12	DAVID JONES SHARE PLANS PTY LTD (DAVID JONES INCENTIVE PLAN)	2,300,000	0.46
13	CITICORP NOMINEES PTY LIMITED (CFS IMPUTATION FUND A/C)	2,142,530	0.43
14	YANAWE INVESTMENTS PTY LIMITED	2,046,100	0.41
15	AUSTRALIAN REWARD INVESTMENT ALLIANCE	1,974,680	0.39
16	CITICORP NOMINEES PTY LIMITED (CFSIL CWLTH AUST SHS 6 A/C)	1,455,800	0.29
17	GWYNVILL INVESTMENTS PTY LIMITED	1,330,700	0.27
18	STEPHEN GODDARD	1,123,634	0.22
19	CITICORP NOMINEES PTY LTD (CWLTH BANK OFF SUPER A/C)	1,105,728	0.22
20	PAN AUSTRALIAN NOMINEES PTY LIMITED	1,070,083	0.21
		220,101,213	43.96

The 20 largest ordinary shareholders hold 43.96% of the ordinary shares of the Company.

SHAREHOLDER INFORMATION

As at 24 September 2009
David Jones Limited and its controlled entities

SUBSTANTIAL SHAREHOLDINGS

Substantial Shareholder Notices received up to 24 September 2009

	Ordinary Shares	Extent of Interest	Date of Last Notification
Ausbil Dexia Limited	41,394,372	8.26%	17.09.08
Barclays Group	25,466,757	5.09	17.08.09

CLASS OF SHARES AND VOTING RIGHTS

At 24 September 2009 there were 73,069 holders of the ordinary shares of the Company.

The voting rights attaching to the ordinary shares set out in clause 5.8 of the Company's Constitution are on a show of hands, every member present has one vote; and on a poll, every member present has one vote for each fully paid share held by the member and in respect of which the member is entitled to vote.

DIVIDEND SCHEDULE

Details of dividends paid on ordinary shares during the current and previous financial year are set out in the Directors' Report on page 34.

For a full up to date schedule of all dividends paid by the Company, since listing in 1995, see the "For Investors" section of the David Jones website.

DISTRIBUTION OF SHAREHOLDERS

Category	Holders of Ordinary Shares as at 24 September 2009	Holders of Ordinary Shares as at 24 September 2008
1 - 1000	11,940	11,012
1,001 - 5,000	50,825	54,874
5,001 - 10,000	6,633	6,828
10,001 - 100,000	3,549	3,745
100,001 and over	122	145
	73,069	76,604
Less than a marketable parcel	1,396	1,728

SHAREHOLDER REWARDS SCHEME

On 24 September 2008, the Board announced its decision to conclude the Company's shareholder rewards program effective from 1 March 2009.

CORPORATE DIRECTORY

PRINCIPAL REGISTERED OFFICE

86–108 Castlereagh Street, Sydney, NSW 2000

Telephone

(02) 9266 5544

Facsimile

(02) 9261 5717 – Corporate
(02) 9267 3895 – General Retail

Telephone number for all Stores

133 357

LOCATIONS OF ALL STORES

David Jones stores are located in New South Wales, Australian Capital Territory, Victoria, Queensland, South Australia and Western Australia. Details of individual stores are shown in the 'Stores' section of the David Jones website.

WEBSITE

www.davidjones.com.au

COMPANY SECRETARY

Caroline Waldron LLB (Hons) ACIS

2009 DAVID JONES LIMITED ANNUAL REPORT

This year's Annual Report and the Notice of Meeting can be accessed at http://www.davidjones.com.au/corp/company_reports.jsp. The Annual Report is also available, free of charge, on request from the Share Registry by calling 1800 652 207.

Previous years' Annual Reports, announcements made to ASX during the year and general shareholder information can be accessed on the David Jones website. Upon accessing the David Jones website, click on 'For Investors' at the bottom of the screen to go through to releases and reports.

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street, Sydney, NSW 2000
GPO Box 7045, Sydney, NSW 2001

Telephone

1800 652 207 – Toll Free

Facsimile

(02) 8235 8150

Share Registry Website

www.computershare.com

Shareholders can access information and services relevant to their holding, including dividend payment history details, from the David Jones website under "For Investors".

Anyone can visit the Share Registry website to access a range of information about David Jones including the closing price of David Jones shares, graphs showing market prices over a requested period and graphs showing volumes traded over a requested period. Shareholders can register their email address through the Share Registry website to receive shareholder communications electronically.

STOCK EXCHANGE

David Jones Limited is listed on the ASX.

The Home Exchange is Sydney.

NOTES

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For Corporate and Customer information please visit us at **www.davidjones.com.au**