28 October 2010

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

Dear Sir or Madam:

2010 Annual Report and
2010 AGM Notice of Meeting

We are lodging separately the following documents:

- Annual Report 2010
- Chairman's letter to Shareholders and Proxy Form
- 2010 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

Annual Report 2010

DAVID JONES

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

CONTENTS

GLOSSARY OF TERMS USED IN THE ANNUAL REPORT

AASB Australian Accounting Standards Board
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 29 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
IFRS International Financial Reporting Standards
KMP Key Management Personnel, as described in section 2 of the Remuneration Report
LTIFR Lost Time Injury Frequency Rate
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
Trust David Jones Incentive Plan Trust
TSR Total Shareholder Return, as described in section 4 of the Remuneration Report

2010 ANNUAL GENERAL MEETING

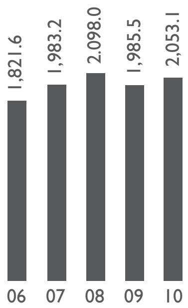
The Annual General Meeting will be held on Friday 3 December 2010 at 10.00 a.m. at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales.

The Notice of Meeting and Proxy Form are separate items accompanying this 2010 Annual Report.

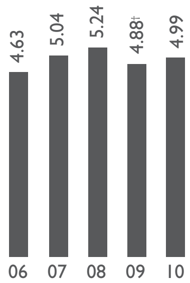
PERFORMANCE ANALYSIS

	FY2010* $m	FY2010* % of sales	FY2009 $m	FY2009 % of sales
Sales	**2,053.1**		1,985.5	
Gross Profit	**815.7**	**39.7%**	786.1	39.6%
Cost of doing business	**610.9**	**29.8%**	601.8	30.3%
Department Stores EBIT	**204.8**	**10.0%**	184.4	9.3%
Financial Services EBIT	**44.4**		41.3	
Total EBIT	**249.2**	**12.1%**	225.7	11.4%
NPAT	**170.8**	**8.3%**	156.5	7.9%

*Note: FY2010 was a 53 week period

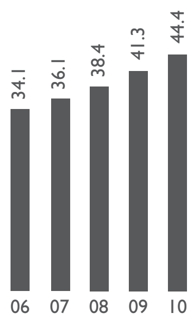


Five year sales
Total sales ($ millions)

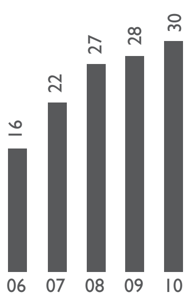


Sales per square metre
($ thousands)

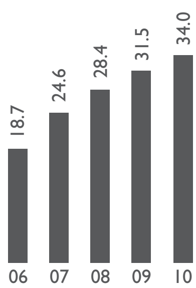
†Refinement of FY2009 to reflect monthly space availability for refurbishment work relating to the Bourke Street store



Financial Services EBIT
($ millions)

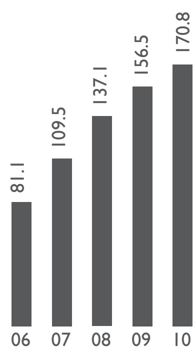


Dividend history
(cents per share)



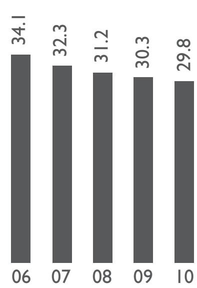
EPS

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)

CHAIRMAN'S REPORT

Robert Savage **Chairman**

Dear Shareholders,

On behalf of the Board of David Jones, we are pleased to present our Company's Annual Report for the 2010 financial year ended 31 July 2010. We started the year amid concerns about how the global financial crisis would affect the economy and our ability to build on our record performance of last year. Despite continuing uncertainty in the world economy, we finished the year with another outstanding record financial result.

We recorded sales growth in each quarter and achieved some significant milestones including the opening of our magnificent refurbished store in Bourke Street Mall, Melbourne. We are very pleased to have declared a record dividend once again. Our continuing success in a very challenging environment is a tribute to the strength of our brand, business model, distinctive competitive positioning and the great support of our customers, supplier partners and our employees.

In June this year we also saw the appointment of our new Managing Director and Chief Executive Officer, Paul Zahra. Whilst Paul's appointment was made in difficult circumstances, our ability to appoint him promptly is a testament to our succession planning and has ensured our Company has not missed a beat. With 12 years on our management team and 28 years in retail, Paul has moved from his responsibility for a significant part of the business into the role of CEO with energy and decisiveness. His appointment has rightly been welcomed warmly by our staff and suppliers, by the financial markets and commentators and by you, our shareholders.

Towards the end of our financial year, David Jones was in the news for very uncharacteristic reasons with the departure by mutual termination of our former CEO, Mark McInnes for, in his own words "behaving in a manner unbecoming of a chief executive to a female staff member." The Board believed it was important to respond decisively to this situation, and we did so by agreeing mutual termination with Mark McInnes and appointing Paul as CEO.

It is now well known that an employee, Kristy Fraser-Kirk, has commenced legal action against the Company, Mr McInnes and the Directors. We continue to pay Ms Fraser-Kirk as our employee and we hope she is able to return to work with us. We are willing to compensate her fairly for what she has been through, but we believe that the extent of damages she is claiming is without foundation and highly exaggerated. Given this matter is now before the Courts, it is not appropriate for me to go into any further detail regarding Ms Fraser-Kirk's claim.

As a result of this we commissioned an independent third party review of our Code of Ethics & Conduct and related practices and procedure. We are pleased to report that this four-week review concluded that our Code of Ethics & Conduct and its implementation are sound. However, all recommendations suggested by the report will be implemented.

CORPORATE GOVERNANCE, COMMUNITY AND OCCUPATIONAL HEALTH & SAFETY

We continue to try to apply the highest possible standards of corporate governance to David Jones. We note that there have been recent changes and new additions to the ASX Listing Rules and Corporate Governance Principles and Recommendations published by the ASX Corporate Governance Council on diversity, share trading policies and the composition of remuneration committees. Whilst most of these changes have not yet come into effect, David Jones has chosen to "early adopt" some of them. Pages 13 to 27 of this report sets out the details of our Corporate Governance policies and practices in more detail.

We were very pleased this year to welcome Philippa Stone to our Board who was appointed following a thorough search process. Philippa will stand for election at the AGM on 3 December 2010. She is a highly regarded commercial lawyer with considerable experience in business and the law. She is already making a valuable contribution to the Board.

David Jones has a strong commitment to the community and gives particular support to causes our customers feel strongly about. This year we continued our support for charities which work for the well being of Australian women and children and also raised more than $200,000 through our second National Breast Cancer Foundation Donation Day. This gift is made jointly by David Jones and its customers to help fight breast cancer.

The health, safety and welfare of all those in the immediate and wider David Jones family remains the highest priority for us. The review of our Employee Assistance Program led in FY2010 by our new CEO Paul Zahra continued this year with the emphasis turning to our support for any employees who need help for personal problems such as drug and alcohol abuse. We have introduced confidential third party counselling and support for any staff who may need it for themselves or a member of their family.

Page 28 of this report sets out our Occupational Health & Safety policies, and pages 29 to 35 describe in detail David Jones' commitment to its people, the community and the environment.

CHARLES BEYNON LLOYD JONES

We were saddened by the passing of Charles Beynon Lloyd Jones, a descendant of the founder of David Jones, on 11 July 2010. Charles Beynon Lloyd Jones was the Managing Director and Chairman of David Jones from the 1960's up until 1980 when the business was acquired by Adelaide Steamship.

Members of the Board attended the funeral and the Company commemorated Mr Lloyd Jones' passing by lowering the Company flag to half mast in our Sydney CBD store and displaying a floral tribute in our Market Street Sydney CBD flagship store.

FINANCIAL HIGHLIGHTS

We are pleased to report that despite a challenging year our Company has delivered a strong financial performance and good growth in shareholder returns.

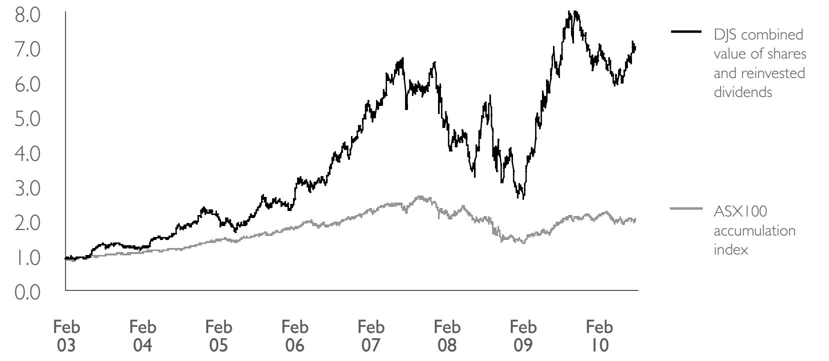
Our Company has delivered another year of record profit and dividend growth, demonstrating that we have a strong business model and are well positioned to leverage any improvement in economic conditions over the next 12 to 24 months.

Since June 2003, David Jones has delivered year-on-year NPAT growth, dividend growth and has outperformed the S&P/ASX100 Index. The graph on the following page shows that since 3 February 2003 David Jones' return to shareholders has outperformed the ASX100 by 5.4 times, delivering shareholder returns of 29.2% p.a. compared to the 10.4% p.a. delivered by the ASX100.

Our Company has an established track record in terms of delivering a strong financial performance and good shareholder returns throughout both the steep downturns in the economy and the up-cycles.

Today, David Jones has:

- low net debt levels ($86.4 million at year end);
- strong cashflows;
- high quality assets (we own our Sydney and Melbourne CBD store properties);
- a strong balance sheet; and
- attractive dividends (a record high FY2010 full year dividend of 30cps fully franked).



	3 Feb 03	1 Jul 04	1 Jul 05	1 Jul 06	1 Jul 07	1 Jul 08	1 Jul 09	
DJS	29%	27%	27%	20%	3%	37%	15%	TSR p.a. to 1 September 2010
ASX 100	10%	9%	6%	2%	(5%)	(1%)	18%	

Graph 1 Value of $1 invested on 3 February 2003 to 1 September 2010
Source: Bloomberg; Port Jackson Partners analysis

DIVIDENDS

Our strong financial performance this year and our Company's strong business model have allowed the Board to declare a fully franked dividend of 18 cps for 2H10. This takes the total dividend for the year to 30cps, fully franked. This is a record dividend for our Company since its listing on the ASX and represents an increase of 7.1% compared to last year.

The Board and the management team intend to continue to deliver dividend growth to our shareholders.

CONCLUSION

We thank the David Jones management team and employees for delivering to shareholders another outstanding financial result.

We feel encouraged that the economic cycle will improve in Australia in the coming financial year and the conditions will support further sales growth. Our management team has built a strong business model, which continues to deliver excellent returns to shareholders throughout the economic cycle.

We have a strong FY2009 – FY2012 Strategic Plan which we will continue to implement, aimed at growing sales and shareholder returns even further. We have a strong team, a clear direction and a firm commitment to continued success.

Thank you, our shareholders, for your continued support. We are proud to report to you, very pleased to declare another record dividend and we look forward to continuing to work for you.

Robert Savage
Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

Paul Zahra **Chief Executive Officer**

Dear Shareholders,

As you know I commenced my role as Managing Director and Chief Executive Officer of David Jones Limited on 18 June 2010. This is the first opportunity I have had to formally report to you in this capacity and I wanted at the outset to express how honoured I feel to be given the responsibility to be the custodian of the iconic David Jones brand. I take this responsibility very seriously and am committed to ensuring that the high standards and heritage of David Jones are upheld.

As the new CEO I would like to share with you my vision for our Company. My first priority will be to be grow returns to shareholders in a sustainable manner by ensuring that under my stewardship David Jones brings the best branded department store shopping experience to everyone we serve, every time. This means that we will look to delivering:

1. The best shopping experience for our customers;
2. The best place to work for our people;
3. The best partnership for our branded suppliers; and
4. The best investment returns for our shareholders.

Our Company has had an excellent financial track record since 2003 and I am pleased to report another record financial result in FY2010. Given the comprehensive involvement that the management team and I have had in the development and implementation of the FY2009 – FY2012 Strategic Plan I can assure you that our business strategy and business model will remain unchanged. In the future however we will overlay an increased focus on:

– sales growth (in particular as we start to experience an improvement in economic conditions); and

– our people.

FINANCIAL HIGHLIGHTS

Our Company's key financial highlights in FY2010 include:

- delivering a 9.1% increase in **NPAT** (from $156.5 million in FY2009 to $170.8 million in FY2010);
- delivering **Sales growth** of 3.4% in FY2010 (from $1.99 billion in FY2009 to $2.05 billion in FY2010;
- delivering a 7.1% increase in **fully franked dividends** to ordinary shareholders from 28cps in FY2009 to 30cps in FY2010;
- delivering an increase of 10 basis points in **Gross Profit Margin** from 39.6% in FY2009 to 39.7% in FY2010 despite heavy discounting and promotional activity within the Australian Retail Sector over the past 12 months as retailers cycled the 2008 and 2009 Government Stimulus packages;
- decreasing our **CODB** by 50bp from 30.3% in FY2009 to 29.8% in FY2010; and
- maintaining a tight control on **capital expenditure** leading to significant reinvestment in our Company's core business whilst generating strong free cashflow.

FY2010 STRATEGIC BUSINESS HIGHLIGHTS

Over the past 18 months, we have also delivered a number of key strategic objectives.

Launching our redeveloped Bourke Street Mall Melbourne CBD flagship stores

On 13 August 2010 David Jones officially launched its two new Bourke Street Mall flagship stores in the Melbourne CBD. Following three years and an investment of approximately $250 million (in buying the land and redeveloping the stores) we have created the pre-eminent department store in the Southern Hemisphere.

The two new David Jones Bourke Street Mall stores offer customers:

- 30% more selling space spread across 11 brand new architecturally designed floors;
- more than 2,500 of the best national and international brands, 1,600 of which are department store exclusive to David Jones;
- a range of new services that demonstrate the evolution of department store retailing including an Aveda-Zucci hair salon, an Endota Day Spa, an OPI nail bar, a Shu Uemura Tokyo lash bar and a men's barber;
- Victoria's first in-store breast screening service through the establishment of the David Jones Rose Clinic which is expected to provide free screening to more than 7,000 women per year;
- more than 900 staff and a personalised shopping service; and
- Melbourne CBD's only Foodhall.

9.1%

INCREASE IN NET PROFIT AFTER TAX

Sales and EBIT from our new Bourke Street Mall stores are expected to grow by at least 30% over time (in line with floor space) and our Gross Profit Margins will improve due to the allocation of more space to high margin categories.

Enormous growth potential exists for David Jones in the Melbourne metropolitan market. Our Company is under-represented in this market, as evidenced by the fact that sales tripled in the 12 years prior to commencing our Bourke Street Mall store redevelopments.

Launch of our Refurbished Kotara Store

The refurbishment of our Kotara store in the Hunter region of NSW was completed in October 2010 and has been trading very successfully since. The store has had a 40% increase in selling space and provides a bigger and better selection of high value, high margin brands. We are confident of transferring sales from our Newcastle store which will we exit in February 2011 to our Kotara store which is 7km away, and of recouping in excess of the EBIT contribution of the Newcastle store given the lower operating costs of trading out of one store instead of two.

Renewal of our lease and expansion of our store at Karrinyup in WA

We entered into a new 20 year agreement for lease with AMP Capital on 16 July 2010 in relation to our Karrinyup Shopping Centre store in Perth. The new lease is on attractive terms and most importantly, delivers a 30% increase in trading space for our existing David Jones store.

The Karrinyup centre is located in the high value, high growth northern Perth region. It has a main trade catchment of 195,000 people and an average wealth demography in line with that of Chadstone in Victoria and Southland in Victoria, both of which are among our best performing suburban stores.

Successful exit from both the Fountain Gate (Vic) and Toombul (Qld) centres

On 9 July 2010 we announced that we had successfully negotiated the termination of our Fountain Gate (Vic) lease with Westfield. The Fountain Gate lease was entered into in 1996 and is not aligned to our Company's core customer base or target demography. As part of our negotiations with Westfield it was agreed that David Jones will receive value in excess of the original payment made to Westfield in 2003 (adjusted for inflation) when the Fountain Gate lease was renegotiated.

Our Company also announced on 20 July 2010 that we had agreed with Centro Limited to an early termination of our Toombul (Qld) lease, which has been a marginal store in our portfolio, to enable us to focus on our larger and more profitable Chermside store in the Westfield Centre 5 kms away from Toombul. We will exit our Toombul store on 12 February 2011 as opposed to 17 October 2012, which is when our lease was due to expire.

Growing our "Home of Brands"

Throughout 2010 our Company has entered into department store exclusive brand agreements with key strategic suppliers such as:

1. **Giorgio Armani S.p.A**, the leading Italian fashion house that has become synonymous with luxury and high fashion worldwide;

2. two of Australia's leading surf and youth brands **Quiksilver** and **Roxy**. This is the first time in almost two decades that a leading surf brand will be available in an Australian department store; and

3. **Carla Zampatti**, one of Australia's pre-eminent fashion brands. The agreement provides that both the Carla Zampatti and **Bianca Spender** brands will become department store exclusive to David Jones.

FY2010 FINANCIAL PERFORMANCE

Despite a challenging and unsettling year in FY2010 our Company delivered a record result and declared a record dividend – both being the highest since listing in 1995. This demonstrates the strength of our business model.

Sales Revenue for the year was $2,053.1 million up 3.4% on FY2009 ($1,985.5 million).

Earnings before Interest and Tax (EBIT) in FY2010 was $249.2 million up 10.4% on FY2009 ($225.7 million).

NPAT of $170.8 million was delivered by the Company in FY2010. This represents an increase of 9.1% on NPAT in FY2009 ($156.5 million).

The Company's **Total 'PAT to Sales Ratio**' for FY2010 was **up 40 basis points (bp)** (8.3% FY2010 vs 7.9% FY2009).

The Company's **Financial Services** business continued its solid performance track record, reporting **growth of 7.5%** in EBIT to $44.4 million in FY2010 from $41.3 million in FY2009.

The total **Cost of Doing Business** (**CODB**) percentage for FY2010 was 29.8%, an improvement of 50 basis points on the FY2009 CODB percentage (30.3%). This performance reflects the Company's strong cost efficiency focus. The Company has a further 27 cost efficiency projects which will be implemented over FY2011 and FY2012, and these projects are on track and will continue to deliver CODB reductions each year over the next two years.

Gross Profit percentage for FY2010 was up 10 basis points on FY2009, delivering a full year result of 39.7%. 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 (**Capex**) in FY2010 was $80.2 million and reflects the additional cost incurred in the completion of the redevelopment of the Company's Bourke Street Mall Melbourne CBD stores. Looking forward the targeted Capex is $70 million p.a. in FY2011 and FY2012.

Working Capital has been tightly managed in FY2010 resulting in a strong **Inventory** position. Aged Inventory is below the Company's target of 5% and we have a very clean inventory position entering into FY2011.

David Jones continued its track record of strong free **Cashflow**. Despite FY2010 being a peak year in Capex (due largely to the Bourke Street store redevelopment) and an additional $10.7 million being paid to shareholders as dividends, the Company's Cashflows remain very robust with free Cashflow of $124.3m in FY2010.

DEBT POSITION

At year end our Company had $86.4 million of net debt and our gearing was only 10.4%, which is very 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

As the new CEO, one area that I will be focussing on in addition to our financial performance and strategic direction is our Company's employees. Our current employee engagement measures indicate that there is potential for us to improve. By increasing employee engagement we will drive improved customer satisfaction, increased sales and reduced costs.

As a result we have commenced implementing a suite of initiatives focussed on:

- Reducing staff turnover levels;
- Changing performance measures and incentives to drive focus on desired behaviours;
- Developing leadership capability; and
- Improving support for employees by providing counselling and other such services.

Our Company's resilience in terms of sales 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.

I would like to take this opportunity to express thanks to each of our employees for their commitment and outstanding contribution in achieving our FY2010 results.

SUPPLIERS

I 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 David Jones is committed to nurturing and strengthening its 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

Most importantly I 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. We continue to listen to them and refine our offer to match their evolving needs.

CONCLUSION

Our Company has a strong heritage and we are an iconic brand. This is something that I believe has been instilled in the minds of our entire management team and each of our employees. We have a strong business model, which has delivered excellent shareholder returns, year-on-year regardless of the peaks and troughs of the economic cycle and we will not be making any changes to it.

The management team and I are committed to continue to:

- deliver shareholder growth;
- implement the FY2009 – FY2012 Strategic Plan;
- uphold the David Jones brand with dignity and respect; and
- ensure we provide a great work environment for our people.

I am excited about the opportunities that lie ahead over the next few years and am confident of our ability to continue to deliver profit and dividend growth to shareholders. Preliminary work has already commenced to formulate the FY2013 – FY2016 Strategic Plan.

I thank you, our shareholders for your support and look forward to reporting back to you in 12 months.

Paul Zahra
Chief Executive Officer

FIVE YEAR FINANCIAL STATISTICS

	2010[3] $000	2009[2] $000	2008[1,2] $000	2007[1] $000	2006 $000
SALES AND PROFIT					
Sales	**2,053,087**	1,985,490	2,097,999	1,983,220	1,821,560
Gross Profit	**815,729**	786,146	829,772	779,846	705,900
– % of sales	**39.7%**	39.6%	39.5%	39.3%	38.8%
Retail Contribution	**204,798**	184,377	174,560	139,945	85,503
Financial Services EBIT	**44,379**	41,274	38,385	36,114	34,147
EBIT	**249,177**	225,651	212,945	176,060	119,650
NPAT	**170,766**	156,522	137,056	109,513	81,120
BALANCE SHEET					
Inventory	**282,346**	244,843	257,288	280,281	273,728
Other current assets	**45,738**	45,503	486,384	578,078	609,547
Property, plant & equipment	**761,565**	724,080	670,687	666,169	227,641
Other non-current assets	**105,272**	110,248	112,743	110,115	28,652
Total Assets	**1,194,921**	1,124,674	1,527,102	1,634,643	1,139,568
Creditors	**244,529**	244,102	274,608	265,972	236,710
Provisions	**47,420**	58,905	61,635	71,885	52,947
Interest-bearing liabilities	**103,945**	101,870	512,360	719,994	390,575
Other liabilities	**54,789**	34,955	61,252	63,496	111,059
Total Liabilities	**450,683**	439,832	909,855	1,121,347	791,291
Net Assets	**744,238**	684,842	617,247	513,296	348,277
RATIOS					
EBIT to Sales (%)	**12.1%**	11.4%	10.2%	8.9%	6.6%
Basic earnings per share (cents)	**34.0**	31.5	28.4	24.6	18.7
Dividends per share (cents)	**30.0**	28.0	27.0	22.0	16.0
Debt to equity (%)	**14.0%**	14.9%	25.6%	34.2%	44.0%
Return on shareholder equity (%)	**22.9%**	22.9%	22.2%	21.3%	23.3%

[1] 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.

[2] Restated in respect of amendment to AASB 138. Refer to Note 1(c) to the Financial Statements for details.

[3] FY2010 was a 53 week period

BOARD OF DIRECTORS

ROBERT SAVAGE
AM

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 11 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 President, Australian Olympic Committee Inc; Non-Executive Chairman, William Inglis & Son Limited; Member, Grant Samuel Advisory Board, IOC Executive Board and Sydney Olympic Park Authority.

Skills, experience and expertise Mr Coates retired as a lawyer at the end of 2009. He has served on various Commonwealth and State statutory authorities and 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.

PAUL ZAHRA

Resident of Sydney

Term of office
Executive Director and Chief Executive Officer since 18 June 2010.

Independent No

External Directorships None

Skills, experience and expertise Mr Zahra has 28 years experience in the Australian retail sector. He has held senior management roles across the retail sector including buying, stores, visual merchandising, supply chain, store refurbishments, human resources and operations. Mr Zahra joined David Jones Limited in 1998 as General Manager of Merchandise Services and has since been a part of the Company's management team for 12 years. He has spent more than 10 years in strategic roles in other major Australian retail stores, including setting up the Officeworks Superstores business and holding management roles at Target Australia.

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 None

Skills, experience and expertise Mr Goddard has 26 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 13 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 (until 13 April 2010).

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 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 APN Funds Management Ltd; and Director, Templeton Global Growth Fund and Australian Infrastructure Fund Ltd, APN Property Group Ltd (resigned 1 December 2009) and Racing Victoria Limited (resigned 16 February 2010).

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 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 Remunerations 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; Director, Singapore Telecommunications Limited; Senior Advisor to UBS Investment Bank; Chairman, UBS Australia Foundation; Director, University of New South Wales Foundation; Director, (Headspace) National Youth Mental Health Foundation; and a Member of the 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.

PHILIPPA STONE
BA LLB (HONS)

Resident of Sydney

Term of office
Non-Executive Director since 9 March 2010.

Independent Yes

External Directorships None.

Skills, experience and expertise Ms Stone has had extensive business and legal experience, and is a corporate and commercial partner of a major law firm, Freehills. She specialises in corporate governance, general corporate advice, equity capital markets and mergers and acquisitions. Ms Stone is recognised as a leading mergers and acquisitions and equity capital markets lawyer by not only her peers but also the wider legal industry. She brings to the Board of David Jones Limited extensive experience in business and legal matters. She is a member of the Australian Securities Exchange's Listing Appeals Tribunal and of the Law Council of Australia's Corporation Committee.

Board Committee membership Member of Audit Committee and Property Committee.

MANAGEMENT COMMITTEE

PAUL ZAHRA
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

CATE DANIELS
Group General Manager
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 ended 31 July 2010. 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 and the Commonwealth Government's CLERP 9 amendments to the Corporations Act.

The ASX Corporate Governance Council recently published amendments to the ASX Recommendations which will become applicable in the financial year commencing after 1 January 2011. Commentary has been included in this Corporate Governance Statement with respect to the amendments that David Jones has early-adopted.

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 26 to 27 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, skills, 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, composition and mix of skills

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.

In addition to gender, the Board is committed to ensuring that its directors continue to reflect a mix of different backgrounds, knowledge, skills and experience in the areas of retailing, financial services, property management and development, marketing, human resources, information technology, finance and law.

David Jones' Board currently comprises seven 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 where they are not a member of management and:

- 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 have 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 have 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;
- 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
- have 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 37 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 mix of skills and experience, expertise and diversity 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 2010 financial year in accordance with the process described above. 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 2009 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 Directors orientation and education

Newly appointed directors receive a tailored orientation program that aims to provide each director with a comprehensive understanding of all key aspects of David Jones.

New directors are provided with an information pack that comprises governance policies, business information, Board and Committee charters, Board principles and key Company policies. Additionally, the new director attends a series of structured Management Committee information sessions that are led by each function's Group General Manager.

Board meetings regularly include sessions on recent developments in governance and corporate matters and formal presentations by industry and professional bodies. The Board also undertakes regular store visits and may request for meetings to be arranged with major shareholders and key suppliers.

3.12 Retirement and election 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.

3.13 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 its 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 AM

The members of the Audit Committee are:

John Harvey (Chairman)
John Coates AC
Peter Mason AM
Philippa Stone

The members of the Property Committee are:

John Coates AC (Chairman)
Robert Savage AM
Philippa Stone

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 37 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 (subject to the overriding principle that no member of management will be directly involved in deciding their own remuneration). 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, any annual payments to be made to Executive Directors under the STI Scheme and LTI Plan;
- 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, whether an appropriate balance exists between fixed, short and long term incentive components of remuneration;
- the review of, and recommendation to the Board on, the nature and composition of short-term and long-term incentive plans with specific emphasis on senior executives reporting to the CEO; and
- the review and recommendation to the Board on 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, including the CEO and Finance Director, and recommend preferred candidates to the Board;
- 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;
- review succession plans for the CEO, Chairman and each of the Board sub committees' chairmen as well as direct reports to the CEO;
- assist the Chairman as required to evaluate the performance of the Board, its Committees, and individual members, including the performance of the CEO;
- make recommendations to the Board in relation to the appointment or separation of the Company Secretary or any direct reports to the CEO;
- ratify appointments to David Jones' Management Committee; and
- review and assess succession plans for executive positions reporting to the CEO.

The Committee has access to other Directors, members of senior management and specialist advisers as it may require. The Committee 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.

The full charter of the Committee is available on the Corporate Governance section of the David Jones website.

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 four 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, Corporate Risk Management and Internal 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) Corporate risk management and internal 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.

An external review of the effectiveness of the CRM & A function was conducted in 2009.

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

The Property Committee comprises three independent Non-Executive Directors of the Company. The Committee has appropriate property expertise and all 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 Corporations Act, and Code of Professional Conduct jointly issued by the Institute of Chartered Accountants in Australia and CPA Australia.

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.

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 26 on page 92 of this Annual Report.

No fees were paid to Ernst & Young for non-audit services in the 2010 financial year.

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 & Young attended the 2009 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 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 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 31 July 2010:

- 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 31 July 2010 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 40 to 59 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. 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.

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 43 to 44 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 (2008 – 2010 offers); and
- NPAT (FY2009 – FY2011 and FY2009 – FY2012 Retention Plans).

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 FY2009 – FY2012 strategy. Further details relating to the LTI Plan, including the Retention Offers, are provided on pages 44 to 50 in the Remuneration 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 Gender Diversity

David Jones has a female dominated workforce, with women comprising 79.5% of the Company's permanent workforce.

Over the past year, there has been an increased focus on diversity in the workplace, and on the commercial benefits that may be available to companies who succeed in fostering a culture of diversity. The Company is committed to pursuing a culture of diversity and has already made significant advances.

The Company has benchmarked its gender diversity profile at management, executive and Board levels against published data on ASX top 50 companies from 2009/2010 Equal Opportunity for Women in the Workplace Agency.

At David Jones, management positions make up 11.7% of the total workforce, and of these management positions, 65.7% are held by women. Within our retail department stores, women hold 66.6% of available management positions. This compares favourably with the average representation of women in management positions in ASX top 50 companies of 32.4%.

At the senior executive level, 4 out of 9, or 44%, of positions on the Company's Management Committee are held by women. The average representation of women in executive positions in ASX top 50 companies is 12.3%.

The David Jones Board is comprised of 9 directors, 7 of whom are non-executive directors and 2 of whom are executive directors. Women hold 2 positions on the Board which represents 22%. The average representation of women on boards in ASX top 50 companies is 12.85%.

The Company is proud of its progress and achievements thus far in promoting gender diversity throughout all levels of its workforce and will continue to develop and implement initiatives in this area.

The Board is committed to ensuring that its own composition, and the composition of the entire David Jones workforce, is diverse. In particular, the Board appreciates the many benefits that have and will continue to be achieved through having female representation in roles of leadership and influence, particularly given the Company's predominantly female employee and customer base.

8.5 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 deal with 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.

In light of the recent ASX Listing Rule amendments which apply from 1 January 2011, David Jones' Share Trading Policy is currently under review. The current policy is available in the Corporate Governance section of its website.

8.6 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, analyst presentations 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.

The Company provides advanced notice to all major shareholders and analysts briefings. Such briefings can be attended in person or via telephone conference facilities. A register of all attendees at these briefings is maintained. In addition, a summary record is prepared for internal use of all issues discussed at briefings and one on one meetings with shareholders and analysts.

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.

8.7 Community and the environment

Information in relation to the Company's approach to the environment and the community is set out on pages 30 to 35 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.	8.5	Comply
3.3	Companies should provide the information indicated in the Guide to reporting on Principle 3.	8.1, 8.5	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.	8.6	Comply

5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5.	8.6	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.	8.6	Comply
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	8.6	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.

DAVID JONES' OH&S COMMITMENT

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

The Company's vision is to create a safe work environment where every employee and contractor regards their own safety as a priority, as well as the safety of its customers and visitors. To achieve the David Jones safety vision, all employees are expected to put their safety first, every day, in every task they complete.

This vision is supported through the ongoing SafetyFirst@davidjones Occupational Health & Safety program, management system and management activities which have contributed to a significant improvement in David Jones' OH&S performance.

DAVID JONES' OH&S PERFORMANCE

FY2010 Performance

LTIFR and the internal OH&S audit score remains the key performance measure for all store management and supervisors and is linked to the Company's short term incentive scheme.

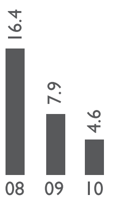
The number of lost time injuries and number of workers compensation claims across the business continues to decline.

For FY2010, David Jones achieved an LTIFR of 4.6, which is a substantial improvement on its FY2009 LTIFR of 7.9.

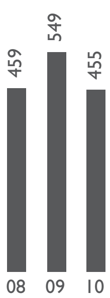
Whilst peaking in FY2009 due to increased awareness, the number of workers compensation claims recorded in FY2010 was below the level recorded in FY2008.

In FY2010 the average internal audit result demonstrated an effective system within the SafetyFirst@davidjones management system.

The improved performance of David Jones can be attributed to all employees embracing safety as a priority, as the OH&S Program continues to evolve.



Lost Time Injury Frequency Rate
(per million work hours)
Year ended 31 July



Number of Workers Compensation Claims
Year ended 30 June

Awards

Each year David Jones recognises special achievement for excellence in safety leadership with the SafetyFirst@davidjones Award. This is based on the LTIFR performance, internal OH&S audit score and workers compensation costs of each site.

In FY2010, the Karrinyup store received the 'SafetyFirst@davidjones' Award.

DAVID JONES' SAFETY INITIATIVES

This year the Company's focus has been to build upon its performance and initiatives implemented in FY2009, to continue to develop a safety culture.

OH&S and Injury Management policies

As part of the Company's commitment to periodically review its management system to ensure effectiveness and appropriateness, the OH&S and Injury Management (**IM**) policies were assessed, revised and communicated after consultation with employees, senior management and external regulators.

Safety training for new team-members

The OH&S training that David Jones provides to new employees has been reviewed and relaunched on-line. The new content ensures all new employees are provided with information, instruction and training on safety. Each module has mandatory assessment questions on which the participant must receive 100% compliance before proceeding to the next level. The OH&S on-line content includes:

– David Jones OH&S Competency;

– David Jones OH&S and IM policies;

– Job Safety Analyses and Work Method Statements for generic retail tasks e.g. manual handling, the use of ladders, safety steps and box cutters, handling Electronic Article Surveillance tags; and

– David Jones hazard identification process.

All new employees also participate in a classroom module, which provides them with an opportunity to demonstrate their on-line learning and be formally assessed as competent to perform key tasks safely prior to starting on the job.

Education and training for existing team-members

To support the implementation of the revised OH&S and IM policies, all store and warehouse employees attended training in January 2010, which covered the following key policies and procedures:

– the revised OH&S and IM policies;

– employee accountabilities in relation to their own, and other's safety;

– how to report an incident and hazard;

– the Company's issue resolution process;

– how to avoid strains and sprains in the workplace; and

– David Jones health and safety communication and consultation commitments.

PEOPLE

DAVID JONES' PEOPLE COMMITMENT

With over 9,000 team members, David Jones is committed to investing in its people and providing a work environment where all its people are supported, recognised, rewarded and given every opportunity to reach their full potential.

David Jones aims to ensure all its people are engaged and are given every reason to view David Jones as the best place to work.

David Jones believes that whether its people work in customer facing or support roles, if staff are engaged and satisfied, this will lead to continued improvements in customer service and satisfaction.

THE DAVID JONES PEOPLE FOCUS

In FY2010, David Jones focused its investment on ensuring that its people felt both supported in their roles and recognised for their hard work, particularly in light of the challenging retail trading environment. The Company demonstrated its support and recognition by rolling out new training programs and introducing benefits that acknowledged their contribution in helpful and meaningful ways.

TRAINING AND DEVELOPMENT

For new team members

During the year, the Stores' orientation program was re-designed and relaunched. David Jones now has a contemporary and interactive orientation program for new team members that combine the best of on-line, classroom and on the job training. The new program ensures that new team members receive up to date, high quality essential information and training that sets them up for a successful career at David Jones.

For existing team members

As continuous improvement in people skills positively impacts employee engagement, retention, productivity and performance, despite the difficult trading environment, the Company remained committed to building the management and leadership capability of its line managers.

During the year, the Sales Supervisor Development and Foundations of Management Programs were extensively reviewed, revised and relaunched nationally across all stores.

RECOGNITION

An important part of the David Jones culture is recognising and rewarding the contribution that its people make towards achievement of the Company's performance and results.

Company Awards

Each year at the annual David Jones Company Conference, the Company recognises and awards individuals and teams who represent the very best of the high performance culture and the David Jones competencies. In FY2010, 29 achievement awards were presented to people who were nominated from all parts of the Company. The four major award categories and winners were:

– Legendary Service – Riki Sarantopoulos, Bourke Street Mall Store;

– Store of the Year – Kotara;

– Buyer of the Year – Sophie Clark; and

– Support Person of the Year – Dianna Young, Marketing.

LAUNCH OF NEW BENEFITS

During the year, two new benefits were introduced to all permanent team members and to date, the take up of these benefits has been very encouraging.

The Lifestyle Benefit is offered through an independent rewards company and enables David Jones staff to make savings on their everyday spending. Lifestyle offers discounts on over 2,000 products and services that are not available at David Jones, such as health and fitness, accommodation, recreation and entertainment.

The $1,000 Purchase Benefit was also introduced to provide David Jones staff with the opportunity to acquire goods up to a value of $1,000 from any David Jones store using a pre-tax salary sacrifice arrangement.

1. COMMUNITY

During FY2010 David Jones continued to make meaningful contributions to its philanthropic partners, in particular supporting its focus on women and children's health.

David Jones has made donations of approximately $700,000 during the 2010 financial year.

2. WOMEN'S HEALTH

2.1 National Breast Cancer Foundation – Total Donation of approximately $530,000

David Jones is a Diamond Partner of the National Breast Cancer Foundation.

Throughout the month of October David Jones hosted a number of fundraising initiatives to fund the research programs run by the National Breast Cancer Foundation. These initiatives are further detailed below:

David Jones National Breast Cancer Foundation Donation Day
Contribution of this initiative: approximately $200,000

On Thursday 8 October 2009 David Jones held the inaugural David Jones National Breast Cancer Foundation Donation Day whereby all profits made from all sales in all stores were donated to the National Breast Cancer Foundation.

Rose Clinic Elizabeth Street Store
Contribution of this initiative: approximately $50,000

David Jones in partnership with BreastScreen NSW and the Royal Hospital for Women opened the inaugural Rose Clinic in the Elizabeth Street, Sydney store in 2003.

The Rose Clinic offering breast screening, blood tests and bone density assessments has proudly serviced over 47,000 women since its inception.

8 June 2010 Press Conference announcing the new Rose Clinic at the David Jones Bourke Street Mall store attended by The Right Hon. John Brumby MP & Megan Gale with David Jones employees

DAVID JONES HAS MADE DONATIONS OF APPROXIMATELY $700,000 DURING THE 2010 FINANCIAL YEAR.

Rose Clinic Bourke Street Mall Store

In June this year David Jones announced the installation of the second Rose Clinic that is located in the newly refurbished Bourke Street Mall, Melbourne Store.

This is a new partnership with BreastScreen Victoria and is the first in-store breast screening service installed in Victoria. The Rose Clinic houses 'state of the art' mammogram screening technology to offer free breast screening carried out by St Vincent's Hospital, to more than 7,000 Victorian women aged 40 and over each year.

Pink Ribbon Sales
Contribution of this initiative: approximately $90,000

David Jones supported the Pink Ribbon month through the sale of Pink Ribbon merchandise nationally in addition to further contributions made through staff breakfasts in support of this initiative.

Charity Bear Sales
Contribution of this initiative: approximately $160,000

The David Jones Charity Bears have been sold throughout its stores nationally to raise monies for the National Breast Cancer Foundation. The first Charity Bear, launched in 2002, was Theodore followed by Hugo, Alice, Charlotte, William, Grace and Anabelle.

Research Grant
Contribution of this initiative: approximately $30,000

David Jones also contributed towards a research grant awarded to Dr Georgia Halkett of Curtin University of Technology in Western Australia who is undertaking research in treatments for breast cancer.

2.2 Look Good Feel Better –
Total Donation of approximately $20,000

David Jones made a total donation of approximately $20,000 to the Look Good Feel Better initiative of the Cosmetics, Toiletry and Fragrance Foundation of Australia, supporting women in the community living with cancer.

3. CHILDREN'S HEALTH

3.1 Children's Cancer Institute of Australia –
Total Donation of approximately $120,000

Research Grant
Contribution of this initiative: $100,000

David Jones has an ongoing commitment to support research into neuroblastoma and made contributions to support the work of Dr Michelle Henderson, a Senior Scientist in the Experimental Therapeutics Program headed by Professor Michelle Haber.

Gold Ribbon Sales
Contribution of this initiative: approximately $20,000

For the month of February, David Jones again supported Gold Ribbon Month through sales of Gold Ribbon merchandise and staff and customer donations across all of its stores nationally.

4. OTHER CHARITIES

4.1 Talent Development Project –
Total Donation of $15,000

David Jones donated a further $15,000 to support the Talent Development Project to continue to develop and provide talented young performers from NSW public schools with unique entertainment industry training and experience.

ENVIRONMENT

1 ENVIRONMENT POLICY

David Jones is committed to managing its operations in an environmentally sustainable manner, by investing in efficiency measures to reduce the impact that the business has on the environment and by developing robust management systems to ensure transparency and confidence in environmental reporting.

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

2 ENVIRONMENT STRATEGY

To meet this policy objective, David Jones has developed a whole-of-business environment strategy that aims to:

- improve environmental outcomes by investing in incremental efficiency opportunities;
- meet (and where viable, exceed) the Company's regulatory and reporting requirements; and
- ensure that stakeholders are able to access information about David Jones' environmental impacts and initiatives.

This strategy aligns with and supports the Company's FY2009 – FY2012 Strategic Plan and assists in creating 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.

The following initiatives and measures are key components of David Jones' environment strategy.

2.1 Roadmap to improve environmental outcomes

Consultation across the business and with external experts has resulted in the development of a roadmap that aims to further reduce David Jones' direct and indirect environmental impacts, by:

- investing in energy efficiency opportunities in existing stores, to further reduce consumption from air conditioning and lighting;
- developing environmentally sustainable design principles for new and refurbished stores; and
- working with stakeholders to manage environmental impacts arising from waste management, packaging, transport and travel.

2.2 Regulatory obligations

David Jones has identified its regulatory obligations and mandatory reporting requirements for the FY2010 period and beyond.

These responsibilities include:

- submitting energy consumption and emissions data to the Department of Climate Change (**DCC**) under the National Greenhouse and Energy Reporting (**NGER**) scheme;
- providing a five-year action plan to the Australian Packaging Covenant (**APC**) and an annual update on an ongoing basis;
- meeting local water efficiency regulations in Melbourne CBD and greater-Brisbane; and
- responding to government's ban on incandescent light globes.

2.3 Communication plan

David Jones plans to inform employees, customers and shareholders (as well as the wider investment community) about its environmental impacts and initiatives, by:

- providing an update to shareholders through this Annual Report;
- launching a new webpage on the corporate website, to consolidate all environmental disclosures and provide additional information to external stakeholders;
- engaging employees through e-learning tools, environmental bulletins and updates at regular store meetings; and
- outlining David Jones' response to broader sustainability issues by voluntarily participating in the Carbon Disclosure Project (**CDP**).

3 ENVIRONMENTAL MANAGEMENT

David Jones' key focus in relation to environmental management is on those areas where the business has the ability to influence environmental outcomes or is obligated to disclose its impacts.

These areas include energy, waste management, packaging, transport, travel, water and refrigerant gases.

This section of the report provides an overview of David Jones' environmental performance against each of these key focus areas in its stores, warehouses and corporate offices for the FY2010 period.

3.1 Energy Management

David Jones continues to reduce electricity consumption and greenhouse gas emissions, at the lowest cost to the business.

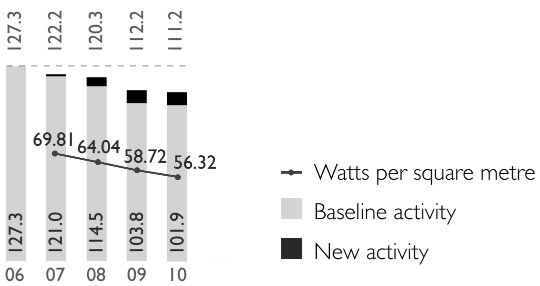
Since the baseline was established in FY2006, David Jones has reduced total electricity consumption by 12.7%. Excluding the impact of new stores and additional floor space, like-for-like (**LFL**) consumption has reduced by 16.1% over the same period, primarily as a result of investment in efficiency projects up to July 2009.

16.1%
REDUCTION IN
LFL ENERGY USAGE
OVER FOUR YEARS

Over the past 12 months, the business continued to conduct regular reviews of its consumption profile and implement incremental efficiency measures to drive continuous improvement, resulting in a net reduction in electricity consumption from FY2009 to FY2010.

The key driver of this reduction has been a 4.1% year-on-year improvement in energy efficiency, which continued its downward trend in FY2010, to 56.32 watts per square metre. This result was achieved without any significant capital investment in efficiency measures over the past year and was sufficient to offset additional consumption from new activity at Bourke Street Mall and Kotara.

As a consequence, greenhouse gas emissions from electricity consumed off the grid have also declined, to 104.6 kilo tonnes (equivalent to 51.1 tonnes per million dollars of sales).



Energy Consumption / Energy Efficiency (FY2006 – FY2010)
Annual GWh and watts per square metre, per average trading hour (stores that traded for the full year)

3.2 Waste Management

Sustained reductions in the amount of recyclable material that the business sends to landfill continue to reduce the environmental impact of David Jones' waste management activities.

In FY2010, David Jones exceeded the APC's 70-80% target for cardboard recycling and continued to increase the amount of soft plastic film recycled in its stores and warehouses. As a result, the business diverted a further 1,517 tonnes of cardboard and soft plastic film from landfill in the 12 months to July 2010.

These achievements reflect the culture of continuous improvement across the business, following the implementation of the Waste Management Initiative in FY2007. Since this program was launched, the amount of general waste sent to landfill has fallen by 43.2% to 3,407 tonnes, including a 352 tonne reduction in FY2010.

Reductions in general waste and hard rubbish collections have also been supported by the development and implementation of environmentally-sound disposal strategies for all unique components of the waste stream, including office paper, electronic waste generated by IT upgrades through the year, end-of-life fixtures, and mattresses and appliances collected from customer homes.

3.3 Packaging

Having implemented recycling systems that continue to reduce end-of-life environmental impacts of packaging, David Jones also supports the APC's broader strategic goals of sustainable packaging design and product stewardship; defined as manufacturers, suppliers, brand owners and retailers working together to adopt a life-cycle approach to the management of packaging, from design to disposal.

As its brand portfolio continues to expand, David Jones will become increasingly reliant on its key vendors and supply chain partners to help identify and implement innovative design solutions, that:

- optimise resource efficiency and reduce the amount of packaging produced for the business and its customers; and
- further reduce ecological degradation after disposal, by rationalising the different types of materials currently in use.

To this end, the business engaged its top 100 vendors in FY2010 with the aim of establishing formal feedback mechanisms that have the potential to further reduce the impact that packaging has on the natural environment, for mutually beneficial outcomes.

As a signatory to the APC, David Jones is also obligated to reduce the amount of packaging it produces as a brand owner. In meeting this obligation, the business has:

- reduced the amount of raw materials used to produce its plastic bags; and
- sold more than 165,000 reusable tote bags since November 2007.

3.4 Transport and Travel

David Jones' direct-to-store logistics model negates the need for a centralised distribution centre, resulting in relatively low greenhouse gas emissions from transport activities within its operational control.

Within this context, the key objective of load efficiency measures implemented to date has been to offset the impact of rising fuel prices. The 15% reduction in diesel and fuel consumption realised in FY2009 has been maintained in FY2010 and emissions from direct transportation have remained constant at less than 250 tonnes.

The Company also monitors its corporate travel profile and is working with its airline partners to validate greenhouse gas emissions from interstate and overseas flights.

3.5 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 continues to work with local authorities and landlords to deliver further improvements and ensure compliance with regional water efficiency regulations.

3.6 Refrigerant Gases

In preparation of its first submission to the DCC, the business has improved its processes used to track reloads of synthetic gases, used in refrigeration and air conditioning. Emissions from these refrigerant gases will be reported in David Jones' NGER report.

4 ENVIRONMENTAL INITIATIVES

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 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

To ensure optimal efficiency of new and refurbished stores, Retail Development updated its technical specifications in FY2010, with the aim of enhancing energy efficient design principles in relation to lighting, air conditioning, lifts and escalators, and metering services.

In practice, these principles continue to optimise electricity consumption and reduce comparable greenhouse gas emissions. For example, the redevelopment of David Jones' Bourke Street Mall store in Melbourne enabled the business to implement its recently-updated design principles and invest in new lighting grids that exceed the efficiency standard set by the Building Code of Australia.

As part of the redevelopment, washroom facilities have also been upgraded and rain water storage tanks have been installed for use in grey water applications, enhancing water efficiency in those buildings.

Other refurbishments at Robina Town Centre and Kotara have also contributed to an improvement in energy efficiency across the business and a net reduction in energy consumption in FY2010.

David Jones will continue to update its building specifications and design principles, and make capital investment in efficiency measures, as it proceeds with its new stores and refurbishment program.

4.2 Stores and Operations

Following the completion of building management system (**BMS**) upgrades in 18 stores in FY2009, a key objective for Facilities Management in FY2010 has been to improve energy efficiency in existing stores by optimising the operation of air conditioning. These measures have included a quarterly review of consumption profiles to identify incremental efficiency opportunities, the implementation of new optimiser settings at the start and end of trade, and vendor meetings to review BMS performance.

As a result of the refurbishment program and end-of-life capital replacements, the business also expanded the scope of its BMS platform to cover an additional four stores in FY2010, with a further two stores to be commissioned in FY2011, for 24 stores in total.

In relation to waste management, David Jones' team members, contractors and service providers continue to help reduce the impact that the business has on the environment, as ongoing cultural change delivers incremental improvements in recycling rates and reductions in landfill emissions.

Team members in stores also have the ability to affect end-of-life environmental impacts arising from plastic bags, through effective promotion of the David Jones reusable tote bag.

The Supply Chain team also delivered reductions in the amount of waste material sent to landfill, as a result of the ongoing adoption of environmentally-sound disposal plans. Over the past three years, David Jones' warehouses have:

– Donated 90 pallets of end-of-life visual merchandising props to charities and not-for-profit organisations;

– Recycled 60 tonnes of metal fixtures and fittings; and

– Collected 12,400 mattresses from customer homes, for recycling.

Having implemented new load efficiency measures in FY2009, the Supply Chain function was able to reduce David Jones relatively low fuel consumption of diesel and gasoline (from the fleet of shuttle trucks) in FY2009 and maintain those efficiencies in FY2010.

In relation to water management, David Jones continues to work with local water authorities and landlords in Melbourne CBD and greater-Brisbane to improve water efficiency and ensure that the Company complies with regulations in these regions.

4.4 Information Technology

Network and server upgrades implemented by the Information Technology group over the past three years continue to improve David Jones' energy efficiency. Server virtualisation and other server consolidation initiatives have reduced the number of existing servers by 70% and affected a 20% reduction in the amount of energy consumed by the David Jones Data Centre.

Information Technology also contributes to efforts to reduce the amount of waste that David Jones sends to landfill. Over the last four years, the business has processed 30.9 tonnes of e-waste for recycling, including 13.1 tonnes in FY2010. End-of-life items disposed of as e-waste include phones, monitors, televisions, desktop computers, laptops, printers, photocopiers and fax machines.

4.5 Marketing and Financial Services

David Jones sources paper for its catalogues and direct-mail material from responsibly-managed and sustainable forests, ensuring that old-growth timber is not used in the production of its collateral. In addition, David Jones' printers continue to invest in new technology that reduces the amount of energy, water and petroleum-based inks used in the production process.

4.7 Merchandise

The Merchandise group continues to play an important role in ensuring that David Jones meets its obligations to the APC. In FY2010, the business engaged its top 100 vendors to identify opportunities and barriers to influencing packaging decisions. The outcomes of this engagement have been outlined in David Jones' 2009/10 Annual Report to the APC and will guide future discussions about the evolution towards more collaborative, more sustainable packaging design and product stewardship.

4.8 Procurement

The Procurement team introduced new environmental schedules into its tendering documentation for non-merchandise contracts in FY2010. These new schedules aim to ensure that assessment of sustainability issues is considered where all other criteria are equal.

4.9 Human Resources

The Human Resources function has developed a number of tools that aim to enhance engagement and dissemination of information about David Jones' environmental management program. These measures provide information to prospective, new and current employees through a range of channels and aim to capitalise on the efficiency gains made to date and position David Jones as an employer of choice that is actively engaged in reducing its environmental impacts.

5 GOVERNANCE PRINCIPLES

The Company will continue to fulfil its responsibility to maintain governance over environmental initiatives and reporting, and executive oversight of sustainability issues, risks and opportunities, by:

- updating the Company's risk matrix to reflect the changing macro environment and stakeholder expectations;
- providing regular updates to the CEO and Management Committee;
- establishing steering committees and engaging third-parties to verify data, to ensure confidence in environmental disclosures; and
- enhancing the existing process and methodology for reporting.

6 SUMMARY

Over the past year, David Jones completed development of its whole-of-business environment strategy, defined the work plan required to implement this strategy and improved governance around environmental initiatives and reporting.

The business continues to reduce the impact that its operations have on the environment and, more importantly, has demonstrated that an embedded culture of continuous improvement can deliver incremental benefit without significant capital investment. However, David Jones' plan to invest in incremental efficiency opportunities demonstrates that the business has acknowledged that further mitigation is required to protect shareholder value into the future as energy, waste and transport costs continue to rise.

David Jones has also made considerable improvement in relation to environmental disclosure through FY2010. In preparing for the Company's first reporting year under the NGER scheme and lodging its first submission to the CDP, David Jones has developed a robust methodology statement that outlines its reporting boundaries, approach to data collection and calculations for all data reported in this Environment Report and other disclosures.

A cross-functional communication plan has also been developed and the "Community and Environment" webpage launched, to increase employee engagement, improve awareness of environmental programs and provide information about David Jones' environmental impacts to interested stakeholders.

Each of these achievements help to build an awareness of environmental sustainability across the organisation and ensure that the business has the capability to respond to changing market conditions and stakeholder expectations, to deliver improved environmental outcomes.

For additional information, please refer to the David Jones website and follow the links to the "Community and Environment" webpage.

DIRECTORS' REPORT

The Directors present their Report together with the Financial Statements of the Consolidated Entity for the 53 weeks ended 31 July 2010.

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 AM	Chairman and independent Non-Executive Director
John Coates AC	Deputy Chairman and independent Non-Executive Director
Paul Zahra	Chief Executive Officer and Executive Director (appointed 18 June 2010)*
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
Philippa Stone	Independent Non-Executive Director (appointed 9 March 2010)
Mark McInnes	Former Chief Executive Officer and Executive Director (resigned 17 June 2010)

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

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

*Paul Zahra is also Managing Director of the Company.

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 15 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.

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			
2009 Final dividend	17.0	85,112	2 November 2009
2010 Interim dividend	12.0	60,423	3 May 2010
Dividends declared after year end			
2010 Final dividend	18.0	91,970	8 November 2010

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 $170.766 million.

The full financial position of the Consolidated Entity is shown in the Financial Statements and the accompanying notes on pages 60 to 113.

A detailed review of operations and the results of those operations is set out in the Chairman's and Chief Executive Officer's Reports 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's and Chief Executive Officer's Reports. 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's and Chief Executive Officer's Reports. 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.

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 SCHEDULED		DIRECTORS' MEETINGS BY WRITTEN RESOLUTION[1]	AUDIT COMMITTEE MEETINGS		REMUNERATION AND NOMINATIONS COMMITTEE MEETINGS		PROPERTY COMMITTEE MEETINGS	
DIRECTOR	A	B		A	B	A	B	A	B
Robert Savage AM	10	10	2	2[2]	–	3	3	2	2
John Coates AC	10	10	2	4	4	–	–	2	2
Paul Zahra	1	1	1	–	–	–	–	–	–
Stephen Goddard	8[3]	10	2	–	–	–	–	–	–
Reginald Clairs AO	9[4]	10	1	1[2]	–	1[4]	3	–	–
John Harvey	9[5]	10	2	4	4	–	–	–	–
Katie Lahey	10	10	2	–	–	3	3	–	–
Peter Mason AM	10	10	2	4	4	–	–	–	–
Philippa Stone	5[6]	6	1	1	1	–	–	–	–
Former Director									
Mark McInnes	7[3]	9	1	–	–	–	–	–	–

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
[3] Two meetings required attendance by Non-executive Directors only
[4] Absence due to sick leave
[5] Absence due to international travel – granted leave of absence by Chairman
[6] Absence due to approved leave

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 AM	130,882	–
John Coates AC	52,587	–
Paul Zahra	493,926	800,000
Stephen Goddard	607,460	1,732,258
Reginald Clairs AO	188,031	–
John Harvey	42,562	–
Katie Lahey	22,733	–
Peter Mason AM	113,940	–
Philippa Stone	9,754	–

[1] Not applicable to Non-Executive Directors

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

RIGHTS TO UNISSUED SHARES

At the date of this Report, the Company has on issue rights under the LTI Plan which could convert to 12,747,142 ordinary shares in future periods. The Company will not receive any monetary consideration on the vesting of these rights. Further details 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, 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.

Since the end of the financial year 2,868,156 rights under the LTI Plan converted to 2,851,741 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 22 September 2010, the Directors declared a final dividend of 18 cents per ordinary share, fully franked at the tax rate of 30%. The final dividend is payable on 8 November 2010.

REMUNERATION REPORT

The Remuneration Report, which forms part of the Directors' Report, is set out on pages 40 to 59 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 36 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 Auditor

The Constitution of the Company provides that it must indemnify its auditor, 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 32 to 35 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 115.

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	
	2010	2009
	$	$
Audit and review of the Financial Statements	**645,105**	644,485
Other audit services:		
– audit of workers compensation wages declaration	–	3,399
Total other audit services	–	3,399
Total auditor's remuneration	**645,105**	647,884

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 31 July 2010 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 AM
Chairman

Paul Zahra
Executive Director and Chief Executive Officer

Sydney, 8 October 2010

DIRECTORS' REPORT: REMUNERATION REPORT

CONTENTS

1. REMUNERATION REPORT IN BRIEF

The Board is committed to clear and transparent disclosure of the Company's remuneration arrangements. This remuneration overview sets out for shareholders the key details regarding Director and Senior Executive remuneration for FY2010. The full Remuneration Report provides greater detail regarding the remuneration structures, decisions and outcomes for David Jones for FY2010.

A number of key events occurred during the year, which have impacted the remuneration of Directors and Senior Executives in FY2010. In particular:

- The mutually agreed termination of Mark McInnes as Chief Executive Officer (CEO), effective 17 June 2010,
- The appointment of Paul Zahra as CEO effective 18 June 2010,
- The suspension of the Employee Cost (Salary) increases for 2009 – 2010 for all executive employees at David Jones.

Former CEO

The David Jones Board mutually agreed with the CEO, Mark McInnes, to terminate his contract of employment, effective 17 June 2010. On termination Mark McInnes was paid his statutory entitlements of annual leave and long service leave, which totaled $445,421. Additionally on termination Mark McInnes was paid an amount ($1.5 million) to cover mutually agreed terms inclusive of a 12 month restraint of trade on the cessation of employment. Mark McInnes' termination arrangements were consistent with the terms of his pre-existing contract.

On termination of Mark McInnes' employment contract, the following entitlements were forfeited:

- FY2010 Short Term Incentive payment,
- FY2008 – FY2010 Long Term Incentive Plan comprised of 381,737 Rights at stretch, and
- FY2009 – FY2011 Retention Plan comprised of 3,387,900 Rights at stretch.

Appointment of new CEO

The Board appointed Paul Zahra as CEO effective 18 June 2010. Paul Zahra's remuneration package was increased to recognise the increase in responsibilities as CEO, to secure his retention and to focus his reward on the future success of the Company in line with shareholder expectations.

Suspension of salary reviews for Senior Executives and Directors fee reviews for FY2010

In light of the macro economic challenges and the impact on the retail trading conditions, the remuneration review for 2009 – 2010 was suspended. This meant that no general increases were given to any Executive Director or other Senior Executives for FY2010. In addition, there were no increases in fee levels for the Board in FY2010. These actions demonstrate the Board's and management's commitment to exercising restraint on remuneration in challenging economic and retail trading conditions.

FY2010 Remuneration Overview for the CEO, Finance Director and Senior Executives

Details of the CEO, Finance Director and Senior Executives' remuneration, prepared in accordance with statutory obligations and accounting standards are contained in Appendix Two of the Remuneration Report.

The table below sets out the cash and other benefits received by the former CEO, new CEO, Finance Director and the Senior Executives in the FY2010 financial year.

Executives	Cash Salary $	FY2010 STI $	FY2010 LTI $	Other[1] $	Total $
P. Zahra[2]	856,148	566,580	798,712	37,541	2,258,981
M. McInnes (to 17 June 2010)	2,068,146	–	(2,228,708)	1,561,716	1,401,154
S. Goddard	1,145,093	865,903	1,166,859	63,544	3,241,399
D. Eales	748,633	211,060	714,253	32,604	1,706,550
C. Garnsey	785,658	182,688	714,253	69,955	1,752,554
A. Karp	777,292	166,500	714,253	61,189	1,719,234
P. Robinson	757,064	168,848	714,253	44,801	1,684,966
K. McLachlan	590,246	316,000	571,402	35,618	1,513,266

[1] Other includes non-monetary benefits, superannuation, annual leave and long service leave accruals and gift cards. For Mark McInnes this includes his $1,500,000 termination payment.

[2] Paul Zahra's FY2010 remuneration is all based on his previous role as Group General Manager – Operations. No additional payments have been made to Paul Zahra with respect to his promotion to CEO within the FY2010 financial year. Paul Zahra has 500,000 LTI Plan Rights which have been included in this FY2010 LTI accrual which are still subject to shareholder approval at the 2010 AGM.

2. 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 Non Executive Directors and Executive Directors and includes the five highest paid senior executives of the Company and group. Generally, in this Report the term "Senior Executive" is used to refer to all KMP other than the Non Executive Directors. However, the arrangements of the CEO, the Finance Director and the Former CEO are described separately where they differ materially from the arrangements of other Senior Executives. This Remuneration Report incorporates disclosures required by the Corporations Act and has been audited.

3. 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.

3.1 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.

4. REMUNERATION OF EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES

The remuneration structure for Senior Executives and 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[1]	50	22	28
	Finance Director	43	21	36
	Former CEO	35	35	30
Senior Executives	CEO Direct Reports[2]	54	19	27

[1] Based on FY2010 remuneration targets which is for his previous role as Group General Manager – Operations

[2] Based on average of all CEO Direct Reports

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.

An annual appraisal process is undertaken on the individual performance of all executives. Any adjustment to fixed remuneration is based on individual performance. 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.

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 except the CEO and Finance Director, 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.

The CEO and Finance Director's annual STI will be capped at 125% of their EC for FY2011 and future years.

To ensure continuous improvement, the STI Scheme performance measures are comprehensively reviewed and communicated annually. At the beginning of the financial year the Remuneration and Nomination 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;

– all hurdles must be achieved in order to earn an STI Scheme payment (i.e. irrespective of performance, if one hurdle is not met, no STI is payable);

– 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 Remuneration and Nomination 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 FY2010 is detailed on page 56 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[3]	Sales	GMROI[4]	Strategic	
P. Zahra[1]	✓		✓	✓	✓		✓	45
S. Goddard[2]	✓	✓	✓				✓	50
D. Eales	✓			✓	✓		✓	45
C. Garnsey	✓		✓	✓	✓	✓	✓	45
A. Karp	✓	✓	✓				✓	45
P. Robinson	✓		✓	✓	✓	✓	✓	45
K McLachlan	✓	✓	✓			✓	✓	40

[1] Paul Zahra's STI for FY2010 is based on his role as Group General Manager – Operations for the full FY2010.

[2] The Finance Director's STI payments are dependant on specific NPAT performance targets.

[3] Profit relates to functional responsibility and will be Earnings Before Tax, Buying Gross Profit or Stores Net Profit.

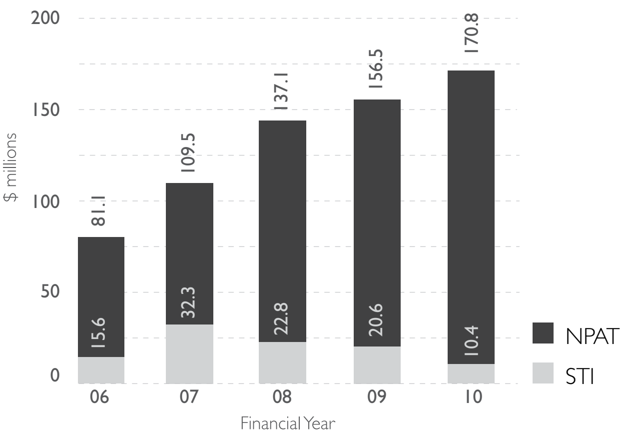
[4] GMROI stands for Gross Margin Return on Investment.

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 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.



Relationship between STI Payments and NPAT growth

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 54) 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 are granted or 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 and how it is enforced is set out on pages 24 to 25 of this Annual Report.

4.4.2 Performance Measures

Vesting of rights is linked to at least one of three independently applying performance measures: Total Shareholder Return (**TSR**), Earnings per Share (**EPS**) or Net Profit after Tax growth (**NPAT**). These are discussed further below.

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 Senior Executives, 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 24 to 25 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.

	FY2010	FY2009	FY2008	FY2007	FY2006
Share Price (Last day of each financial year)	$4.80	$5.05	$3.34	$5.63	$3.00
Dividends per share (cents)	30.0	28.0	27.0	22.0	16.0

The Company has used a combination of TSR, EPS and NPAT as performance measures to ensure that executive reward is directly linked to long term shareholder return. For example, for grants subject to a TSR measure, executives will not derive any value from the LTI grants unless the Company's performance is at least at the median of the comparator group at the end of the relevant performance period.

The operation of each of these performance measures and the way in which they align Senior Executive and shareholder interests is discussed below.

Total Shareholder Return

TSR is one of the performance measure for the FY2008 – FY2010 LTI, FY2009 – FY2011 Retention Plan and for select Senior Executives who are participants of the FY2009 – FY2012 Retention Plan.

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.

The primary reasons for using TSR as a performance measure are as follows:

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

The table below shows David Jones' TSR performance for the completed 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.

PLAN OFFER		DAVID JONES' TSR RETURN %	DAVID JONES' PERFORMANCE RANKING
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
FY2008–FY2010		0.98	Ranked above median
FY2009–FY2011	Tranche 1	35.9	Ranked in top quartile
	Tranche 2	54.3	Ranked in top quartile
FY2009–FY2012	Tranche 1	35.4	Ranked in top quartile
	Tranche 2	54.3	Ranked in top quartile

Earnings Per Share

EPS is one of the performance measures used for the FY2008 – FY2010 Long Term Incentive Plan.

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 FY2008–FY2010 LTI Plan grant will be FY2007.

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 FY2008 – FY2010 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 FY2010.

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' normalised EPS performance since FY2006.

Financial Year	Normalised EPS (cents per share)
FY2006	18.9
FY2007	25.2
FY2008	30.9
FY2009	34.5
FY2010	37.2

Net Profit After Tax

NPAT growth can be directly linked to executive decision-making and aligned to shareholder wealth, and accordingly was considered by the Board to be the appropriate measure to be applied to both the FY2009 – FY2011 and the FY2009 – FY2012 Retention Plans.

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.

For Senior Executives and some other executives, both NPAT growth and TSR have been selected as the performance measures on the basis that they offer a balance between internal and external measures. The table below shows David Jones' NPAT annual growth from FY2006.

Financial Year	NPAT Annual Growth %
FY2006	19.3
FY2007	35.0
FY2008	25.2
FY2009	14.2
FY2010	9.1

4.4.5 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 former CEO and Finance Director. Details of the grants to the former CEO and Finance Director are tabled in Appendix Four (on page 58) of this report.

Due to the mutual termination of the former CEO, his entitlement to any rights under the FY2008 – FY2010 LTI was forfeited, as the former CEO did not meet the service condition in the Plan rules. Therefore the Finance Director is the only remaining Plan participant.

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 is subject to the EPS hurdle and the other half is subject to the TSR hurdle. There is no re-testing of either hurdle.

The rights vest in accordance with the following schedule:

		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

The performance period ended in July 2010. The performance measures have been met at Stretch for the EPS measure and in the Target range for the TSR measure. Therefore 156,741 shares have been allocated to the Finance Director. The LTI Plan rules require the shares to be retained in a holding lock. For Senior Executives, Board approval is required to release the holding lock.

4.4.6 Finance Director and Former CEO FY2009 – FY2011 Retention Plan

Participation

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

Due to the mutual termination of the former CEO, the entitlement to any rights under the FY2009 – FY2011 Retention Plan was forfeited, as the former CEO did not meet the service condition in the Plan rules. Therefore the Finance Director is the only remaining Plan participant.

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 Finance Director;
- incentivise the Finance Director to continue to grow profit returns off the "top of the cycle" result in FY2008;
- incentivise the 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 replaced 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.

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. There is no re-testing of either hurdle.

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. The annual NPAT 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

FY2008 is the base year for measurement of TSR. 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 remaining Plan participant, the 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. Each right is equal to a maximum of one share. 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%	

4.4.7 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 replaced 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 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. In 2008, the Board approved that 14.5 million rights be granted to 106 employees (excluding the former CEO and Finance Director).

The grant comprises four tranches corresponding to each of the FY2009, FY2010, FY2011 and FY2012 years. Whilst the rights are subject to attaining certain performance and service conditions, a staggered vesting schedule (20%/ 20%/ 20%/ 40%) has been designed to promote retention across the plan period and ensure employees are incentivised during the life of the plan.

Performance Measures

For the FY2009 – FY2012 Retention Plan all participants are assessed based on performance against NPAT. In addition some key executives 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. There is no re-testing of either hurdle.

Net Profit After Tax

The NPAT performance measure is the growth in NPAT adjusted for one off transactions. FY2008 is the base year for measurement, however NPAT growth targets are set each year with the target set at 5% NPAT growth with stretch level set at 10% NPAT 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 Senior Executives) have relative TSR as an additional performance measure, given the ability of these roles to directly influence capital management.

FY2008 is the base year for measurement of TSR. 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%	

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.

A summary of this and other LTI Plans can be found in Appendix One (on page 54) of this report.

4.5 Deferred Employee Share Plan (DESP)

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 remains suspended.

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.

5. SUMMARY OF EMPLOYMENT CONTRACTS

The details of Senior Executive 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 Senior Executives:

	TERMINATION BY COMPANY	TERMINATION BY EXECUTIVE
Paul Zahra (CEO) (Rolling contract from previous senior executive role continues to apply)	If termination without cause, 12 months' notice is required. EC: EC would be paid for 12 months (reflecting notice provisions). STI scheme and LTI Plan: based on performance, entitled to pro-rata payment for vesting scheduled to occur within notice period.	Can terminate by giving 6 months' written notice unless employment is to be resumed with specified competitors, in which case 12 months' notice is required, or, if termination is to work or travel overseas, in which case, 3 months' notice is required. 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 resignation.
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.

The Board is satisfied that the termination arrangements of all Senior Executives are reasonable, having regard to Australian employment practices and after seeking and considering independent advice where appropriate.

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 Remuneration and Nominations 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 is 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 was suspended for all KMP inclusive of the Board, CEO and Finance Director. This means that the EC for these individuals did not increase in FY2010.

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 $
2010 fees	454,800	263,800	171,000	42,700	23,500	28,500	18,800	42,700	23,700
2009 fees	454,800	263,800	171,000	42,700	23,500	28,500	18,800	42,700	23,700

Retirement Benefits

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 25 July 2009 $	Interest to 31 July 2010 $	Balance at 31 July 2010 $
Robert Savage AM	281,771	12,022	293,793
John Coates AC	335,377	14,310	349,687
Reginald Clairs AO	173,029	7,383	180,412
John Harvey	115,660	4,935	120,595
Katie Lahey	296,680	12,659	309,339
Total	1,202,517	51,309	1,253,826

Details of the remuneration of the Non-Executive Directors for the financial year ended 31 July 2010 and the previous financial year are set out in Appendix Two (on page 56) and Appendix Three (on page 57) 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		
Paul Zahra	Chief Executive Officer and Executive Director	18 June 2010 – 31 July 2010
Stephen Goddard	Finance Director and Executive Director	26 July 2009 – 31 July 2010
Mark McInnes	Former Chief Executive Officer and Executive Director	26 July 2009 – 17 June 2010
Non-Executive Directors		
Robert Savage AM	Chairman and Independent Non-Executive Director	26 July 2009 – 31 July 2010
John Coates AC	Deputy Chairman and Independent Non-Executive Director	26 July 2009 – 31 July 2010
Reginald Clairs AO	Independent Non-Executive Director	26 July 2009 – 31 July 2010
John Harvey	Independent Non-Executive Director	26 July 2009 – 31 July 2010
Katie Lahey	Independent Non-Executive Director	26 July 2009 – 31 July 2010
Peter Mason AM	Independent Non-Executive Director	26 July 2009 – 31 July 2010
Philippa Stone	Independent Non-Executive Director	9 March 2010 – 31 July 2010
Senior Executives		
Damian Eales	Group General Manager – Financial Services and Marketing	26 July 2009 – 31 July 2010
Colette Garnsey	Group General Manager – Apparel, Accessories, Footwear & Cosmetics	26 July 2009 – 31 July 2010
Antony Karp	Group General Manager – Retail Development	26 July 2009 – 31 July 2010
Patrick Robinson	Group General Manager – Home and Food	26 July 2009 – 31 July 2010
Paul Zahra	Group General Manager – Operations	26 July 2009 – 17 June 2010
Karen McLachan	Group General Manager – Information Technology	25 July 2009 – 31 July 2010

Shareholdings of the KMP and changes during the year can be found in Note 27 of the Financial Statements.

Refer to Appendix Two (on page 56): Remuneration of KMP and five highest paid executives for the Year Ended 31 July 2010

Refer to Appendix Three (on page 57): Remuneration of KMP and five highest paid executives for the Year Ended 25 July 2009

APPENDIX ONE – SUMMARY OF LONG TERM INCENTIVE AND RETENTION PLANS

FEATURE	FY2007 – FY2009 OFFER	FY2008 – FY2010 OFFER	FY2009 – FY2012 OFFER	FY2009 – FY2011 OFFER
OFFERED TO	CEO, Finance Director and Senior Executives	Finance Director and Former CEO	Senior Executives	Finance Director and Former CEO
GRANT DATE	1 March 2007	23 July 2008	24 July 2008	28 November 2008
VESTING DATE	31 July 2009	31 July 2010	Staggered up to October 2012	October 2011
PERFORMANCE MEASURES	TSR compared to peer group and EPS		TSR compared to peer group and NPAT	TSR compared to peer group and NPAT
RETESTING RULES	No retest			
PLAN STATUS	Fully vested at stretch	Finance Director's Rights vested at Stretch for EPS and above Target for TSR. The former CEO's Rights were forfeited on termination of employment.	Tranches 1 and 2 fully vested at stretch Remaining tranches performance periods not yet concluded The former CEO's Rights were forfeited on termination of employment.	
	ASX LISTED RETAILERS			
PEER GROUP FOR TSR COMPARATOR	Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited; Metcash 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, 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	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, 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, 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, Southern Cross 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 31 JULY 2010

	Short-Term Employee Benefits				Post-Employment Benefits		Other Long-Term Benefits		Share Based Payment			
	Cash Salary & Fees[4,5] $	Cash Bonus (STI)[6] $	Non Monetary Benefits $	Other $	Super $	Other Retire-ment Benefits[1] $	Long Service Leave Accrual $	Term-ination Benefits $	LTI Plan Rights[2] $	Total Compen-sation $	Percentage of Remun-eration in LTI Plan Rights %	Percentage of Remun-eration Performance Related %
Executive Directors												
Paul Zahra (CEO)	856,148	566,580	2,000	901	20,894	–	13,746	–	798,712	2,258,981	35%	60%
Stephen Goddard	1,145,093	865,903	13,400	1,222	33,394	–	15,528	–	1,166,859	3,241,399	36%	63%
Mark McInnes[3] (former CEO)	2,068,146	–	12,400	901	19,086	–	29,329	1,500,000	(2,228,708)	1,401,154	–	–
Non-Executive Directors												
Robert Savage AM	463,978	–	12,400	100	14,523	12,022	–	–	–	503,023	–	–
John Coates AC	291,977	–	–	100	14,523	14,310	–	–	–	320,910	–	–
Reginald Clairs AO	184,978	–	–	100	14,523	7,383	–	–	–	206,984	–	–
John Harvey	199,178	–	–	100	14,523	4,935	–	–	–	218,736	–	–
Katie Lahey	175,277	–	–	100	14,523	12,659	–	–	–	202,559	–	–
Peter Mason AM	180,178	–	–	100	14,523	–	–	–	–	194,801	–	–
Philippa Stone	76,966	–	–	–	5,880	–	–	–	–	82,846	–	–
Senior Executives												
Damian Eales	748,633	211,060	988	901	14,523	–	16,192	–	714,253	1,706,550	42%	54%
Colette Garnsey	785,658	182,688	15,925	501	44,493	–	9,036	–	714,253	1,752,554	41%	51%
Antony Karp	777,292	166,500	14,411	1,222	20,895	–	24,661	–	714,253	1,719,234	42%	51%
Patrick Robinson	757,064	168,848	9,512	2,993	20,894	–	11,402	–	714,253	1,684,966	42%	52%
Karen McLachlan	590,246	316,000	11,196	901	14,523	–	8,998	–	571,402	1,513,266	38%	59%
Total	9,300,812	2,477,579	92,232	10,142	281,720	51,309	128,892	1,500,000	3,165,277	17,007,963		

Notes to the table:

[1] 'Other retirement benefits' represents an accrued adjustment calculated by applying trading bank deposit interest rates during the period to the accumulated balance of previously frozen Directors' retirement allowance.

[2] '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. Paul Zahra has 500,000 LTI Plan Rights which have been included in this accrual which are still subject to shareholder approval at the 2010 AGM.

[3] Mark McInnes' contract was mutually terminated on the 17th June 2010. As a result he forfeited his LTI and Retention Rights. Any share based payments expense previously recognised under AASB 2 – Share Based Payments in respect of the forfeited rights has been reversed. Mark McInnes' termination payment was $1,500,000, he also received $445,421 of leave entitlements, which were reported as leave accruals in previous annual reports.

[4] The movements in Salary for the Executives when compared to the 2009 Annual Report is due to the payment of the cash equivalent of dividends from the FY2009 – FY2012 and FY2009 – FY2011 Retention Plans. These payments occurred in FY2010 but not in FY2009.

[5] The movement in Fees for the Non-Executive Directors when compared to the 2009 Remuneration Report is due to the introduction of the Property Committee and associated fees in October 2008. The last fee review was in October 2008 and only 10 months of these October 2008 increases are represented in the FY2009 Remuneration Report where as these fees are represented for a full 12 months in the FY2010 Remuneration Report.

[6] Each STI Cash Bonus was determined on 8 October 2010.

APPENDIX THREE – 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 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	1,782,335	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 AM	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 accrued adjustment calculated by applying trading bank deposit rates during the period to the accumulated balance of 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 31 July 2010

Name	LTI Plan	Holding at 25 July 2009[1]	Granted as Remuneration[1]	Vested during the Year[1]	Forfeited during the Year	Holding at 31 July 2010[1]	Fair Value of Right (TSR)	Fair Value of Right (EPS)	Fair Value of Right (NPAT)
		Number	Number	Number	Number	Number	$	$	$
Directors[2]									
Paul Zahra[3]	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			*$671,490*					
Stephen Goddard	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			*$1,347,878*					
Former Director									
Mark McInnes	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			*$2,826,435*					

Name	LTI Plan	Holding at 25 July 2009[1]	Granted as Remuner-ation[1]	Vested during the Year[1]	Forfeited during the Year	Holding at 31 July 2010[1]	Fair Value of Right (TSR)	Fair Value of Right (EPS)	Fair Value of Right (NPAT)
		Number	Number	Number	Number	Number	$	$	$
Senior Executives									
Damian 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			*$587,311*					
Colette 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			*$671,490*					
Antony 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			*$587,311*					
Karen McLachlan	07–09 offer	84,822	–	(84,822)	–	–	2.60	3.80	–
	09–12 retention offer								
	– Tranche 1	160,000	–	–	–	160,000	2.09	–	2.97
	– Tranche 2	160,000	–	–	–	160,000	1.64	–	2.74
	– Tranche 3	160,000	–	–	–	160,000	1.65	–	2.74
	– Tranche 4	320,000	–	–	–	320,000	1.57	–	2.51
	Aggregate value			*489,423*					
Patrick 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			*$619,611*					

Notes:

[1] The numbers disclosed represent the number of rights allocated to each participant in the plan. The actual number of shares issued could differ, based 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] The proposed grants of 500,000 additional Rights to Paul Zahra and 250,000 Rights to Stephen Goddard in the FY2009 – FY2012 Retention Plan have not been included in this table as they have not yet been approved by shareholders. Further details are provided in the 2010 Notice of Meeting.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

		CONSOLIDATED	
	Note	**2010 $000**	2009 $000
Revenue from sale of goods		**2,053,087**	1,985,490
Cost of sales		**(1,237,358)**	(1,199,344)
Gross profit		**815,729**	786,146
Other income	2	**51,642**	64,538
Employee benefits expenses		**(316,438)**	(338,892)
Lease and occupancy expenses		**(181,799)**	(156,548)
Depreciation and amortisation expenses	3	**(43,812)**	(43,979)
Advertising, marketing and visual merchandising expenses		**(40,474)**	(45,521)
Administration expenses		**(20,390)**	(20,399)
Net financing expenses	3	**(7,063)**	(9,243)
Other expenses		**(15,364)**	(18,670)
Profit before income tax expense		**242,031**	217,432
Income tax expense	5	**(71,265)**	(60,910)
Profit after income tax expense attributable to equity holders of the parent entity	23	**170,766**	156,522
Other comprehensive loss			
Gains/(Losses) on cash flow hedges		**743**	(295)
Transfer of realised gains on hedges to profit and loss		**(1,117)**	(1,326)
Income tax on items of other comprehensive income		**112**	396
Total other comprehensive loss for the period, net of tax		**(262)**	(1,225)
Total comprehensive income for the period		**170,504**	155,297
Basic earnings per share (cents per share)	7	**34.0**	31.5
Diluted earnings per share (cents per share)	7	**33.0**	30.3

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 July 2010 and 25 July 2009

David Jones Limited and its controlled entities

		CONSOLIDATED	
	Note	**2010 $000**	2009 $000
CURRENT ASSETS			
Cash and cash equivalents	8	**17,594**	13,615
Receivables	9	**22,750**	22,309
Inventories	10	**282,346**	244,843
Financial assets	11	**14**	774
Other assets	12	**5,380**	8,805
Total current assets		**328,084**	290,346
NON-CURRENT ASSETS			
Financial assets	11	**12**	12
Property, plant and equipment	13	**761,565**	724,080
Intangible assets	14	**36,380**	38,192
Deferred tax assets	15	**68,483**	70,680
Other assets	12	**397**	1,364
Total non-current assets		**866,837**	834,328
Total assets		**1,194,921**	1,124,674
CURRENT LIABILITIES			
Payables	16	**244,529**	244,102
Interest bearing liabilities	17	**2,945**	1,870
Current tax liabilities		**22,957**	3,349
Provisions	18	**40,330**	52,049
Financial liabilities	19	**1,923**	2,309
Other liabilities	20	**616**	555
Total current liabilities		**313,300**	304,234
NON-CURRENT LIABILITIES			
Interest bearing liabilities	17	**101,000**	100,000
Provisions	18	**7,090**	6,856
Other liabilities	20	**29,293**	28,742
Total non-current liabilities		**137,383**	135,598
Total liabilities		**450,683**	439,832
Net assets		**744,238**	684,842
EQUITY			
Contributed equity	21	**502,199**	479,117
Reserves	22	**66,734**	55,748
Retained earnings	23	**175,305**	149,977
Total equity		**744,238**	684,842

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009

David Jones Limited and its controlled entities

	Note	Share Capital $000	Cash Flow Hedge Reserve $000	Share Based Payments Reserve $000	Retained Earnings $000	Total $000
For the 53 weeks ended 31 July 2010						
Total equity at the beginning of the period		**479,117**	**(1,075)**	**56,823**	**149,977**	**684,842**
Profit for the period		**–**	**–**	**–**	**170,766**	**170,766**
Other comprehensive income, net of tax		**–**	**(262)**	**–**	**–**	**(262)**
Total comprehensive income for the period		**–**	**(262)**	**–**	**170,766**	**170,504**
Transactions with owners, recorded directly in equity:						
Issue of ordinary shares through Dividend Reinvestment Plan		**27,612**	**–**	**–**	**–**	**27,612**
Dividends paid	6	**–**	**–**	**–**	**(145,438)**	**(145,438)**
Share based payments		**–**	**–**	**9,487**	**–**	**9,487**
On-market purchase of shares by Trust		**(4,614)**	**–**	**–**	**–**	**(4,614)**
Employee share purchase plan		**84**	**–**	**–**	**–**	**84**
Income tax		**–**	**–**	**1,761**	**–**	**1,761**
Total contributions by and distributions to owners		**23,082**	**–**	**11,248**	**(145,438)**	**(111,108)**
Total equity at the end of the period		**502,199**	**(1,337)**	**68,071**	**175,305**	**744,238**
For the 52 weeks ended 25 July 2009						
Total equity at the beginning of the period		455,341	150	35,310	128,989	619,790
Restatement in respect of amendment to AASB 138		–	–	–	(2,544)	(2,544)
Profit for the period		–	–	–	156,522	156,522
Other comprehensive income, net of tax		–	(1,225)	–	–	(1,225)
Total comprehensive income for the period		–	(1,225)	–	156,522	155,297
Transactions with owners, recorded directly in equity:						
Issue of ordinary shares through Dividend Reinvestment Plan		25,862	–	–	–	25,862
Dividends paid	6	–	–	–	(132,990)	(132,990)
Share based payments		–	–	13,695	–	13,695
On-market purchase of shares by Trust		(2,168)	–	–	–	(2,168)
Employee share purchase plan		82	–	–	–	82
Income tax		–	–	7,818	–	7,818
Total contributions by and distributions to owners		23,776	–	21,513	(132,990)	(87,701)
Total equity at the end of the period		479,117	(1,075)	56,823	149,977	684,842

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

CONSOLIDATED CASH FLOW STATEMENT

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

	Note	CONSOLIDATED **2010** **$000**	 2009 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**2,265,537**	2,207,818
Payments to suppliers and employees (inclusive of GST)		**(2,051,719)**	(1,981,762)
Commissions received		**44,838**	41,710
Interest received		**268**	1,081
Borrowing costs paid		**(7,414)**	(9,294)
Income tax paid		**(47,587)**	(68,026)
Net cash flows from operating activities	8	**203,923**	191,527
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(78,757)**	(94,437)
Payments for software		**(1,464)**	(4,646)
Proceeds from sale of property		**558**	–
Net cash flows used in investing activities		**(79,663)**	(99,083)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares		**(117,826)**	(107,128)
Proceeds from the assignment of storecard and credit reserve receivables		**–**	374,311
Repayment of receivables funding		**–**	(241,000)
Proceeds from/repayment of borrowings		**1,000**	(170,000)
On-market purchase of shares for Trust		**(4,614)**	(2,168)
Proceeds from loan repayments under employee share purchase plan		**84**	82
Net cash flows used in financing activities		**(121,356)**	(145,903)
Net increase/(decrease) in cash and cash equivalents		**2,904**	(53,459)
Cash and cash equivalents at beginning of the financial year		**11,745**	65,204
Cash and cash equivalents at end of the financial year		**14,649**	11,745

Notes:

(i) Reconciliation to the Statement of Financial Position

Cash and cash equivalents is comprised of the following:

	Note	2010 $000	2009 $000
Cash and cash equivalents	8	**17,594**	13,615
Bank overdraft	17	**(2,945)**	(1,870)
Cash and cash equivalents at end of the financial year		**14,649**	11,745

(ii) Non-cash financing and investing activities

During the year, 5,289,083 shares (2009: 8,502,658) were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash amounted to $27.612 million (2009: $25.862 million).

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

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
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 53 weeks ended 31 July 2010 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 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 notes 1(w) and 18, estimates are used in the calculation of provisions.
- Share based payments: As disclosed in note 28, 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 comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board, and International Financial Reporting Standards (**IFRSs**) as issued by the International Accounting Standards Board.

(c) New accounting standards and interpretations

The following standards and amendments, which are applicable to the Consolidated Entity, were applied for the first time in the preparation of this financial report:

(i) AASB 8 Operating Segments

AASB 8 requires the Consolidated Entity to define reportable operating segments based on information used regularly by the chief operating decision maker. An operating 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. The Consolidated Entity has defined its chief operating decision maker as its Chief Executive Officer. The Consolidated Entity's operating segments and relevant disclosures are outlined in note 4.

(ii) AASB 138 Intangible Assets

In accordance with AASB 138 Intangible Assets, the Consolidated Entity has recognised advertising costs for the current reporting period as they are incurred and the relevant advertising is ready for utilisation. This change in accounting policy has resulted in a change in the timing of recognition of advertising costs, whereby advertising costs were previously recognised by the Consolidated Entity as advertising was utilised. The Financial Statements as at 26 July 2008 have been restated to decrease retained earnings by $2.544 million, increase deferred tax assets $1.090 million and decrease receivables $3.633 million in accordance with AASB 101 Presentation of Financial Statements. No adjustment has been made to the statement of comprehensive income for the 52 weeks ended 25 July 2009 due to the timing of expenses, as the impact is not material period on period. There is no effect on past or future cash flows as a result of this adjustment.

(iii) AASB101 (Revised) Presentation of Financial Statements

In accordance with AASB101 (Revised) the Consolidated Entity has made various revisions to the format of its primary financial statements, including the introduction of the Consolidated Statement of Comprehensive Income.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(c) New accounting standards and interpretations continued

(iv) Other changes

The following standards and amendments have also been implemented by the Consolidated Entity and have had either minimal or no impact on 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 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 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
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

Reference	Title	Summary	Application date of standard	Impact on Consolidated Entity's Financial Statements	Application date for Consolidated Entity for Financial year ending:
AASB 2008-7	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 amendment 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

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 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 2009-11	Amendments to Australian Accounting Standards arising from AASB 9.	A number of changes to the accounting for financial assets.	1 January 2013	Impact on disclosure and accounting for equity instruments classified as fair value through other comprehensive income.	27 July 2013
AASB 2009-12	Amendments to Australian Accounting Standards	The main amendment of relevance is the clarification and simplification of the definition of a related party.	1 January 2011	No major impact identified.	30 July 2011

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.

For the purposes of consolidation, the assets and liabilities of the David Jones Incentive Plan Trust (**Trust**) have been treated as assets and liabilities of the Company.

(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 Statement of Comprehensive Income 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) 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income 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 Statement of Comprehensive Income in the period in which they are incurred.

(g) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys the right to use the asset.

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 Statement of Comprehensive Income 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 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 Statement of Financial Position 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 Statement of Comprehensive Income.

(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.

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 Statement of Comprehensive Income as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the Statement of Comprehensive Income 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 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 five 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 Statement of Comprehensive Income, 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 Statement of Comprehensive Income 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 profit and loss, within net financing expenses.

Amounts accumulated in equity are recycled in the profit and loss 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 profit and loss, 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 profit and loss.

(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 Statement of Comprehensive Income.

(q) Other financial assets

The Consolidated Entity classifies its investments in the following categories: financial assets at fair value through the Statement of Comprehensive Income; 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 the Statement of Comprehensive Income

This category has two sub-categories: financial assets held for trading; and those designated at fair value through the Statement of Comprehensive Income 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 date, which are classified as non-current assets. Loans and receivables are included in receivables in the Statement of Financial Position.

(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 Statement of Comprehensive Income.

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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

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 Statement of Comprehensive Income, 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 Statement of Comprehensive Income, 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 Statement of Comprehensive Income.

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 Statement of Financial Position 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 18.

(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 are only made to defined contribution funds, and are recognised as an expense in the Statement of Comprehensive Income 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 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 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 Statement of Financial Position.

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.

AASB 2009-5 has been early adopted by the Consolidated Entity in the preparation of these financial statements.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

	CONSOLIDATED 2010 $000	2009 $000
2. OTHER INCOME		
Commissions received	**47,680**	45,436
Sundry income	**3,573**	9,362
Interest income	**268**	1,077
Financial services fees & interest – David Jones store card	**121**	8,663
Total Other Income	**51,642**	64,538
3. PROFIT BEFORE INCOME TAX		
Profit before income tax expense includes the following specific items:		
Depreciation	**40,536**	40,963
Amortisation	**3,276**	3,016
Total depreciation and amortisation	**43,812**	43,979
Loss on disposal of plant and equipment	**178**	429
Net financing expenses:		
Interest and finance charges (gross)	**6,462**	8,370
Interest expense on hedging instrument	**909**	1,153
Interest and finance charges	**7,371**	9,523
Net unrealised foreign exchange (gain)/loss	**(308)**	20
Realised (gain) on hedging instruments recognised in the Statement of Comprehensive Income	**–**	(300)
Total net financing expenses	**7,063**	9,243
Share based payments expense	**9,487**	13,695
Defined contribution superannuation expense	**25,045**	25,251
Amount set aside to provide for Directors' retirement allowance	**51**	51
Rental expense on operating leases:		
Other persons – minimum lease payments	**75,444**	73,698
Contingent rentals	**8,967**	7,872
Total rental expense	**84,411**	81,570

4. SEGMENT REPORTING

Operating segments

Operating segments are defined with reference to information regularly reviewed by the Consolidated Entity's Chief Executive Officer (chief operating decision maker).

The Consolidated Entity operates in Australia and was organised into the following operating segments 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 comprising the alliance between the Consolidated Entity and American Express.

Unallocated items

Interest revenue and some interest expenses are not allocated to operating segments as they are not considered part of the core operations of any segment.

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.

FOR THE 53 WEEKS ENDED 31 JULY 2010 OPERATING SEGMENTS:	Department Stores $000	Financial Services $000	Unallocated $000	Consolidated $000
Revenue from external customers	2,053,087	–	–	**2,053,087**
Other income:				
Commissions earned	–	48,069	–	**48,069**
Other revenues from external customers	3,305	–	–	**3,305**
Total segment revenue and other income	**2,056,392**	**48,069**	**–**	**2,104,461**
Gross profit	**815,729**	**–**	**–**	**815,729**
Depreciation and amortisation	(43,797)	(15)	–	**(43,812)**
Share based payments	(9,487)	–	–	**(9,487)**
All other expenses	(560,952)	(3,675)	–	**(564,627)**
Total expenses	**(614,236)**	**(3,690)**	**–**	**(617,926)**
Segment earnings before interest and tax	**204,798**	**44,379**	**–**	**249,177**
Interest revenue	–	–	268	**268**
Interest expense	(6,593)	–	(821)	**(7,414)**
Net interest expense	(6,593)	–	(553)	**(7,146)**
Segment profit before tax	**198,205**	**44,379**	**(553)**	**242,031**

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

4. SEGMENT REPORTING CONTINUED

FOR THE 52 WEEKS ENDED 25 JULY 2009 OPERATING SEGMENTS:	Department Stores $000	Financial Services $000	Unallocated $000	Consolidated $000
Revenue from external customers	1,985,490	–	–	1,985,490
Other income:				
Commissions earned	–	54,407	–	54,407
Other revenues from external customers	9,054	–	–	9,054
Total segment revenue and other income	1,994,544	54,407	–	2,048,951
Gross profit	786,146	–	–	786,146
Depreciation and amortisation	(43,924)	(55)	–	(43,979)
Share based payments	(13,695)	–	–	(13,695)
All other expenses	(553,206)	(13,078)	–	(566,284)
Total expenses	(610,825)	(13,133)	–	(623,958)
Segment earnings before interest and tax	184,375	41,274	–	225,649
Interest revenue	–	–	1,077	1,077
Interest expense	(8,506)	–	(788)	(9,294)
Net interest (expense)/revenue	(8,506)	–	289	(8,217)
Segment profit before tax	175,869	41,274	289	217,432

	CONSOLIDATED 2010 $000	CONSOLIDATED 2009 $000
5. INCOME TAX EXPENSE		
Recognised in the Statement of Comprehensive Income:		
Current tax expense		
Current year	**72,898**	53,335
Over provision in prior years	**(957)**	(108)
	71,941	53,227
Deferred tax (benefit)/expense		
Origination and reversal of temporary differences	**(676)**	7,683
Total income tax expense in Statement of Comprehensive Income	**71,265**	60,910

	CONSOLIDATED	
	2010	2009
	$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	**242,031**	217,432
Tax at the corporate tax rate of 30% (2009: 30%)	**72,609**	65,230
Increase in income tax expense due to:		
– assessable income on disposal of property	**1,127**	–
– non-deductible legal fees	**278**	284
– non-deductible share based payments expense	**246**	655
– non-deductible entertainment	**46**	104
– other	**1,091**	543
Decrease in income tax expense due to:		
– deductible contribution to Trust for aquisition of shares for LTI Plan	**(2,364)**	(4,965)
– deductible building capital works	**(811)**	(833)
	72,222	61,018
Income tax expense over provided in prior years	**(957)**	(108)
Income tax expense	**71,265**	60,910
Amounts recognised directly in equity		
Current tax recognised directly in equity		
– share based payments	**(3,488)**	(4,960)
Deferred tax recognised directly in equity		
– share based payments	**1,727**	(2,857)
– cash flow hedges	**(112)**	(396)
Total amounts recognised directly in equity	**(1,873)**	(8,213)

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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

	Cents Per Share	Total Amount $000	Date of Payment
6. DIVIDENDS			
Dividends recognised by the Company:			
2010			
2009 Final ordinary	17.0	**85,055**	2 November 2009
2010 Interim ordinary	12.0	**60,383**	3 May 2010
Total dividends recognised		**145,438**	
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**	

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%:

2010 Final ordinary	18.0	**91,970**	8 November 2010

The financial effect of the final ordinary dividend for 2010 has not been recognised in the Financial Statements for the year ended 31 July 2010 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% (2009: 30%) are $88.864 million (2009: $84.125 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 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 $39.416 million (2009: $36.477 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 2010 Cents Per Share	2009 Cents Per Share
7. EARNINGS PER SHARE		
Basic earnings per share	**34.0**	31.5
Diluted earnings per share	**33.0**	30.3
	$000	$000
The following data was used in calculating basic and dilutive earnings per share:		
Profit after income tax expense	**170,766**	156,522
	NUMBER	NUMBER
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**502,348,807**	497,425,200
Effect of dilution – LTI Plan	**14,698,518**	19,933,965
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**517,047,325**	517,359,165
Weighted average number of converted, lapsed or cancelled potential ordinary shares included in diluted earnings per share	**3,947,088**	2,012,210

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.

At 31 July 2010, 4,918,870 LTI Plan rights were excluded from the weighted average number of ordinary shares used in the calculation of diluted earnings per share as their effect would have been anti-dilutive.

	CONSOLIDATED 2010 $000	2009 $000
8. CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**11,594**	13,615
Short term deposits	**6,000**	–
	17,594	13,615

The Consolidated Entity's exposure to interest rate risk, including a sensitivity analysis for financial assets and liabilities, is disclosed in note 31.

Reconciliation of profit after income tax to the net cash flows from operations		
Profit after income tax	**170,766**	156,522
Adjusted for non-cash items and transfers:		
– Depreciation and amortisation expenses	**43,812**	43,979
– Net loss on disposal of assets	**178**	429
– Share based payments expense	**9,487**	13,695
– Hedge reserve	**–**	(1,620)
Changes in assets and liabilities:		
– Receivables	**(441)**	14,726
– Inventories	**(37,503)**	12,445
– Other assets	**4,392**	(1,649)
– Payables	**427**	(30,506)
– Taxation	**23,678**	(7,115)
– Provisions	**(11,485)**	(2,730)
– Other liabilities	**612**	(6,649)
Net cash from operating activities	**203,923**	191,527

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

	CONSOLIDATED 2010 $000	2009 $000
9. RECEIVABLES		
CURRENT		
Amounts receivable from suppliers	**11,987**	12,087
Less: Provision for doubtful debts	**(3,354)**	(4,420)
Net amounts receivable from suppliers	**8,633**	7,667
Other receivables	**14,117**	14,642
	22,750	22,309

Notes:

(i) Refunds receivable from suppliers and other debtors are non-interest bearing and are generally on 30 to 90 day terms.

(ii) Details of the effective interest rate and credit risk of current receivables are disclosed in note 31.

Allowances for Doubtful Debts

Movements in the allowances for doubtful debts for amounts due from suppliers were as follows:

	CONSOLIDATED 2010 $000	2009 $000
MOVEMENTS IN THE ALLOWANCE FOR DOUBTFUL DEBTS		
Balance at the beginning of the year	**(4,420)**	(4,496)
Reversal/(charge) for the year	**932**	(19)
Written off	**134**	95
Balance at the end of the year	**(3,354)**	(4,420)

Aged Analysis of Receivables

The aged analysis of amounts due from suppliers, net of provision for doubtful debts, was as follows:

AGED ANALYSIS OF RECEIVABLES		
Neither past due nor impaired	**7,690**	2,542
Less than 30 days overdue	**256**	4,546
More than 30 days but less than 90 days overdue	**534**	417
More than 90 days overdue	**153**	162
Total amounts due from suppliers net of provision for doubtful debts	**8,633**	7,667

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	
	2010	2009
	$000	$000
10. INVENTORIES		
Retail inventories	**282,346**	244,843
	282,346	244,843
11. FINANCIAL ASSETS		
CURRENT		
Forward exchange contracts	**14**	774
	14	774
NON-CURRENT		
Shares in other corporations	**12**	12
	12	12

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 31.

	CONSOLIDATED	
12. OTHER ASSETS		
CURRENT		
Prepayments	**5,380**	8,805
	5,380	8,805
NON-CURRENT		
Prepayments	**397**	1,364
	397	1,364

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

13. PROPERTY, PLANT AND EQUIPMENT

The movements in the Consolidated Entity's property, plant and equipment balances are as follows:

Year ended 31 July 2010	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 25 July 2009, net of accumulated depreciation	**383,740**	**95,835**	**21,366**	**6,211**	**143,222**	**73,706**	**724,080**
Additions	**–**	**3,419**	**1,811**	**1,226**	**7,451**	**64,850**	**78,757**
Disposals and write-downs	**–**	**(48)**	**(12)**	**(7)**	**(669)**	**–**	**(736)**
Depreciation charge for the year	**(2,241)**	**(7,550)**	**(4,006)**	**(1,274)**	**(24,006)**	**(1,459)**	**(40,536)**
At 31 July 2010, net of accumulated depreciation	**381,499**	**91,656**	**19,159**	**6,156**	**125,998**	**137,097**	**761,565**
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**
At 31 July 2010							
Cost	**390,073**	**199,763**	**66,540**	**38,339**	**306,221**	**138,556**	**1,139,492**
Accumulated depreciation	**(8,574)**	**(108,107)**	**(47,381)**	**(32,183)**	**(180,223)**	**(1,459)**	**(377,927)**
Net carrying amount	**381,499**	**91,656**	**19,159**	**6,156**	**125,998**	**137,097**	**761,565**

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 26 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

14. INTANGIBLE ASSETS

The movements in the Consolidated Entity's intangible balances are as follows:

	CONSOLIDATED		
Year ended 31 July 2010	Software $000	Goodwill $000	Total $000
At 25 July 2009, net of accumulated amortisation	**7,887**	**30,305**	**38,192**
Additions	**1,464**	**–**	**1,464**
Amortisation charge for the year	**(3,276)**	**–**	**(3,276)**
At 31 July 2010, net of accumulated amortisation	**6,075**	**30,305**	**36,380**
At 25 July 2009			
Cost	**34,537**	**30,305**	**64,842**
Accumulated amortisation	**(26,650)**	**–**	**(26,650)**
Net carrying amount	**7,887**	**30,305**	**38,192**
At 31 July 2010			
Cost	**35,773**	**30,305**	**66,078**
Accumulated amortisation	**(29,698)**	**–**	**(29,698)**
Net carrying amount	**6,075**	**30,305**	**36,380**
Year ended 25 July 2009			
At 26 July 2008, net of accumulated amortisation	6,605	30,305	36,910
Additions	4,646	–	4,646
Disposals and write downs	(28)	–	(28)
Transfers and reclassifications	(320)	–	(320)
Amortisation charge for the year	(3,016)	–	(3,016)
At 25 July 2009, net of accumulated amortisation	7,887	30,305	38,192
At 26 July 2008			
Cost	31,412	30,305	61,717
Accumulated amortisation	(24,807)	–	(24,807)
Net carrying amount	6,605	30,305	36,910
At 25 July 2009			
Cost	34,537	30,305	64,842
Accumulated amortisation	(26,650)	–	(26,650)
Net carrying amount	7,887	30,305	38,192

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 (**CGUs**) has been determined on the basis of 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 15.27% (2009: 14.05%). The cash flows are based on financial projections for each CGU using a long term sales growth rate of 1.00% for the remaining lease period, and reflect both past experience and market expectations. The discount rate is derived from the Consolidated Entity's weighted average cost of capital. Sensitivity analyses were performed by management, taking the financial projections noted and reducing sales by up to 20.00% with the discount rate being increased to 16.27%, and reduced to 14.27%. The results of the sensitivity analyses indicate that under these conditions it is reasonable to expect that no impairment losses would arise.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

	CONSOLIDATED 2010 $000	2009 $000
15. DEFERRED TAX ASSETS AND LIABILITIES		
Deferred tax assets are attributable to the following items:		
Inventory	**10,885**	7,189
Plant and equipment	**19,929**	15,521
Accrued expenses	**8,410**	8,229
Provisions for:		
– Directors' retirement allowance	**376**	361
– Doubtful debts	**1,006**	1,326
– Employee benefits	**12,505**	15,624
– Sales returns	**960**	876
Straight-lining of lease rentals	**8,971**	8,789
Hedge accounting	**3,023**	5,360
Share based payments	**2,027**	5,713
Other amounts	**391**	602
Restatement in respect of amendment to AASB 138	**–**	1,090
	68,483	70,680
Reconciliation of movement of deferred tax assets:		
Opening balance	**70,680**	73,910
Restatement in respect of amendment to AASB 138	**–**	1,090
Charges recognised in Statement of Comprehensive Income	**(582)**	(7,577)
Amounts recognised against equity	**(1,615)**	3,257
	68,483	70,680

	CONSOLIDATED 2010 $000	2009 $000
16. PAYABLES		
Trade payables	**122,518**	129,576
Other payables and accruals	**122,011**	114,526
	244,529	244,102

	CONSOLIDATED	
	2010	2009
	$000	$000
17. INTEREST BEARING LIABILITIES		
CURRENT		
Bank overdraft	**2,945**	1,870
	2,945	1,870
NON-CURRENT		
Unsecured bank loan	**101,000**	100,000
	101,000	100,000

Information in relation to the Consolidated Entity's exposure to interest rate risk is disclosed in note 31.

Unsecured Bank Loan

The unsecured syndicated bank loan in the form of a revolving cash advance facility was established in July 2007.

The loan facility has a single, core term tranche of:

– $350.000 million repayable on 28 September 2012.

Further information in relation to this finance facility is disclosed in note 31.

		CONSOLIDATED	
		2010	2009
	Note	**$000**	$000
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
Bank guarantee		**1,360**	1,252
		380,960	380,852
Used at balance date			
Unsecured bank loan		**101,000**	100,000
Overdraft and trade finance facility		**2,945**	1,870
Bank guarantee		**1,360**	1,252
		105,305	103,122
Unused at balance date			
Unsecured bank loan		**249,000**	250,000
Overdraft and trade finance facility		**26,655**	27,730
		275,655	277,730

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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

	CONSOLIDATED	
	2010	2009
	$000	$000
18. PROVISIONS		
CURRENT		
Employee entitlements	**36,510**	48,610
Sales returns	**3,199**	2,919
Dismantling and restoration	**621**	520
	40,330	52,049
NON-CURRENT		
Employee entitlements	**5,302**	5,063
Directors' retirement allowance	**1,254**	1,203
Dismantling and restoration	**534**	590
	7,090	6,856

Movements

Movements in the carrying amount of each class of provision, excluding employee benefits and Directors' retirement allowance, are set out below.

	Sales Returns $000	Dismantling and Restoration $000	Total $000
Balance at the beginning of the year	2,919	1,110	**4,029**
Provisions made during the year	3,481	45	**3,526**
Provisions used during the year	(3,201)	–	**(3,201)**
Balance at the end of the year	3,199	1,155	**4,354**
Current	3,199	621	**3,820**
Non-current	–	534	**534**
Total	**3,199**	**1,155**	**4,354**

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	
	2010	2009
	$000	$000
19. FINANCIAL LIABILITIES		
CURRENT		
Forward exchange contracts	**1,559**	521
Interest rate swap contracts	**364**	1,788
	1,923	2,309

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 is disclosed in note 31.

20. OTHER LIABILITIES		
CURRENT		
Straight lining of lease accrual	**616**	555
	616	555
NON-CURRENT		
Straight lining of lease accrual	**29,293**	28,742
	29,293	28,742

21. CONTRIBUTED EQUITY		
Ordinary shares, fully paid	**502,199**	479,117
	502,199	479,117
Movements in ordinary share capital		
Balance at the beginning of the year	**479,117**	455,341
Dividend Reinvestment Plan	**27,612**	25,862
On-market purchase of shares by Trust	**(4,614)**	(2,168)
Employee share purchase plan	**84**	82
Balance at the end of the year	**502,199**	479,117

	DAVID JONES LIMITED	
	2010 Number of Shares	2009 Number of Shares
Movements in the number of ordinary shares		
Balance at the beginning of the year	**500,656,676**	483,452,861
Dividend reinvestment plan	**5,289,083**	8,502,658
Shares issued to and held by Trust	**5,000,000**	8,701,157
Balance at the end of the year	**510,945,759**	500,656,676
Less: ordinary shares held by Trust	**(6,330,415)**	(2,300,000)
Balance for Consolidated Entity	**504,615,344**	498,356,676

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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

	CONSOLIDATED 2010 $000	2009 $000
22. RESERVES		
Share based payments reserve	**68,071**	56,823
Cash flow hedge reserve	**(1,337)**	(1,075)
	66,734	55,748
Movements:		
Share based payments reserve		
Balance at the beginning of the year	**56,823**	35,310
Share based payments expense for the year	**9,487**	13,695
Income tax recognised directly in equity	**1,761**	7,818
Balance at the end of the year	**68,071**	56,823
Cash flow hedge reserve		
Balance at the beginning of the year	**(1,075)**	150
Movement during the year	**(262)**	(1,225)
Balance at the end of the year	**(1,337)**	(1,075)

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 2010 $000	2009 $000
23. RETAINED EARNINGS		
Balance at the beginning of the year	**149,977**	128,989
Restatement in respect of amendment to AASB 138	–	(2,544)
Net profit attributable to members of the parent entity	**170,766**	156,522
Dividends recognised on ordinary shares during the year	**(145,438)**	(132,990)
Balance at the end of the year	**175,305**	149,977

24. 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	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
Indemnities				
Indemnities to third parties given in the ordinary course of business	**1,360**	1,252	**1,360**	1,252

Litigation

As reported in the Company's announcement to the Australian Securities Exchange on 2 August 2010 a Statement of Claim was served on the Company and its Directors by an employee alleging a number of claims, including misleading and deceptive conduct under the Trade Practices Act and breach of contract. The employee is seeking compensation and damages of an unspecified amount, and punitive damages at the level of 5% of the Company's profits earned in the period from 2003 to 2010. Both the Company and its Directors will defend the claims vigorously.

In addition to the above, and in the ordinary course of its business, the Consolidated Entity becomes involved in litigation. Provisions and accruals have been made for known obligations and associated costs 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 any amounts that ultimately become payable over and above current provisioning and accrual levels.

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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

24. CONTINGENT LIABILITIES CONTINUED

Deed of cross guarantee continued

Set out below is a consolidated income statement and a consolidated statement of financial position comprising the Company and the controlled entities that are party to the Deed, after eliminating all transactions between these parties, at balance date.

	CONSOLIDATED	
	2010 $000	2009 $000
Summarised Income Statement		
Profit before related income tax expense	**241,321**	216,377
Income tax expense	**(71,356)**	(61,000)
Profit after income tax expense	**169,965**	155,377
Summary of movements in consolidated retained earnings		
Balance at the beginning of the year	**140,861**	118,474
Dividends recognised during the year	**(145,438)**	(132,990)
Net profit attributable to parties of the Closed Group	**169,965**	155,377
Balance at the end of the year	**165,388**	140,861

24. CONTINGENT LIABILITIES CONTINUED

Deed of cross guarantee continued

	CONSOLIDATED	
	2010 $000	2009 $000
CURRENT ASSETS		
Cash and cash equivalents	**17,594**	13,615
Receivables	**22,750**	22,309
Inventories	**282,346**	244,843
Financial assets	**14**	774
Other assets	**5,380**	8,805
Total current assets	**328,084**	290,346
NON-CURRENT ASSETS		
Financial assets	**105,255**	105,255
Property, plant and equipment	**761,565**	724,080
Intangible assets	**26,075**	27,887
Deferred tax assets	**68,483**	70,680
Other assets	**397**	1,364
Total non-current assets	**961,775**	929,266
Total assets	**1,289,859**	1,219,612
CURRENT LIABILITIES		
Payables	**314,384**	313,157
Interest bearing liabilities	**2,945**	1,870
Current tax liabilities	**22,957**	3,349
Provisions	**40,330**	52,049
Financial liabilities	**1,923**	2,309
Other liabilities	**616**	555
Total current liabilities	**383,155**	373,289
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**101,000**	100,000
Provisions	**7,090**	6,855
Other liabilities	**29,292**	28,742
Total non-current liabilities	**137,382**	135,597
Total liabilities	**520,537**	508,886
Net assets	**769,322**	710,726
EQUITY		
Contributed equity	**537,199**	514,117
Reserves	**66,735**	55,748
Retained earnings	**165,388**	140,861
Total equity	**769,322**	710,726

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

	CONSOLIDATED		DAVID JONES LIMITED	
	2010	2009	**2010**	2009
	$000	$000	**$000**	$000
25. 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	**13,567**	25,033	**13,567**	25,033
Later than one year but not later than five years	**–**	–	**–**	–
Later than five years	**–**	–	**–**	–
	13,567	25,033	**13,567**	25,033
Operating lease commitments				
Future operating lease rentals payable:				
Within one year	**75,386**	72,626	**75,386**	72,626
Later than one year but not later than five years	**288,524**	272,277	**288,524**	272,277
Later than five years	**820,881**	866,659	**820,881**	866,659
	1,184,791	1,211,562	**1,184,791**	1,211,562

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.

	CONSOLIDATED	
	2010	2009
	$	$
26. 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 its Controlled Entities:		
Audit services:		
– audit and review of Financial Statements	**645,105**	644,485
– audit of workers compensation wages declaration	**–**	3,399
	645,105	647,884

There were no non-audit services undertaken by the Consolidated Entity's external auditor during the financial year.

27. KMP DISCLOSURES

Key Management Personnel (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.

	2010 $	2009 $
Compensation by category for KMP		
Short term employee benefits	**11,880,765**	14,182,881
Post employment benefits	**333,029**	472,270
Termination benefits	**1,500,000**	–
Other long term benefits	**128,892**	242,655
Share based payments	**3,165,277**	7,319,179
Total compensation	**17,007,963**	22,216,985

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

27. 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 53 week period ended 31 July 2010

Name	LTI Plan	Holding at 25 July 2009[1]	Vested during the Year[1]	Forfeited during the Year	Holding at 31 July 2010[1]	Fair Value of Right – TSR	Fair Value of Right – EPS	Fair Value of Right – NPAT
		Number	Number	Number	Number	$	$	$
Directors[2]								
Paul	07–09 offer	116,376	(116,376)	–	–	2.60	3.80	–
Zahra	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		*$671,490*					
Stephen	07–09 offer	233,601	(233,601)	–	–	2.03	3.23	–
Goddard	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		*$1,347,878*					
Former Director								
Mark	07–09 offer	489,850	(489,850)	–	–	2.03	3.23	–
McInnes	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		*$2,826,435*					

27. KMP DISCLOSURES CONTINUED

EQUITY HOLDINGS OF KMP

Long Term Incentive (LTI) Plan rights holdings of KMP

Name	LTI Plan	Holding at 25 July 2009[1]	Vested during the Year[1]	Forfeited during the Year	Holding at 31 July 2010[1]	Fair Value of Right – TSR	Fair Value of Right – EPS	Fair Value of Right – NPAT
		Number	Number	Number	Number	$	$	$
Senior Executives								
Damian 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		*$587,311*					
Colette 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		*$671,490*					
Antony 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		*$587,311*					
Karen McLachlan	07–09 offer	84,822	(84,822)	–	–	2.60	3.80	–
	09–12 retention offer							
	– Tranche 1	160,000	–	–	160,000	2.09	–	2.97
	– Tranche 2	160,000	–	–	160,000	1.64	–	2.74
	– Tranche 3	160,000	–	–	160,000	1.65	–	2.74
	– Tranche 4	320,000	–	–	320,000	1.57	–	2.51
	Aggregate value		*$489,423*					
Patrick 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		*$619,611*					

Notes:

[1] The numbers disclosed represent the number of rights allocated to each participant in the plan. The actual number of shares issued could differ, based 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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

27. KMP DISCLOSURES CONTINUED

Long Term Incentive (LTI) Plan rights holdings of KMP

For the 52 week period 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*					

27. KMP DISCLOSURES CONTINUED

Long Term Incentive (LTI) Plan rights holdings of KMP continued

For the 52 week period ended 25 July 2009 continued

		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	$	$	$	$
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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

27. 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.

53 week period ended 31 July 2010	Holding at 25 July 2009	Allocated under LTI Plan	Net change – other[2]	Holding at 31 July 2010
Directors				
Robert Savage AM	125,782	–	5,100	130,882
John Coates AC	49,776	–	2,811	52,587
Paul Zahra	820,692	116,376	(643,142)	293,926
Stephen Goddard	1,123,859	233,601	(750,000)	607,460
Reginald Clairs AO	185,528	–	2,503	188,031
John Harvey	33,745	–	1,905	35,650
Katie Lahey	22,316	–	417	22,733
Peter Mason AM	107,850	–	6,090	113,940
Philippa Stone	9,754	–	–	9,754
Former Director				
Mark McInnes	1,000,303	1,674,070	(2,674,373)	–
Executives				
Damian Eales	751,826	101,787	(600,000)	253,613
Colette Garnsey	5,629	116,376	(100,000)	22,005
Antony Karp	522,025	101,787	(274,161)	349,651
Karen McLachlan	402,739	84,822	(399,846)	87,715
Patrick Robinson	807,142	107,385	(628,356)	286,171

27. KMP DISCLOSURES CONTINUED

Shareholdings of KMP

52 week period 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 AM	104,171	12,796	–	8,815	125,782
John Coates AC	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 AO	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 AM	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

Notes:

[1] Includes shares acquired through the DESP.

[2] 'Net change – other' includes on-market purchases and sales of ordinary shares, shares acquired through the dividend reinvestment plan, and the closing balance of Executives that have departed the Company.

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 did 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 and the David Jones American Express Card.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

28. 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. 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.

Movements in the LTI Plan rights for the 53 week period ended 31 July 2010:

			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 EPS/NPAT hurdle
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	**1,246,134**	**–**	**–**	**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**	**–**	**381,737**	**–**	**173,156**	**156,741**	**$1.69**	**$3.02**
09–12 Retention Offer – Tranche 1 1 August 2008 – 31 July 2009	24 July 2008	October 2010	**2,801,000**	**–**	**95,000**	**–**	**2,706,000**	**2,706,000**	**$2.09**	**$2.97**
09–12 Retention Offer – Tranche 2 1 August 2009 – 31 July 2010	24 July 2008	October 2011	**2,801,000**	**20,000**	**102,616**	**–**	**2,718,384**	**–**	**$1.64**	**$2.74**
09–12 Retention Offer – Tranche 3 1 August 2010 – 31 July 2011	24 July 2008	October 2011	**2,801,000**	**20,000**	**95,000**	**–**	**2,726,000**	**–**	**$1.65**	**$2.74**
09–12 Retention Offer – Tranche 4 1 August 2011 – 31 July 2012	24 July 2008	October 2012	**5,602,000**	**90,000**	**190,000**	**–**	**5,502,000**	**–**	**$1.57**	**$2.51**
Retention Offer Executive Directors – Tranche 1 1 August 2008 – 31 July 2009	28 November 2008	October 2011	**1,536,047**	**–**	**1,016,370**	**–**	**519,677**	**–**	**$1.63**	**$1.82**
Retention Offer Executive Directors – Tranche 2 1 August 2009 – 31 July 2010	28 November 2008	October 2011	**1,536,047**	**–**	**1,016,370**	**–**	**519,677**	**–**	**$1.59**	**$1.82**
Retention Offer Executive Directors – Tranche 3 1 August 2010 – 31 July 2011	28 November 2008	October 2011	**2,048,064**	**–**	**1,355,160**	**–**	**692,904**	**–**	**$1.61**	**$1.82**

28. EMPLOYEE SHARE PLANS CONTINUED

LTI Plan continued

Movements in the LTI Plan rights for the 52 week period 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

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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

28. EMPLOYEE SHARE PLANS CONTINUED

	CONSOLIDATED 2010 NUMBER	CONSOLIDATED 2009 NUMBER
Shares issued under the plan to participating employees on 2 October 2009 (2009: 29 September 2008)	**1,969,585**	7,001,157
	$	$
Market price of David Jones Limited shares on the date of issue	**5.77**	4.40

Summary of LTI and Retention Plans

FEATURE	FY2007 – FY2009 OFFER	FY2008 – FY2010 OFFER	FY2009 – FY2012 OFFER	FY2009 – FY2011 OFFER
OFFERED TO	CEO, Finance Director and senior executives	Finance Director and former CEO	Senior Executives	Finance Director and former CEO
GRANT DATE	1 March 2007	23 July 2008	24 July 2008	28 November 2008
VESTING DATE	31 July 2009	31 July 2010	Staggered up to October 2012	October 2011
PERFORMANCE MEASURES	TSR compared to peer group and EPS		TSR compared to peer group and NPAT	TSR compared to peer group and NPAT
RETESTING RULES	No retest			
PLAN STATUS	Fully vested at stretch	Finance Director's Rights Vested at Stretch for EPS and above Target for TSR. The former CEO's Rights were forfeited on termination of employment.	Tranches 1 and 2 fully vested at stretch Remaining Tranches performance periods not yet concluded The former CEO's Rights were forfeited on termination of employment.	
	ASX LISTED RETAILERS			
PEER GROUP FOR TSR COMPARATOR	Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited; Metcash 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, 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	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, 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, 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, Southern Cross 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.

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

28. 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:

	07–09 OFFER		07–09 OFFER TO EXECUTIVE DIRECTORS		08–10 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 09–12 retention rights to executives:

	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

The valuation of 09–11 retention rights to executive directors:

	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.

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 25 July 2009	346,000	280,194	305,628
Shares purchased during the year	–	–	–
Share issued from DRP	–	4,345	10,570
Shares disposed during the year	(29,500)	(14,840)	(6,550)
Shares held in plan at 31 July 2010	**316,500**	**269,699**	**309,648**
	$	$	$
David Jones share price at 31 July 2010	4.80	4.80	4.80
Market value of shares	1,519,200	1,294,555	1,486,310
Loan balance at 25 July 2009	221,159	–	–
Loan repayments	(84,299)	–	–
Loan balance at 31 July 2010	**136,860**	**–**	**–**

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

		Class of Share	Interest Held 2010 %	2009 %
29. 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.

30. 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, 24 and 29.

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 related entities is charged at commercial rates, which are determined at the discretion of the Company.

31. 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 21, 22 and 23 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, for 2009 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 Statement of Financial Position (excluding the amount attributable to the Financial Services segment). The calculation of the Consolidated Entity's gearing ratio at the balance date of 10.4% (2009: 11.4%) is shown below:

	CONSOLIDATED			
	2010 $000	**2010 %**	2009 $000	2009 %
Gearing Ratio				
Net debt	**86,351**	**10.4**	88,255	11.4
Equity	**744,238**	**89.6**	686,943	88.6
Capital employed	**830,589**	**100.0**	775,198	100.0

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 31 July 2010 are estimated to be $49.448 million (following payment of the 2010 final dividend).

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

31. 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 risk 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:

(ii) Interest rate risk
(iii) Foreign currency risk
(iv) Credit risk
(v) Liquidity risk

The Consolidated Entity seeks to manage these risks using derivative financial instruments, and by setting appropriate policies and transaction limits for counterparties.

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.

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			
	CARRYING AMOUNT		FAIR VALUE	
	2010 $000	2009 $000	**2010 $000**	2009 $000
Financial Assets				
Cash and cash equivalents	**17,594**	13,615	**17,594**	13,615
Receivables	**22,750**	22,309	**22,750**	22,309
Forward exchange contracts	**14**	774	**14**	774
Shares in other corporations	**12**	12	**12**	12
Total financial assets	**40,370**	36,710	**40,370**	36,710
Financial Liabilities				
Payables	**244,529**	244,102	**244,529**	244,102
Current tax liabilities	**22,957**	3,349	**22,957**	3,349
Interest bearing liabilities:				
– Bank overdraft	**2,945**	1,870	**2,945**	1,870
– Unsecured bank loan	**101,000**	100,000	**97,127**	93,730
Forward exchange contracts	**1,559**	521	**1,559**	521
Interest rate swap contracts	**364**	1,788	**364**	1,788
Total financial liabilities	**373,354**	351,630	**369,481**	345,360

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.

31. 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.

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, there was no fixed rate debt (2009 rate: 6.9%). 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 with a variable rate of interest:

	CONSOLIDATED			
	Interest Bearing $000	Non-Interest Bearing $000	Total $000	Average Interest Rate % Per annum
2010				
Financial Assets				
Cash and cash equivalents	**6,000**	**11,594**	**17,594**	**4.50**
	6,000	**11,594**	**17,594**	
Financial Liabilities				
Bank overdraft	**2,945**	**–**	**2,945**	**5.10**
Unsecured bank loan	**101,000**	**–**	**101,000**	**5.30**
	103,945	**–**	**103,945**	
2009				
Financial Assets				
Cash and cash equivalents	–	13,615	13,615	0.00
	–	13,615	13,615	
Financial Liabilities				
Bank overdraft	1,870	–	1,870	9.25
Unsecured bank loan	21,000	–	21,000	3.60
	22,870	–	22,870	

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

31. 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.

	CONSOLIDATED			
	Profit before Tax		Equity	
	2010 $000	2009 $000	**2010 $000**	2009 $000
Interest rates 100bps higher: increase/(decrease) in:	**(979)**	(229)	**663**	405
Interest rates 100bps lower: increase/(decrease) in:	**979**	229	**(684)**	(414)

A sensitivity interval of 100bps has been selected based on an analysis of historical rates and market expectations of the direction of future interest rates in Australia. A 100bps upward shift would move short term interest rates at balance date from 5.30% to 6.30% (2009: 6.52% to 7.52%), and from 5.30% to 4.30% for a downward shift (2009: 6.52% to 5.52%). This sensitivity interval of 100bps is considered reasonable in view of the current volatility in the financial markets.

(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 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 97% (2009: 99%) of its forecast purchases of imported goods denominated in foreign currencies.

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 July 2011. The information shown is for the Consolidated Entity and the Company.

	EXCHANGE RATE		AUSTRALIAN DOLLAR EQUIVALENT	
	2010	2009	**2010 $000**	2009 $000
Gross Value Payable under Foreign Currency Contracts:				
Buy Euro	**0.6380**	0.5574	**23,921**	10,063
Buy United States Dollars	**0.8312**	0.8360	**3,221**	13,593
Buy Hong Kong Dollars	**6.8209**	–	**134**	–
Buy Pounds Sterling	**0.5898**	0.4518	**412**	610
			27,688	24,266

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 loss on the contracts at balance date was $1.545 million (2009: $0.253 million gain).

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.

31. CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

(b) Foreign currency risk (continued)

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.

	CONSOLIDATED			
	Profit before Tax		Equity	
	2010 $000	2009 $000	**2010 $000**	2009 $000
Foreign Currency Exchange Rate Sensitivity Analysis				
Foreign exchange rates 10% higher: increase/(decrease) in:	**62**	7	**(2,337)**	(2,194)
Foreign exchange rates 10% lower: increase/(decrease) in:	**(76)**	(8)	**2,859**	2,679

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 institutional credit risk on:

i) short term cash deposits;

ii) foreign exchange contracts; and

iii) interest rate swap contracts.

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 Statement of Financial Position 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 31 July 2010, the Consolidated Entity had 100% of its aggregate institutional credit risk spread over five counterparties, with a Standard & Poor's long term credit rating of A to AA.

(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 $273.731 million (2009: $268.130 million).

For the 53 weeks ended 31 July 2010 and 52 weeks ended 25 July 2009
David Jones Limited and its controlled entities

31. CAPITAL AND FINANCIAL RISK MANAGEMENT CONTINUED

FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity risk (continued)

The contractual maturities of financial liabilities is set out below:

	CONSOLIDATED			
Maturing in:	0 – 6 Months $000	6 – 12 Months $000	Over 1 to 5 Years $000	Total $000
2010				
Financial Liabilities				
Payables	**244,529**	**–**	**–**	**244,529**
Bank overdraft	**3,008**	**–**	**–**	**3,008**
Unsecured bank loan	**2,700**	**2,656**	**107,221**	**112,577**
Forward exchange contracts	**15,088**	**12,601**	**–**	**27,689**
Interest rate swap contracts	**–**	**–**	**364**	**364**
	265,325	**15,257**	**107,585**	**388,167**
2009				
Financial Liabilities				
Payables	244,102	–	–	244,102
Bank overdraft	1,965	–	–	1,965
Unsecured bank loan	1,759	1,731	107,611	111,101
Forward exchange contracts	17,122	7,144	–	24,266
Interest rate swap contracts	1,029	755	4	1,788
	265,977	9,630	107,615	383,222

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 Statement of Financial Position. The foreign exchange and interest rate swap contracts are classified as being effective hedging instruments and therefore all cash flow movements will be recognised in the Statement of Financial Position.

32. EVENTS SUBSEQUENT TO REPORTING DATE

Dividends

Dividends declared by the Company after 31 July 2010 are disclosed in note 6.

Litigation

Legal proceedings against the Company that commenced after 31 July 2010 are disclosed in note 24.

33. PARENT ENTITY DISCLOSURES

As at, and throughout the 53 week period ending 31 July 2010, the parent company of the Group was David Jones Limited.

	DAVID JONES LIMITED	
	2010	2009
	$000	$000
Result of the Parent Entity		
Profit for the period	**166,978**	281,139
Other comprehensive income	**(262)**	(1,225)
Total comprehensive income for the period	**166,716**	279,914
Financial Position of the Parent Entity at period end		
Current assets	**320,597**	289,209
Total assets	**1,282,236**	1,217,924
Current liabilities	**532,105**	523,189
Total liabilities	**568,488**	558,787
Total Equity of the Parent Entity		
Contributed equity	**502,199**	479,117
Share based payments reserve	**68,071**	56,823
Cash flow hedge reserve	**(1,082)**	177
Retained earnings	**144,560**	123,020
Total Equity	**713,748**	659,137

Parent entity contingent liabilities

Contingent liabilities in relation to the Company are disclosed in note 24.

Parent entity capital commitments for acquisition of plant and equipment

Capital commitments for the acquisition of plant and equipment in relation to the Company are disclosed in note 25.

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 Consolidated Entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position as at 31 July 2010 and performance for the year ended on that date of the Consolidated Entity; and

  (ii) complying with Australian Accounting Standards and Corporations Regulations 2001;

(b) the Financial Statements and notes also comply with the International Financial Reporting Standards as disclosed in note 1(b); and

(c) 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 24 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 31 July 2010.

Signed in accordance with a resolution of the Directors:

Robert Savage AM
Chairman

Paul Zahra
Executive Director and Chief Executive Officer

Sydney, 8 October 2010

AUDITOR'S INDEPENDENCE DECLARATION

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 53 weeks ended 31 July 2010, 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

Ernst & Young

Graeme McKenzie
Partner

8 October 2010

INDEPENDENT AUDIT REPORT

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

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 statement of financial position as at 31 July 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the 53 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 115 and forms part of the Directors' Report.

INDEPENDENT AUDIT 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 31 July 2010 and of their performance for the 53 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 40 to 59 of the directors' report for the 53 weeks ended 31 July 2010. 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 53 weeks ended 31 July 2010, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner

Sydney
8 October 2010

Liability limited by a scheme approved
under Professional Standards Legislation

SHAREHOLDER INFORMATION

As at 1 October 2010
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	68,995,895	13.50
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	48,687,825	9.53
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	46,339,656	9.07
4	COGENT NOMINEES PTY LIMITED	14,780,788	2.89
5	J P MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	4,766,523	0.93
6	AUSTRALIAN REWARD INVESTMENT ALLIANCE	4,155,531	0.81
7	CITICORP NOMINEES PTY LIMITED	4,054,233	0.79
8	DAVID JONES SHARE PLANS PTY LTD <DAVID JONES INCENTIVE PLAN>	3,478,674	0.68
9	QUEENSLAND INVESTMENT CORPORATION	3,472,894	0.68
10	ARGO INVESTMENTS LIMITED	3,426,706	0.67
11	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,336,203	0.65
12	ANZ NOMINEES LIMITED <CASH INCOME A/C>	2,824,177	0.55
13	WARBONT NOMINEES PTY LTD <SETTLEMENT ENTREPOT A/C>	2,234,366	0.44
14	AMP LIFE LIMITED	2,211,971	0.43
15	YANAWE INVESTMENTS PTY LIMITED	2,046,100	0.40
16	COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	1,978,925	0.39
17	CITICORP NOMINEES PTY LIMITED <CFSIL CWLTH AUST SHS 6 A/C>	1,552,700	0.30
18	GWYNVILL INVESTMENTS PTY LIMITED	1,330,700	0.26
19	MR MARK MCINNES	1,240,153	0.24
20	CS FOURTH NOMINEES PTY LTD <UNPAID A/C>	1,015,820	0.20
		221,929,840	43.44

The 20 largest ordinary shareholders hold 43.44% of the ordinary shares of the Company.

SHAREHOLDER INFORMATION

As at 1 October 2010
David Jones Limited and its controlled entities

SUBSTANTIAL SHAREHOLDINGS

Substantial Shareholder Notices received up to 1 October 2010

	Ordinary Shares	Extent of Interest	Date of Last Notification
Ausbil Dexia Limited	41,394,372	8.10%	17.09.08
UBS AG and its related bodies corporate	26,409,105	5.17%	20.09.10

CLASS OF SHARES AND VOTING RIGHTS

At 1 October 2010 there were 73,795 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 36.

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 1 October 2010	Holders of Ordinary Shares as at 24 September 2009
1 - 1000	13,035	11,940
1,001 - 5,000	49,732	50,825
5,001 - 10,000	7,035	6,633
10,001 - 100,000	3,863	3,549
100,001 and over	130	122
	73,795	73,069
Less than a marketable parcel	1,691	1,396

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

2010 DAVID JONES LIMITED ANNUAL REPORT

This year's Annual Report and the Notice of Meeting can be accessed at http://davidjones.com.au/For-Investors/Presentations-and-Reports-2010. 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 4, 60 Carrington Street, Sydney NSW 2000
GPO Box 2975, Melbourne VIC 3001

Telephone

1800 652 207 – Toll Free

Facsimile

(03) 9473 2500

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.