ASX ANNOUNCEMENT

Results for Announcement to the Market
Preliminary Final Report – Listing Rule 4.3A

David Jones Limited and its controlled entities announce its results for the 52 weeks ended 27 July 2013. Attached are the following documents:

- **Preliminary Final Report (Appendix 4E)**
- **Full Year Consolidated Financial Report 2013**
  - Five Year Financial Statistics
  - Directors' Report (including Remuneration Report)
  - Consolidated Financial Statements for the 52 weeks ended 27 July 2013
  - Directors' Declaration
  - Auditor's Independence Declaration
  - Independent Audit Report

FOR FURTHER INFORMATION CONTACT:

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DAVID JONES

ASX LISTING RULE 4.3A

APPENDIX 4E
PRELIMINARY FINAL REPORT

DAVID JONES LIMITED

ABN 75 000 074 573	Current Reporting Period:	52 Weeks ended 27 July 2013
	Previous Corresponding Period:	52 Weeks ended 28 July 2012

Results For Announcement to the Market

Revenues from ordinary activities	down	1.2%	to	$1,845.0 million
Profit from ordinary activities after tax attributable to members	down	5.9%	to	$95.2 million

Dividends – Ordinary Shares	Amount per security	Franked amount per security
2013 Final dividend declared (payable 4 November 2013)	7.0¢	7.0¢
2013 Interim dividend (paid 6 May 2013)	10.0¢	10.0¢
Previous corresponding period		
2012 Interim dividend (paid 7 May 2012)	10.5¢	10.5¢
2012 Final dividend (paid 5 November 2012)	7.0¢	7.0¢

Record date for determining entitlements to the final dividend	10 October 2013

David Jones Limited (the Company) operates a Dividend Reinvestment Plan (DRP) through which shareholders can reinvest dividends paid on ordinary shares in the Company. The last date of receipt of election notices for participation in the DRP is 10 October 2013. Shares allocated under the DRP will be allocated at the weighted average market price for the Company's shares sold on the Australian Securities Exchange (ASX) during the period of 10 trading days commencing on the second trading day after the record date. Shares issued to participating shareholders under the DRP will rank equally with existing fully paid ordinary shares.

The remainder of the information requiring disclosure to comply with listing rule 4.3A is contained in the attached ASX and Media Release and the audited 27 July 2013 Annual Consolidated Financial Report.

Net Tangible Asset Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$1.30	$1.29

Annual General Meeting

The Annual General Meeting will be held on Level 7 of the David Jones Elizabeth Street Sydney City Store, 86-108 Castlereagh Street, Sydney NSW 2000 at 10:30am on Friday, 22 November 2013. The Annual Report will be available in October 2013.

FIVE YEAR FINANCIAL STATISTICS

	2013[1]	2012	2011	2010[2]	2009[3]
	$000	$000	$000	$000	$000
SALES AND PROFIT					
Sales	1,845,012	1,867,817	1,961,744	2,053,087	1,985,490
Gross Profit	706,144	699,830	767,269	815,729	786,146
- % of sales	38.3%	37.5%	39.1%	39.7%	39.6%
Department Store – EBIT	99,532	104,995	199,003	204,798	184,377
Financial Services – EBIT	49,466	49,418	47,707	44,379	41,274
TOTAL EBIT	**148,998**	**154,413**	**246,710**	**249,177**	**225,651**
PROFIT AFTER TAX	**101,554**	**101,103**	**168,139**	**170,766**	**156,522**
BALANCE SHEET					
Inventory	251,543	279,099	288,850	282,346	244,843
Other current assets	43,162	44,150	38,251	45,738	45,503
Property, plant & equipment	835,373	817,432	798,416	761,565	724,080
Other non-current assets	107,707	100,216	89,033	105,272	110,248
TOTAL ASSETS	**1,237,785**	**1,240,897**	**1,214,550**	**1,194,921**	**1,124,674**
Payables	261,840	264,595	216,429	244,529	244,102
Provisions	42,945	32,138	32,910	47,420	58,905
Interest-bearing liabilities	100,360	136,006	131,943	103,945	101,870
Other liabilities	31,544	32,454	47,788	54,789	34,955
TOTAL LIABILITIES	**436,689**	**465,193**	**429,070**	**450,683**	**439,832**
NET ASSETS	**801,096**	**775,704**	**785,480**	**744,238**	**684,842**
RATIOS					
EBIT to Sales (%)	8.1%	8.3%	12.6%	12.1%	11.4%
Basic earnings per share (cents)	19.2	19.4	33.0	34.0	31.5
Dividends per share (cents)	17.0	17.5	28.0	30.0	28.0
Net Debt: (Net Debt + Equity)	9.7%	13.0%	13.3%	10.4%	11.4%
Return on shareholder equity (%)	12.7%	13.0%	21.4%	22.9%	22.9%

1 On 12 August 2013 the Company entered into an agreement with Dick Smith Electronics Pty Limited (Dick Smith) for Dick Smith to operate the Company's electronics business under a Retail Brand Management Agreement (RBMA) with effect from 1 October 2013. Under the terms of this agreement the Company will sell certain assets, including inventory, to Dick Smith. A provision of $9.1 million was made in the Financial Statements for the year ended 27 July 2013 to reflect the value at which Dick Smith will acquire this inventory. For the purpose of determining earnings, the financial effect of this provision has been excluded from reported earnings for FY2013. A reconciliation between statutory profit after tax and profit after tax excluding the impact of the Dick Smith transaction is shown below:

	Profit before tax	Profit after tax
	$000	$000
Profit	131,331	95,184
Adjustment to inventory value	9,100	6,370
Profit excluding impact of Dick Smith transaction	140,431	101,554

2 FY2010 was a 53 week period.

3 Restated in respect of amendment to AASB 138.

DIRECTORS' REPORT

The Directors of David Jones Limited (the 'Company') present their Report together with the Consolidated Financial Statements of the Company and its controlled entities (the 'Consolidated Entity') for the 52 weeks ended 27 July 2013.

1. INFORMATION ON DIRECTORS

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

PETER MASON AM

BCom (Hons), MBA, Honorary Doctorate of Business (UNSW)

Resident of Sydney

Term of office Non-executive Director since 28 November 2007 and appointed Chairman on 1 January 2013

Independent Yes

External Directorships Chairman, AMP Limited; Director (appointed as a director from October 2003 and Chairman from September 2006), Singapore Telecommunications Limited (appointed September 2010); Senior Advisor to UBS Investment Bank; Chairman, UBS Australia Foundation Pty Ltd; Director, University of New South Wales Foundation; Director, Taylors Wines Pty Ltd; Chairman, Centre for International Finance and Regulation and Trustee of the Sydney Opera House Trust.

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 and educational and charitable organisations.

Board Committee Membership Chairman of the People and Remuneration Committee until 31 January 2013 and Member of the People and Remuneration Committee from 1 February 2013.

PAUL ZAHRA

Resident of Sydney

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

Independent No

External Directorships None

Skills, experience and expertise Mr Zahra has more than 30 years experience in the Australian retail industry. He has held senior management roles across the retail sector in the areas of buying, stores, visual merchandising, supply chain, store refurbishments, customer service and operations. Mr Zahra joined David Jones Limited in 1998 as General Manager of Merchandise Services. He has spent more than 10 years in strategic roles within other major Australian retailers, 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.

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 Director, Australian Infrastructure Fund Ltd (appointed April 1994); Director, Australian Pacific Airports Corporation Ltd (appointed May 2011); Director, APN Funds Management Ltd (appointed as a director from April 2007 and Chairman from May 2008 until May 2012); Director, Templeton Global Growth Fund (from July 2004 until May 2012).

Skills, experience and expertise Mr Harvey has had a 26 year professional career with PricewaterhouseCoopers, which included a tenure as Chief Executive Officer in Australia and membership of the global board of PricewaterhouseCoopers. During this time, he provided professional advisory and audit services to many multinational and Australian companies, including retailers. His qualifications and experience provide the financial expertise necessary to chair the Audit Committee.

Board committee membership Chairman of Audit Committee.

PHILIPPA STONE

BA LLB (Hons)

Resident of Sydney

Term of office Non-executive Director since 9 March 2010

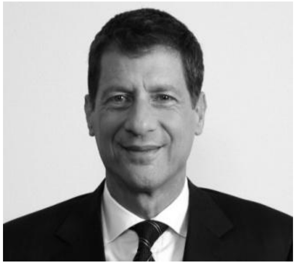
Independent Yes

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, Herbert Smith Freehills. She specialises in corporate governance, general corporate advice, equity capital markets and mergers and acquisitions. Ms Stone is recognised as a leading practitioner in her field of expertise not only by 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 the Law Council of Australia's Corporations Committee.

Board Committee membership Member of Audit Committee.

DIRECTORS' REPORT



STEVEN VAMOS

BEng Civil (Hons)

Resident of Sydney

Term of office Non-executive Director since 5 June 2012

Independent Yes

External Directorships Director, Telstra Corporation Limited (appointed September 2009); Director, Medibank Private Limited (appointed October 2011); Director, The Society for Knowledge Economics

Skills, experience and expertise Mr Vamos has over 30 years experience in the information technology, internet media and online advertising industry. He led Microsoft Australia and New Zealand from 2003 to 2007 before moving to the United States of America to lead the company's international online media business. Previously he was Chief Executive Officer of ninemsn and Vice President for Apple Computer Australia and Asia Pacific in the 1990's. He also held professional and executive roles at IBM Australia for 14 years. He is the founding President of the Society for Knowledge Economics, a not-for-profit think tank that encourages new and better practices in organisational leadership and management.

Board Committee membership Member of the Audit Committee and People and Remuneration Committee until 31 January 2013 and Chairman of the People and Remuneration Committee from 1 February 2013.

JANE HARVEY

BCom, MBA, FCA, FAICD

Resident of Melbourne

Term of office Non-executive Director since 3 October 2012

Independent Yes

External Directorships Director, Duet Finance Limited (appointed August 2013); Director, IOOF Holdings Limited (appointed October 2005); Director, Medibank Private Limited (appointed September 2007); Director, Colonial Foundation Trust (appointed July 2007); Director, Telecommunications Industry Ombudsman.

Skills, experience and expertise Ms Harvey is an experienced Non–executive director having previously been a Partner at PricewaterhouseCoopers until 2002. She has extensive business, finance and general management experience obtained through a range of line management and consulting roles across many industries and sectors. She is currently the Chair of the Audit Committee for IOOF Holdings Limited, Chair of the Audit and Risk Committee for Medibank Private Limited and Chair of the Audit Committee for the Department of Treasury and Finance Victoria.

Board committee membership Member of Audit Committee.

LEIGH CLAPHAM

GAICD

Resident of Sydney

Term of office Non-executive Director since 11 December 2012

Independent Yes

External Directorships None.

Skills, experience and expertise Mr Clapham has more than 40 years experience in advertising, marketing and financial services, and has worked throughout Europe, Asia and Australia. He has held key senior financial services roles for MasterCard Worldwide as Group Executive Australia and New Zealand, and most recently Group Executive Europe, where he played a significant role in the rollout of innovative new payment products including mobile and internet gateway. Mr Clapham's advertising and marketing experience includes senior executive roles at Expanded Media Holdings Pty Limited and Lintas Advertising. Mr Clapham brings extensive experience in financial services, payment systems, marketing and advertising to the Board.

Board committee membership Member of the People and Remuneration Committee.

MELINDA CONRAD

BA (Hons), MBA, FAICD

Resident of Sydney

Term of office Non-executive Director since

18 July 2013

Independent Yes

External Directorships Director, The Reject Shop Limited (appointed August 2011); Director, OzForex Group Limited (appointed September 2013); Director, The Australian Brandenburg Orchestra; Director, The Garvan Medical Research Institute Foundation; Director, the NSW Government Agency for Clinical Innovation; Director, the NSW Government Clinical Excellence Commission; Director, APN News & Media Limited (director from January 2012 until February 2013).

Skills, experience and expertise Ms Conrad has extensive experience in strategy and marketing in the retail, consumer goods, and healthcare sectors. She has previously held executive roles at Harvard Business School, Colgate-Palmolive, several retail businesses, and in strategy and marketing advisory.

Board committee membership Member of Audit Committee

The above Directors, with the exception of Jane Harvey (appointed on 3 October 2012), Leigh Clapham (appointed 11 December 2012) and Melinda Conrad (appointed on 18 July 2013), were in office for the entire financial year and up to the date of this Report.

The following Directors who were in office at the commencement of the financial year, retired during the financial year:

Stephen Goddard Executive Director (retired 31 October 2012)

Robert Savage Chairman and Independent Non-Executive Director (retired 31 December 2012)

DIRECTORS' REPORT

2. COMPANY SECRETARY

The Company Secretary is Susan Leppinus (B.Ec, LLB, GDip AppFin). Susan Leppinus was appointed to the position of Company Secretary and General Counsel on 10 July 2012. She has more than 19 years experience in the legal profession, including 8 years experience as Company Secretary and General Counsel for an ASX200 company.

3. PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity during the financial year consisted of department store and on-line retailing, and financial services through an alliance with American Express.

There were no significant changes in the nature of the activities of the Consolidated Entity during the financial year.

4. 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			
2012 Final dividend	7.0	37,006	5 November 2012
2013 Interim dividend	10.0	53,179	6 May 2013
Dividends declared after the year end			
2013 Final dividend	7.0	37,450	4 November 2013

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

DIRECTORS' REPORT

5. OPERATING AND FINANCIAL REVIEW

5.1 INTRODUCTION

The Board presents the *2013 Operating and Financial Review*, which has been designed to provide shareholders with an overview of the Company's 2013 financial year (FY2013) results, financial position, operations and business strategies. The review provides an update of progress made with the Company's Future Strategic Direction Plan, summarises key events that have occurred during FY2013 and identifies the material business risks faced by the Company. The Operating and Financial Review has been prepared to assist shareholders in making an informed assessment of the results and prospects of the Company. This review should be read in conjunction with the Company's Financial Report.

5.2 FY2013 RESULTS

The Consolidated Entity's profit result for FY2013 is summarised below:

Summary of Results for the 52 weeks ended 27 July 2013 and 28 July 2012

	2013 $000	2013 $000	**2013 $000**	2012 $000
	Reported Results	Impact of Dick Smith transaction[1]	**Earnings before impact of Dick Smith transaction[2]**	Reported Results
Revenue from sale of goods	**1,845,012**		**1,845,012**	1,867,817
Cost of sales	**(1,147,968)**	9,100	**(1,138,868)**	(1,167,987)
Gross profit	**697,044**	9,100	**706,144**	699,830
Cost of doing business	**(606,612)**		**(606,612)**	(594,835)
Department Stores – Earnings Before Interest and Tax	**90,432**	9,100	**99,532**	104,995
Financial Services – Earnings Before Interest and Tax	**49,466**		**49,466**	49,418
Total – Earnings Before Interest and Tax	**139,898**	9,100	**148,998**	154,413
Net interest expense	**(8,567)**		**(8,567)**	(10,591)
Profit before income tax expense	**131,331**	9,100	**140,431**	143,822
Income tax expense	**(36,147)**	(2,730)	**(38,877)**	(42,719)
Profit after income tax expense	**95,184**	6,370	**101,554**	101,103
Earnings per share for profit attributable to the equity holders of the parent entity:				
Basic earnings per share (cents per share)	**18.0**		**19.2**	19.4
Diluted earnings per share (cents per share)	**17.9**		**19.1**	19.4

Notes:

1. On 12 August 2013 the Company entered into an agreement with Dick Smith Electronics Pty Limited (Dick Smith) for Dick Smith to operate the Company's electronics business under a Retail Brand Management Agreement (RBMA) with effect from 1 October 2013. Under the terms of this agreement the Company will sell certain assets, including inventory, to Dick Smith. A provision of $9.1 million was made in the Financial Statements for the year ended 27 July 2013 to reflect the value at which Dick Smith will acquire this inventory. For the purpose of determining earnings before the impact of the Dick Smith transaction the financial effect of this provision has been excluded from reported earnings for FY2013.
2. Earnings shown represents the Consolidated Entity's reported profit after tax, adjusted for the financial impact of the Dick Smith transaction, refer note 1 above.

DIRECTORS' REPORT

5.2.1 Sales Revenue

Sales revenue for the year was $1.845 billion, down 1.2% on the prior year (FY2012: $1.868 billion) reflecting the challenging trading environment in the year. Sales revenue includes sales from the new Highpoint (Vic) store which opened on 14 March 2013. Excluding sales revenue from the new Highpoint store like for like sales revenue declined 1.8%.

5.2.2 Gross Profit

Gross profit of $697.0 million was impacted by a $9.1 million charge related to the write down of inventory as a result of the Dick Smith transaction. Gross profit (excluding the impact of the Dick Smith transaction) increased by $6.3 million to $706.1 million (FY2012: $699.8 million) despite a $22.8 million decline in sales. The gross profit percentage (excluding the impact of the Dick Smith transaction) of 38.3% is an 80 basis points (bps) improvement on the prior year (FY2012: 37.5%). The gross profit improvement reflects an ongoing focus on reducing the breadth and depth of discounting, and an improvement in inventory management.

5.2.3 Cost of Doing Business

Cost of Doing Business (CODB) is comprised of employee benefits expenses, lease and occupancy expenses, depreciation and amortisation, marketing expenses, administration and other expenses in relation to the Department Stores' segment.

CODB increased by $11.8 million to $606.6 million (FY2012: $594.8 million) and the CODB ratio to sales of 32.9% is a 110bps increase on the prior year. The increased CODB principally relates to higher employee costs, higher lease and occupancy costs and higher depreciation charges.

The increase in employee costs reflects increased investment in service, the provision for FY2013 incentive payments and an increase in wage rates in line with the Company's Enterprise Bargaining Agreement. The increase in lease and occupancy costs reflects the opening of the new Highpoint store and higher occupancy costs (e.g. utilities). The higher depreciation charge reflects the Company's significant investment in technology over the past two financial years.

5.2.4 Department Stores - EBIT

Earnings before Interest and Tax (EBIT) for Department Stores was $90.4 million. EBIT after excluding the impact of the Dick Smith transaction was $99.5 million (FY2012: $105.0 million).

5.2.5 Financial Services - EBIT

EBIT for Financial Services of $49.5 million (FY2012: $49.4 million) was slightly higher than the prior year. During the year the Company continued to invest in growth opportunities; including the launch of the David Jones American Express Platinum Card, the introduction of Qantas Frequent Flyer (QFF) points as a reward option on the David Jones American Express Platinum and Gold cards, and the introduction of QFF points and David Jones Gift Cards as rewards on the David Jones Storecard. In March 2012, the Company announced that the David Jones/American Express alliance converts to a share of actual profits in FY2014 and the Company expects its share of the EBIT generated by this business to be broadly half the EBIT contribution generated in FY2013.

5.2.6 Net Interest Expense

Net interest expense of $8.6 million is $2.0 million lower than prior year (FY2012: $10.6 million) reflecting strong cash flows and lower average interest rates.

5.2.7 Income Tax Expense

Income tax expense on profit excluding the impact of the Dick Smith transaction of $140.4 million represents an effective tax rate of 27.7%, (FY2012: 29.7%).

The lower rate is principally due to prior period adjustments for deductions claimed for environmental, research and development costs.

5.2.8 Profit After Tax

The Consolidated Entity's reported profit after tax was $95.2 million (FY2012: $101.1 million). After excluding the impact of the Dick Smith transaction the profit after tax was $101.6 million, an increase of $0.5 million on the prior year.

5.3 FINANCIAL POSITION

The Consolidated Entity's financial position is summarised below:

Summary of Financial Position as at 27 July 2013 and 28 July 2012

	Note	2013 $000	2012 $000
Net current assets	1	(17,589)	10,518
Property, plant, equipment and intangibles		880,017	861,409
Other liabilities (net)	2	(34,187)	(33,489)
Total funds employed		**828,241**	**838,438**
Net debt	3	(86,483)	(115,470)
Net tax balances	4	59,338	52,736
Net assets/Equity		**801,096**	**775,704**

Notes:

1. Net current assets includes trade and other receivables, inventories, assets held for sale and other assets, offset by payables, current provisions and other current liabilities.
2. Other liabilities (net) include non current financial and other assets, and non current provisions and other liabilities.
3. Net debt reflects the net borrowings position and includes cash, interest bearing loans (current and non current) and bank overdrafts.
4. Net tax balances relate to deferred tax assets and income tax payable.

5.3.1 Net Current Assets

Net current assets were well managed during the year with a net reduction of $28.1 million on the prior year. The value of inventory at 27 July 2013 of $251.5 million is $27.6 million (9.9%) lower than the prior year (FY2012: $279.1 million). Excluding the impact of the Dick Smith transaction inventory is $18.5 million (6.6%) lower than the prior year. The reduction in inventory was achieved despite the addition of Highpoint (Vic) and the new online store in FY2013.

5.3.2 Property, plant, equipment and intangibles

During the year property, plant, equipment and intangibles increased by $18.6 million to $880.0 million as at 27 July 2013. This increase reflects capital expenditure offset by depreciation and amortisation charges. Capital expenditure of $78.8 million (FY2012: $81.4 million) includes expenditure on new stores at Highpoint (Vic) and Malvern (Vic), refurbishment of existing stores including Elizabeth Street (NSW), Bondi Junction (NSW) and Canberra (ACT), as well as investment in technology projects including the new Point of Sale (POS) system and new webstore.

DIRECTORS' REPORT

The Company owns its flagship Sydney and Melbourne CBD stores. In 2012 Cushman & Wakefield concluded that the potential net worth of these properties was $612m. The Company continues to explore options to unlock the development value of these properties whilst still retaining ownership of the retail space.

5.3.3 Total Funds Employed

Total funds employed of $828.2 million (28 July 2012: $838.4 million) reflects the increase in fixed assets, offset by an improvement in working capital

5.3.4 Net Debt

Net debt as at 27 July 2013 was $86.5 million (28 July 2012: $115.5 million). The Consolidated Entity's gearing ratio (net debt to net debt plus equity) was 9.7% (28 July 2012: 13.0%). The Company had $406.3 million in debt facilities at 27 July 2013, of which $305.2 million were unused. These facilities reflect a mix of tenure and funding sources appropriate to the Company's requirements.

As detailed in note 32 to the Financial Statements, the Company uses interest rate swap contracts to reduce its exposure to floating interest rates on debt facilities. The level of debt that is hedged is governed by the Company's Treasury Policy. As at 27 July 2013 75% of the Consolidated Entity's interest bearing debt was hedged by interest rate swap contracts (28 July 2012: 53%).

5.3.5 Net Assets/Equity

The net asset position increased by $25.4 million during the year, primarily due to $17.7 million of equity raised through the Dividend Reinvestment Plan and an increase in retained earnings of $5.2 million.

5.3.6 Other Financial Exposures

There has been no material change to the Company's contingent liabilities which are detailed in note 25 to the Financial Statements.

The Company leases a total of 38 stores and two warehousing facilities. The operating leases have an average term of 12 years remaining before their expiry.

The Company has a relatively low exposure to movements in foreign currency exchange rates as most merchandise purchases are billed in Australian dollars. These risks are managed through forward foreign exchange contracts. At balance date the Company had hedged 97% of its forecast purchases of imported goods denominated in foreign currencies (28 July 2012: 97%).

5.4 CASH FLOWS

Summary of Cash Flows for the 52 weeks ended 27 July 2013

	2013 $000	2012 $000
Net cash flows from operating activities	180,036	196,737
Net cash flows used in investing activities	(78,752)	(81,373)
Dividends paid	(72,297)	(110,594)
Net decrease in net debt	28,987	4,770

Operating cash flows for the year were $180.0 million (FY2012: $196.7 million). The decrease in operating cash flows mainly reflects movements in working capital achieved in FY2012. Net cash flows used in investing activities reflect capital expenditure of $78.8 million (FY2012: $81.4 million).

Net cash flows used in financing activities include the return of $72.3 million (FY2012: $110.6 million) to shareholders through the payment of fully franked dividends.

Details of dividends paid during the year, and declared after the end of the financial year, are presented in section 4 of the Directors' Report and note 6 to the Financial Statements.

5.5 BUSINESS STRATEGIES AND RISKS

In March 2012 the Company announced to the ASX its Future Strategic Direction Plan and during FY2013 management has made significant progress in implementing the initiatives outlined in this Plan. In particular, over the past 12 months progress has been made by the Company in:

- addressing the structural changes faced by the retail sector;
- strengthening its core business;
- enhancing its store network; and
- building a sustainable Financial Services business

5.5.1 Addressing Retail Structural Changes

In response to the structural changes currently taking place in the retail sector, in particular online trading and the globalisation of retailing, the Company has invested resources in:

- transforming itself into an Omni Channel Retailer;
- addressing international price discrepancies through its Cost Price Harmonisation Program; and
- targeting new customers.

(a) Omni Channel Retailing

In FY2013, in order to support its transformation from a bricks and mortar retailer to an Omni Channel Retailer (OCR) the Company realigned its processes and people skill set and invested in infrastructure, both physical and technology. This included establishing a new fulfilment centre, a call centre, a production studio and implementing IT systems focused on the front end webstore, content management, inventory management and order management.

The new sales channels were launched in November 2012 and included a new online site with 90,000 stock keeping units, a new mobile enabled webstore and a new David Jones magazine for iPads with purchasing capability.

In August 2013, further functionality was released with an expansion of delivery options including Sydney same day, national express, as well as 'click and collect' and drop ship capability from suppliers, the ability to buy online from a gift list created instore and online site improvements such as the addition of shoppable videos, 'customer ratings and reviews', 'you may also like' recommendations and product zoom.

DIRECTORS' REPORT

(b) Cost Price Harmonisation

It has been important for the Company to address the difference in pricing of international brands in Australia as compared to overseas. Approximately 30% of the Company's sales are impacted by international cost price differentials. In FY2012 a detailed work program was commenced to address this issue. Price harmonisation negotiations have covered both existing and new brands and all brands signed up since March 2012 have been price harmonised before entering the business.

The Company identified approximately 250 existing brands that required price harmonisation. Discussions have commenced with all of these brands and, to date, 60% have harmonised their prices. Through these negotiations the Company has maintained its gross profit margin percentage.

The Company has publicly communicated the retail price reductions achieved through its price harmonisation exercise via advertisements in the national press and on its website.

(c) Targeting New Customers

The globalisation of retailing has changed the way people shop and broadened David Jones' potential reach. As a result the Company has implemented a number of initiatives to enable it to better understand and extend its customer base.

In May 2013 David Jones became the first Australian department store to accept UnionPay as a method of payment in its stores. UnionPay is the national Chinese debit and credit card with more than 3.5 billion cards on issue making it the largest card program in the world. The acceptance of UnionPay enables David Jones to tap into a lucrative new customer base, namely the 700,000 Chinese nationals that visit Australia annually or temporarily reside in Australia.

In FY2014 the Company will start accepting payment on its webstore in the form of points accrued on American Express issued cards. 'Pay with points' will also be rolled out through all David Jones stores enabling purchases to be made at any Point of Sale (POS) terminal through the redemption of points.

5.5.2 Strengthening the Core David Jones Business

To strengthen its core business the Company has invested significantly in the following key areas:

(a) Customer Service

Over the past 12 months the Company has continued its investment in service by increasing frontline staff hours relative to sales, including introducing the new service positions of Style Advisors and increasing the number of sales specialists in all stores. The introduction of Style Advisors has proved so successful, the Company is expected to double the number in FY2014.

During FY2013 the Company successfully rolled-out a new POS system across the store portfolio with enhanced features such as stock search capability.

The customer service initiatives implemented throughout the year have resulted in the Company's best ever "Mystery Shopping" survey results and an improvement in its compliments to complaints ratio.

(b) Increasing Foot Traffic, Conversion and Customer Engagement

The Company launched a number of initiatives in FY2013 which resulted in more than 100,000 incremental visitors to its Sydney CBD flagship store. These initiatives included the David Jones 175th Anniversary Exhibition, the Sydney Lego Brick Show, the Denim Seeks Soul Mate Campaign, the Bridal Expo in conjunction with Vogue, Mothers Day High Tea and the United States of Accessories campaign. These events generated foot traffic and increased David Jones' engagement with customers.

The Company completed a successful trial of traffic analytics technology at its new "Next Generation" Highpoint (Vic) store. This technology is now being rolled out across the Company's store network.

(c) New Brands

A key component of the Company's strategy is to ensure that its offering remains fresh and relevant to customers. Throughout the year approximately 140 new international and Australian brands were signed up including MNG, Carven, Stella McCartney, Simona, Martin Grant and Farage.

(d) Gross Profit Margins

In FY2013 the Company focused on improving its Gross Profit Margins. It has reduced the depth and breadth of its discounting to a sustainable level and focused on changing its category mix. Low productivity categories have been addressed, in particular Electronics, through a Retail Brand Management Agreement with Dick Smith, and good progress has been made in exiting Music, DVDs and Games.

The Company is focused on increasing sales from its private label brands and, during the year, rolled out private label products into a number of key categories.

(e) Cost of doing business

The Company continued to implement Cost of Doing Business efficiencies during FY2013 including rolling out energy saving initiatives, reducing third party labour spend and investing in technology to drive productivity efficiencies.

(f) Inventory Management

As part of the Company's focus on inventory management a number of initiatives have been introduced to reduce risk and improve working capital. The number of inventory intakes over the year has been increased and staggered to mitigate sell-through risk. This has improved the Company's working capital position and helped maintain a sense of newness and freshness in the merchandise offer.

The Company's aged inventory, after adjusting for the inventory being sold to Dick Smith, was in line with the Company's internal benchmark of 5% of total inventory.

(g) Technology

The Company's capital expenditure in FY2013 reflects a higher weighting to technology. Technology projects undertaken in FY2013 include the launch of the new David Jones webstore, roll-out of the new POS system, an automated consignment system as well as a number of "back of house" enhancements.

DIRECTORS' REPORT

5.5.3 Enhancing our Store Network

During the year the Company successfully opened its new Highpoint (Vic) store and its new Malvern Central (Vic) village format store in September 2013. The new David Jones Indooroopilly (Qld) and Macquarie Centre (NSW) stores are scheduled to open in May 2014 and FY2015 respectively.

The Highpoint (Vic) store incorporates the Company's "Next Generation Store" concepts. Based on the success of the Next Generation Store concept at Highpoint (Vic) the Company is planning to progressively roll out elements of this concept out across its store portfolio as part of its store upgrade program.

The Company is committed to ensuring its store portfolio remains contemporary and, as noted, the Elizabeth Street (NSW), Bondi Junction (NSW), and Canberra Centre (ACT) stores were refurbished in FY2013.

Over the next five years, six of the Company's store leases (in less robust demographies) will expire. These lease expiries provide the Company with the opportunity to review its store portfolio in light of its broader OCR strategy.

5.5.4 Building a Sustainable Financial Services Business

As previously reported by the Company, the minimum profit guarantee provided by American Express expired at the end of FY2013. From FY2014 the profit of the alliance will be allocated in accordance with the agreement between David Jones and American Express. In FY2013 EBIT from the Financial Services business was flat to the prior year as the Company invested to grow its card base with new initiatives such as the launch of the:

- David Jones American Express Platinum Card;
- QFF points reward option on the David Jones American Express Platinum and Gold cards; and
- new rewards program for the David Jones store card.

As a result of the above initiatives, the number of David Jones American Express Cards (Platinum and Gold) increased by 4.2% during the year. As at July 2013, the Company had approximately 390,000 active cards (both American Express and store cards).

As previously reported, due to the expiry of the minimum profit guarantee from American Express, the FY2014 EBIT from the Financial Services Business is expected to be broadly half of the FY2013 reported EBIT.

5.5.5 Business Risks

The Company is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, as well as government fiscal, monetary and regulatory policies. An increase in interest rates or a decrease in consumer and business demand may have an adverse impact on the Company's business or financial condition.

The Company has a distinctive positioning in the Australian market, with a loyal customer base, a strong service ethic, a profitable and well positioned store portfolio, the best national and international brands, and an experienced management team. It also has direct ownership of its flagship Sydney and Melbourne CBD stores, a strong balance sheet and robust cash flows.

Despite its strengths, the Company faces certain risks, some of which are beyond the Company's control, and which could have an adverse effect on the achievement of its medium and long term prospects. Set out below is an overview of the most significant risks faced by the Company. These risks are not presented in any particular order and the list is not an exhaustive list.

(a) **Market risk**: Overall macro-economic factors such as a decline in consumer confidence or an increase in household savings rates could adversely impact retail sales. The Company faces a structural change as a result of the internet and growth in online shopping. Online retailing has not only resulted in increased competition, it has also resulted in greater transparency of global pricing. The Company is also reducing the price of the international brands it stocks. There is a risk these price reductions will not be offset by higher volumes. The Company's strong market position and the strategic initiatives being implemented, are designed to mitigate these risks.

(b) **Reputation risk**: The Company relies on the strength of its reputation to retain and attract customers, suppliers, and employees, secure lines of credit and gain access to capital. Unethical business practices, negative media exposure and poor project outcomes, are all factors which can damage reputation. The Company uses a range of strategies to mitigate against this risk, including training its employees on its Code of Ethics and Conduct and operating an Ethics Hotline.

(c) **People risk**: If not managed effectively, the Company's ability to attract and retain key talent in its management and operational staff could have a negative effect on its reputation and performance. The Company seeks to mitigate this risk by offering market competitive remuneration, training and career development opportunities and being an engaging and supportive employer. The Company is also exposed to a health and safety risk concerning its people due to the number of locations and number of people visiting its stores. The Company has in place a "SafetyFirst" framework which its people must meet with respect to health and safety.

(d) **Technology risk**: Technology is becoming ever more important to the operations of the Company as it faces the structural changes to the retailing landscape. A failure to implement key technology initiatives could have an adverse impact on the Company's ability to achieve sales targets. The Company is also exposed to malicious attacks or unintentional security issues which could result in material data security breaches. The Company manages the implementation of new technology projects through detailed implemented plans which include risk mitigants.

(e) **Financial & information risk**: The Company can be exposed to financial and information risk if there is a failure to provide adequate, effective and timely financial information to inform decision making. To mitigate against these risks, the Company ensures that timely forecasting and financial reports are generated so that it has visibility of the financial performance of the Company.

(f) **Regulatory/compliance risk**: As an Australian retailer, the Company operates under a regulated environment, for example, in the areas of competition, consumer protection, and privacy. Any such regulatory breach could have a material negative impact on the Company's reputation or financial performance. The Company mitigates against this risk by ensuring that relevant employees undergo regular training in the areas of law impacting their roles.

DIRECTORS' REPORT

5.5.6 Future Outlook

The Company has in the past 18 months transformed itself from a 'bricks and mortar' retailer to an Omni Channel Retailer. Having successfully transformed itself into an Omni Channel Retailer, the Company has undertaken a 'refresh' of its Future Strategic Direction Plan with a focus on innovation to ensure David Jones remains a world class retailer. The next stage of the Company's Future Strategic Direction Plan will focus on customer-centricity.

While this investment will ensure the Company is well placed to capitalise on any strengthening in consumer sentiment as it occurs, the outlook over the next 12 months remains uncertain.

Management is focused on managing the parts of the business within its direct control, such as inventory, gross profit margins and costs. The Company will also remain focused on its Future Strategic Direction Plan. This will ensure that the Company is well-placed to capitalise on any strengthening in any consumer sentiment as it occurs.

The Company however expects that over the next 12 months, conditions will remain challenging with consumer sentiment continuing to be weak and competitive pressure continuing.

5.5.7 Likely developments, business strategies and future prospects

In the opinion of the Directors, disclosure of any further information about business strategies, future prospects, likely developments and expected results of operations would be likely to result in unreasonable prejudice to the Consolidated Entity.

DIRECTORS' REPORT

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

In the opinion of the Directors, other than as referred to in this Directors' Report, there were no significant changes in the state of affairs of the Consolidated Entity during the 52 week period ended 27 July 2013.

7. DIRECTORS' MEETINGS

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each Director during the 52 weeks ended 27 July 2013 is set out below:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS			
			AUDIT COMMITTEE MEETINGS		PEOPLE AND REMUNERATION COMMITTEE MEETINGS	
DIRECTOR	**Held[1]**	**Attended**	**Held[1]**	**Attended**	**Held[1]**	**Attended**
Peter Mason AM	8	8	2	2[2]	3	3
Paul Zahra[3]	8	8	-	-	-	-
John Harvey	8	8	4	4	-	-
Philippa Stone	8	8	4	4	-	-
Steven Vamos	8	8	3	3[4]	3	3
Jane Harvey	7	7	3	3	-	-
Leigh Clapham	5	5	-	-	2	2
Melinda Conrad	1	1	-	-	-	-
Robert Savage AM	3	3	1	1[2]	1	1
Stephen Goddard[3]	2	2	-	-	-	-

1 Number of meetings reflects total meetings held during the time the Director held office or was a member of a committee during the year

2 Attended on an ex-officio basis

3 Executive Directors are not members of Board Committees but attended Committee meetings as required

4 Steven Vamos attended one meeting on an ex-officio basis

DIRECTORS' REPORT

8. DIRECTORS' INTERESTS

The relevant interest of each Director in the Company or any of its related bodies corporate, as notified by the Directors to the ASX in accordance with section 205G(l) of the *Corporations Act 2001* (Cth), at the date of this Report is as follows:

DIRECTOR	ORDINARY SHARES IN THE COMPANY	LTI PLAN RIGHTS[1]
Peter Mason AM	141,114	-
Paul Zahra	1,274,676	300,000
John Harvey	51,062	-
Philippa Stone	29,754	-
Steven Vamos	-	-
Jane Harvey	-	-
Leigh Clapham	-	-
Melinda Conrad	-	-

[1] In accordance with the FY2013–FY2015 Executive Long Term Incentive Plan rules, the number of ordinary shares which may be issued is dependent on Company performance and can range from zero up to 100% of the rights allocated. A maximum of 300,000 rights for Paul Zahra will vest in 2016 if performance hurdles are met.

No rights or options over shares in the Company or a related body corporate are held by any of the Non-executive Directors. Details of all rights over shares in the Company are set out in note 29 to the Financial Statements.

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

During the 52 weeks ended 27 July 2013, 1,526,680 rights under the FY2009–FY2012 Executive Retention Plan converted to 1,526,680 fully paid ordinary shares of the Company. No money was received by the Company on the conversion of these rights to ordinary shares. These shares carry the same rights and entitlements as other fully paid ordinary shares from the date of allocation.

10. EVENTS SUBSEQUENT TO REPORTING DATE

10.1 Dick Smith Electronics Transaction

On 12 August 2013 the Company entered into the following agreements with Dick Smith Electronics Pty Limited ('Dick Smith') and Dick Smith Holdings Pty Limited:

(a) Sale Agreement whereby Dick Smith will purchase items of inventory and fixed assets , and assume responsibility for extended warranty claims and employee entitlement provisions for those employees transferring to Dick Smith.

(b) Retail Brand Management Agreement that grants Dick Smith the right to sell electronic products and services to David Jones retail customers.

As a consequence of the Sale Agreement, the Company has recognised a reduction in the value of inventory of $9.1 million in the year ended 27 July 2013. This has resulted in a reduction in Profit before Tax of $9.1 million from $140.4 million to $131.3 million for the year.

The net consideration payable for the assets and liabilities that will be transferred to Dick Smith under the Sale Agreement is approximately $15 million and will be paid to the Company in the year ending 26 July 2014.

10.2 Dividends

On 24 September 2013, the Directors declared a final dividend of 7.0 cents per ordinary share, fully franked at the tax rate of 30%. The final dividend is payable on 4 November 2013.

11. REMUNERATION REPORT

The Remuneration Report forms part of the Directors' Report and has been audited as required by section 308(3C) of the Corporations Act.

12. INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

12.1 Indemnification of Directors

The Company has indemnified each Director referred to in 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 where 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 where indemnification is otherwise not permitted under the Corporations Act.

12.2 Insurance premiums

The Company has paid insurance premiums for one year of cover in respect of Directors' and Officers' liability insurance, 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.

DIRECTORS' REPORT

13. ENVIRONMENTAL REGULATION

The Consolidated Entity takes a responsible approach in relation to the management of environmental matters.

The Consolidated Entity is subject to and has complied with the reporting and compliance requirements of the *National Greenhouse and Energy Reporting Act 2007* (Cth) (NGER Act). No environmental breaches have been notified to the Consolidated Entity by any government agency.

The NGER Act requires the Consolidated Entity to report its annual greenhouse gas emissions and energy use. The Consolidated Entity has implemented systems and processes for the collection and calculation of the data required, and will submit its annual report to the Greenhouse and Energy Data Officer in compliance with the requirements of the NGER Act.

14. AUDIT SERVICES

14.1 Auditor's independence declaration

The auditor's independence declaration to the Directors of the Consolidated Entity in relation to the auditor's compliance with the independence requirements of the *Corporations Act 2001* (Cth) and the professional code of conduct for external auditors, forms part of the Directors' Report.

No person who was an Officer of the Consolidated Entity 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.

14.2 Audit and Non-audit services provided by the external auditor

During the 52 weeks ended 27 July 2013, the following fees were paid or were due and payable for services provided by the external auditor, Ernst & Young, of the Consolidated Entity:

	CONSOLIDATED	
	2013	2012
	$	$
Audit and review of the Financial Statements	**495,500**	505,000
Other assurance related services	**88,200**	55,500
Taxation services	**81,368**	-
Total auditor's remuneration	**665,068**	560,500

In addition to their statutory audit duties, Ernst & Young provided taxation and other assurance related services to the Company.

The Board has a review process in relation to non-audit services provided by the external auditor. The Board considered the non-audit services provided by Ernst & Young and, in accordance with written advice provided, and endorsed, by a resolution of the Audit Committee, is satisfied that the provision of these non-audit services by the auditor is compatible with, and does not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services are subject to the corporate governance procedures adopted by the Company and are reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and

- non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they do not involve reviewing or auditing the auditor's own work, aiding in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards with the Company.

15. 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 2001* (Cth).

16. 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 27 July 2013, 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:

Peter Mason

Chairman

Sydney, 25 September 2013

Paul Zahra

Chief Executive Officer and Managing Director

DIRECTORS' REPORT: REMUNERATION REPORT

Dear Shareholder

We are pleased to present the David Jones Remuneration Report for the financial year ended 27 July 2013. This report provides the detailed outcomes of director and executive remuneration for FY2013.

In FY2013 a number of changes were made to the Short Term Incentive (STI) and Long Term Incentive (LTI) arrangements for executives. The key changes introduced in FY2013 were as follows:

- a revised Short Term Incentive (STI) program with performance measures linked to the achievement of an executive's contribution to the financial targets and to the achievement of the Company's strategic and other non-financial objectives;
- the deferral of the above budget component of an executive's STI for a period of one year;
- extension of a capped, or maximum, STI opportunity to all executives;
- the introduction of a three-year rolling LTI plan with both a total shareholder return (TSR) and an earnings per share (EPS) performance measure; and
- limitation of LTI arrangements to the Chief Executive Officer and Managing Director and members of the Executive Committee with the offer of a total of 1,100,000 rights confirmed following the Annual General Meeting held on 23 November 2012.

In addressing STI payments for executives the Board takes into account a balance of:

- financial measures;
- non-financial measures including progress made in the transformation of the Company as envisaged in the Future Directions Strategic Plan announced last year; and
- the importance of motivating and retaining employees in a challenging retail environment.

During FY2013, substantial developments were achieved in the omni-channel strategy, and the Retail Brand Management Agreement with Dick Smith was executed.

Considering market and business conditions for 2014 the directors have:

- implemented a 17% reduction in the base fees for each of the non-executive directors, the Chairman and the Chairman of the Audit Committee; and
- not increased fixed remuneration for members of the executive management team.

To ensure a continued alignment of executive reward with our strategy and with prevailing market practice the following changes are proposed for the FY2014 STI plan:

- introduction of a customer experience measure based on the net promoter methodology for all members of the executive management team; and
- increased STI deferral; with 25% of an executive's annual incentive outcome to be deferred for 12 months.

Allocations made under the Company's LTI plan will remain limited to the executive management team and have substantially the same terms as the FY2013-2015 plan. The performance measures proposed for the FY2014-2016 executive LTI plan are unchanged, namely relative TSR and EPS, weighted at 50% each.

To assist with the reading of this report, a glossary of key terms used is provided in appendix two.

Steven Vamos

STEVEN VAMOS
Chairman People and Remuneration Committee

Peter Mason

PETER MASON
Chairman

DIRECTORS' REPORT: REMUNERATION REPORT

CONTENTS

DIRECTORS' REPORT: REMUNERATION REPORT

1. COMPANY APPROACH TO EXECUTIVE REMUNERATION

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, Executive Directors and senior management of the Company. Generally in this report the term "executive" is used to refer to the KMP other than the Non-executive Directors.

1.1 Remuneration philosophy

The David Jones remuneration philosophy is integral to embedding a results orientated culture and is designed to ensure the Company remunerates employees in a way that recognises and rewards performance that is aligned to the interests of shareholders. The key components of David Jones' approach to performance and remuneration are set out below:

- 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 the Company and its shareholders; and

- providing remuneration that is market competitive to enable the attraction, motivation and retention of high performing employees.

David Jones competencies describe the skills, capabilities and behaviours required of employees in order to achieve their outcomes. These competencies have been incorporated into all performance-based programs and link recognition, reward and remuneration. 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; Think Safe, Act Safe, Be Safe; and the Face of David Jones;

- management competencies – apply to line managers in addition to the universal competencies and include Results through Others; Business Savvy; Cost Consciousness; and Shape our Future; and

- executive competencies – apply to executives in addition to the universal and management competencies and includes aspects such as strategic planning and complex thinking.

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.

1.2 Remuneration governance

The Board is ultimately responsible for determining the structure and quantum of remuneration for the executives of the Company. To assist the Board, the People and Remuneration Committee (PRC) is responsible for preparing remuneration recommendations for Board approval.

The PRC has previously engaged PricewaterhouseCoopers (PwC) as its remuneration advisor. Although the services of PwC were not used in FY2013, the following section outlines how the PRC, its remuneration advisor and the management team interact on executive remuneration matters.

Information provided by PwC in FY2012 was used by the PRC in determining the remuneration arrangements of the executives for FY2013. PwC did not provide any remuneration recommendations to the PRC and as such are not considered to be a Remuneration Consultant as defined in the Corporations Act 2001 (Cth). PwC have been engaged in FY2014 to provide benchmarking services relating to executive and director remuneration.

Any reports prepared by PwC that relate to executive remuneration are issued directly to the Chairman of the PRC for consideration and, where appropriate, distributed to the Group Executive Human Resources Services for management consideration and input.

The Chief Executive Officer and Managing Director, Chief Financial Officer (CFO) and Group Executive Human Resources Services are regularly invited to attend PRC meetings to provide financial and other information to assist the PRC in making the most appropriate decisions for the Company.

DIRECTORS' REPORT: REMUNERATION REPORT

Matters considered by the PRC and management of the Company include:

- ensuring alignment between the remuneration arrangements for KMP roles and other senior management;
- appropriate cascading of performance measures between KMP and non-KMP roles;
- the succession of talent from non-KMP to KMP roles; and
- provision of remuneration data to the PRC to enable assessment of remuneration arrangements of the KMP against the market information provided by PwC.

1.3 Executive remuneration structure

The Company's remuneration structure for the executives has three key components:

- Fixed Remuneration (FR);
- Short Term Incentives (STI); and
- Long Term Incentives (LTI).

1.3.1 Balance of remuneration components

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 long term shareholder value creation.

1.3.2 Fixed Remuneration

David Jones' policy in relation to remuneration 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 base salary, superannuation guarantee contributions and other benefits provided through salary sacrificing arrangements. Fixed Remuneration is benchmarked against the market considering factors such as individual performance, position accountabilities, qualifications and experience.

An annual appraisal process is undertaken on the individual performance of all executives. Any adjustment to Fixed Remuneration is based on market related data and takes account of the executive's individual performance. Individual performance is assessed against both David Jones' competencies and Key Result Areas (KRAs) relevant to the executive's annual objectives.

The result of the executive's individual appraisal is linked to the annual remuneration review and impacts what, if any, increase will be received. No increases are guaranteed.

1.3.3 Short Term Incentives

The STI is a performance-based incentive arrangement designed to link specific annual targets (predominantly financial) with the opportunity to earn cash-based incentives based on a percentage of Fixed Remuneration.

The objectives of the STI are to:

- reinforce and embed the "pay for performance" philosophy underpinning the remuneration philosophy;
- motivate employees towards the achievement of the Company's results;
- reward results and behaviours consistent with the Company's objectives and values; and
- reinforce individual accountability for achieving financial targets.

To ensure continuous improvement, the STI performance measures are reviewed and communicated annually. At the beginning of the financial year the PRC recommends to the Board the performance targets and measures that will apply to executives for that year.

DIRECTORS' REPORT: REMUNERATION REPORT

At the end of the financial year, there is a formal evaluation process to determine the level of achievement against the Company and individual performance measures and resultant STI payment for each executive. The process is set out below:

- management completes draft STI calculations based on the preliminary financial statements which have been subject to an independent review;
- the PRC reviews the calculations and validates the achievement of each measure;
- the PRC recommends the STI to be paid to each executive to the Board for approval; and
- the Board reviews the PRC recommendations and approves STI payments as appropriate.

Specific information relating to the STI outcomes for executives relating to FY2013 is detailed on page nine of this report.

1.3.4 Long Term Incentives

David Jones provide long term performance based incentives to its executives through a LTI designed to link employee reward to performance measures that drive sustainable growth in shareholder value.

The objectives of the LTI are to:

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

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

All LTI rights are nil exercise price rights and no consideration is paid by the executive when they vest. One right is equal to a maximum of one share. Participants are prohibited from entering into transactions in financial products that operate to limit the economic risk of unvested rights including any hedging or similar arrangement.

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

Vesting of any rights granted under the LTI are linked to the achievement of Company based performance measures. The performance measures are chosen by reference to a number of factors at the time that the rights are granted including, for example, the Company's future objectives and prevailing market practice. The PRC receives feedback from its remuneration advisor relating to the type of performance measures used for each equity grant.

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 if there is a significant event that was not foreseen in the Company's business plan for the period.

The following process is followed to assess the performance of the Company and determine whether any rights have vested and will convert to shares:

- management prepares the calculation of the Company's performance against the measures set by the PRC. These calculations are based on the draft financial statements;
- Ernst & Young as auditor performs procedures over the vesting calculations as part of the audit of this report;
- results of the Ernst & Young procedures are presented to the PRC for consideration and endorsement as appropriate;
- PRC presents final vesting details to the Board for approval; and
- Board approved share allocations are registered to the participant.

The Company's Share Trading Policy sets out the basis on which Directors and executives may deal with their shares and any LTI rights. For the executives the approval of the PRC is required to access and deal with any shares.

DIRECTORS' REPORT: REMUNERATION REPORT

2. DIRECTORS AND EXECUTIVES COVERED BY THIS REPORT

The persons set out in the table below were KMP of the Company at any time during the financial year.

In terms of the executive management, the Board determined that members of the Executive Committee meet the definition of the KMP of the Company. During the reporting period there were a number of changes to the KMP. These are outlined below. Details of the remuneration arrangements of the KMP can be found in sections eight and nine of this report.

Name	Title	Period of Responsibility
Executive Directors		
Paul Zahra	Chief Executive Officer and Managing Director	29 July 2012 – 27 July 2013
Retirements		
Stephen Goddard	Executive Director	29 July 2012 – 31 October 2012
Executives		
Brad Soller	Chief Financial Officer	29 July 2012 – 27 July 2013
Cate Daniels	Group Executive - Operations	29 July 2012 – 27 July 2013
Donna Player	Group Executive - Merchandise	29 July 2012 – 27 July 2013
Sacha Laing	Group Executive - Marketing and Financial Services	29 July 2012 – 27 July 2013
Antony Karp	Group Executive - Retail Services[1]	29 July 2012 – 27 July 2013
Paula Bauchinger	Group Executive - Human Resources Services	29 July 2012 – 27 July 2013
David Robinson	Executive - Omni Channel Strategy and Integration	29 July 2012 – 27 July 2013
Matthew Durbin	Executive - Strategic Planning	29 July 2012 – 27 July 2013
Non-executive Directors		
Peter Mason AM	Deputy Chairman and Independent Non-executive Director	29 July 2012 – 31 December 2012
	Chairman and Independent Non-executive Director	1 January 2013 – 27 July 2013
John Harvey	Independent Non-executive Director	29 July 2012 – 27 July 2013
Philippa Stone	Independent Non-executive Director	29 July 2012 – 27 July 2013
Steven Vamos	Independent Non-executive Director	29 July 2012 – 27 July 2013
Appointments:		
Jane Harvey	Independent Non-executive Director	10 October 2012 – 27 July 2013
Leigh Clapham	Independent Non-executive Director	11 December 2012 – 27 July 2013
Melinda Conrad	Independent Non-executive Director	18 July 2013 – 27 July 2013
Retirements:		
Robert Savage AM	Chairman and Independent Non-executive Director	29 July 2012 – 31 December 2012

[1] The role of Group Executive – Retail Services has accountability for both Information Technology and Retail Development.

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

DIRECTORS' REPORT: REMUNERATION REPORT

3. SUMMARY OF EXECUTIVE REMUNERATION OUTCOMES FOR FY2013

As outlined in section 1.3, executive remuneration has three key components: Fixed Remuneration, STI and LTI. The following table sets out the executive remuneration mix for the achievement of target performance during FY2013:

		% OF TOTAL REMUNERATION		
	Position	Fixed Remuneration	STI	LTI
Executive Director	Chief Executive Officer and Managing Director	47	34	19
Executives	Chief Financial Officer	55	28	17
	Executive Commitee[1]	50 - 59	24 - 39	10 - 17

Notes:

[1] Excludes the Chief Executive Officer and Managing Director and Chief Financial Officer.

The table set out below provides a summary of the remuneration earned by each executive in FY2013 relating to the performance of the Company and the individual in that year. The table includes only those executives who were employed by the Company in FY2013. This table has been included to provide clarity to shareholders regarding the total remuneration earned by each executive in FY2013. The summary table also includes comparative figures for FY2012. Section eight contains the remuneration tables which are prepared in accordance with statutory obligations and applicable accounting standards.

The figures in the summary earnings table below are different from those stated in the remuneration tables in section eight of this report. The main reason for the difference between the statutory tables and summary table is set out below:

- Fixed Remuneration in the table below represents the annual remuneration received by an executive inclusive of Superannuation Guarantee Contributions and any amounts salary sacrificed by the executive (for example additional superannuation, car parking and cars). Effectively, this is the salary paid to the executive in the year. The values in the statutory tables vary due to the accounting treatment of annual and long-service leave accrued during the financial year.

- In the statutory tables, LTI is valued in accordance with AASB 2 Accounting for Share Based Payments, whereas the table below provides information on the value of any remuneration to the executive received relating to the relevant performance year.

- As no LTI vested to executives for FY2013 performance, the value in the summary table is nil. The FY2012 LTI amounts represent the value of shares allocated to an executive as a result of the performance of the Company in FY2012 and any service conditions being met.

DIRECTORS' REPORT: REMUNERATION REPORT

Summary of executive earnings for FY2013 and FY2012

Name and role	Financial year	Fixed Remuneration[1] ($)	STI[2] ($)	LTI[3] ($)	Other[4] ($)	Total earnings ($)
Paul Zahra	FY2013	1,500,000	956,250	-	13,991	2,470,241
CEO and Managing Director	FY2012	1,350,000	-	924,188	14,485	2,288,673
Brad Soller	FY2013	900,000	405,000	-	987	1,305,987
Chief Financial Officer	FY2012	300,000	-	-	118	300,118
Cate Daniels	FY2013	700,000	212,625	-	987	913,612
GE - Operations	FY2012	550,000	-	519,750	851	1,070,601
Donna Player	FY2013	700,000	204,750	-	338	905,088
GE - Merchandise	FY2012	58,333	-	-	50	58,383
Sacha Laing	FY2013	600,000	162,000	-	518	762,518
GE - Marketing and Financial Services	FY2012	500,000	-	357,329	600	857,929
Antony Karp	FY2013	762,200	533,691	-	987	1,296,878
GE - Retail Services	FY2012	762,200	100,000	274,500	1,050	1,137,750
Paula Bauchinger	FY2013	500,000	180,000	-	705	680,705
GE - HR Services	FY2012	462,500	-	93,330	750	556,580
David Robinson	FY2013	500,000	180,000	-	338	680,338
Executive Omni Channel Strategy and Integration	FY2012	400,000	96,000	68,625	360	564,985
Matthew Durbin	FY2013	500,000	202,500	-	366	702,866
Executive Strategic Planning	FY2012	475,000	45,283	354,121	390	874,794
Resignations						
Stephen Goddard	FY2013	273,025	-	-	4,284	277,309
Executive Director	FY2012	1,092,100	-	171,563	15,785	1,279,448

[1] Fixed Remuneration represents the annual pay for the executive inclusive of the Superannuation Guarantee Contributions. Figures for FY2012 for Brad Soller and Donna Player represent the Fixed Remuneration for the period of employment in that year.

[2] STI represents the amount received by the executive relating to the performance of the Company and executive during the financial year. In accordance with the Company STI policy, Brad Soller and Donna Player were not eligible for an STI in FY2012. The incentive payment for Antony Karp included an incentive payment of $250,000 related to the successful implementation of the new David Jones online store and Point of Sale system.

[3] LTI represents the value of shares received by the executive relating to the performance of the company in the relevant financial year. As no LTI vested to the executive based on Company performance in FY2013 the value is nil. FY2012 LTI is represented by the number of shares granted to the executive in September 2012 as a result of FY2012 Company performance and the relevant service conditions being met, valued using the weighted average share price at the date of vesting. Appendix one provides details of the number of rights that vested and converted into shares for each executive.

[4] Other represents other benefits provided to the executive not included in Fixed Remuneration. For example, the Company salary continuance insurance policy.

DIRECTORS' REPORT: REMUNERATION REPORT

4. FY2013 SHORT TERM INCENTIVES

4.1 Overview

The executive's STI reward quantum was determined by reference to a percentage of their Fixed Remuneration which was based on their position, accountability, performance and external market data. The incentive opportunity and incentive outcome for each executive in FY2013 is set out below:

Executive	Role	Target incentive opportunity % of Fixed Remuneration	Maximum Incentive opportunity % of Fixed Remuneration	Incentive outcome for FY2013 % of target incentive achieved / (forfeited)	Incentive outcome for FY2013 % of Fixed Remuneration achieved
Paul Zahra	Chief Executive Officer and Managing Director	75%	125%	85% / (15%)	64%
Brad Soller	Chief Financial Officer	50%	125%	90% / (10%)	45%
Cate Daniels	Group Executive – Operations	45%	100%	68% / (32%)	30%
Donna Player	Group Executive – Merchandise	45%	100%	65% / (35%)	29%
Sacha Laing	Group Executive – Marketing & Financial Services	45%	100%	60% / (40%)	27%
Antony Karp[1]	Group Executive – Retail Services	78%	133%	90% / (10%)	70%
Paula Bauchinger	Group Executive – Human Resources Services	40%	100%	90% / (10%)	36%
David Robinson	Executive Omni-Channel Strategy & Integration	40%	100%	90% / (10%)	36%
Matthew Durbin	Executive – Strategic Planning	45%	100%	90% / (10%)	41%

Notes

[1] The incentive opportunity and maximum incentive for Antony Karp included an incentive of $250,000 that related to the successful implementation of the new David Jones online store and Point of Sale system. Antony Karp's target incentive opportunity without including the project based incentive is 45%.

Stephen Goddard has been excluded from the above table on the basis that he was not eligible for an incentive in FY2013.

At the commencement of the financial year eligible employees were advised of their potential STI reward and the financial and non-financial measures needed to achieve an FY2013 STI payment.

Each executive had a balance of financial, strategic and other measures appropriate for their role in the Company.

At the end of the financial year the PRC completed an assessment of each executive's performance against the measures for their role. Financial performance outcomes were based on the audited financial statements.

Once approved by the Board any cash based STI payments will be made and any performance rights are granted in October 2013. For the FY2013 STI the Board approved the STI payments on 24 September 2013.

Executives are required to defer any above target incentive outcome in the form of rights over ordinary shares in the Company for a period of 12 months. As no executive received an above target STI outcome in FY2013 no performance rights were earned by executives under the FY2013 STI plan. From FY2014, executives will be required to defer 25% of any STI outcome, regardless of the level of performance achieved, with deferral of any STI being for a period of 12 months to September 2015.

DIRECTORS' REPORT: REMUNERATION REPORT

4.2 Performance measures and outcomes for FY2013

At the beginning of the financial year the PRC recommended to the Board the performance targets and measures that applied to executives for the year. The measures selected by the PRC reflect a balance of the Company's strategic priorities and financial performance. For FY2013 a performance measure related to the online business was implemented on the basis that it was, and continues to be a significant part of the Company's strategy.

The measures selected for each executive were determined by reference to the specific objectives of the executive's role during FY2013. Company financial measures were allocated to all executives to ensure an alignment between executive reward outcomes and Company performance. The weighting towards financial measures varied by executive and is dependant on their relative influence over the Company's financial performance and other strategic priorities of the role in FY2013.

The table below sets out the measures selected by the PRC for the FY2013 STI plan. The incentive outcome achieved by each executive in FY2013 expressed as a proportion of target opportunity is detailed in the table in section 4.1.

FY2013 measures

Category	Types of measure	Weighting as a % of total STI
Company Financial measures	Company financial measures have been chosen to ensure an alignment between the remuneration outcomes of an executive and overall company performance. Measures included profit after tax, store net profit, buying gross profit, sales (Company and online) and earnings from the financial services business.	30% - 90%
Other financial measures	Other financial measures include measures more specific to each business unit and the executive's role and focus on working capital, productivity and cost. These measures included inventory management, capital expenditure, cost of doing business and share of tender.	5% to 30%
Strategic priorities	Measures in this category were specifically aligned to the execution of the Company's Future Direction Strategic plan and focus on the executive's area of accountability. Measures included customer service, program implementation and people management.	10% to 56%

DIRECTORS' REPORT: REMUNERATION REPORT

5. FY2013 -2015 EXECUTIVE LONG TERM INCENTIVE PLAN

5.1 Overview

In FY2012 the Company reviewed the Total Remuneration arrangements for the executives to identify areas for improvement for FY2013 and beyond and to ensure that the Company maintains a market competitive approach to its remuneration arrangements that continue to support the achievement of the Company's strategic goals. The FY2009 – FY2012 Executive Retention Plan came to an end in FY2012 with the final tranche having vested at the end of FY2012.

The objective of the design of the FY2013 incentive plans has been to balance a number of diverse business and stakeholder objectives including:

- long-term and sustainable value creation for shareholders;
- attraction and retention of key talent through incentive plans that continue to motivate executives to achieve both financial and non-financial strategic goals; and
- alignment with external perspectives including prevailing market practice and draft legislation.

The Company introduced the Executive Long Term Incentive Plan (ELTIP) for the following reasons:

- the prior plan, the ERP finished in FY2012 and there was no LTI in which the executives participate beyond FY2012;
- the Company's remuneration philosophy and prevailing market practice is for the Chief Executive Officer and Managing Director and other executives to have a balanced Total Remuneration comprising of Fixed Remuneration, STI and LTI;
- the continued alignment of the reward outcomes of executives with the long-term performance of the Company and returns to shareholders; and
- the attraction and retention of executives by providing a market competitive Total Remuneration package.

The first grant of performance rights to executives under the terms of the ELTIP was confirmed following the Company's Annual General Meeting on 23 November 2012. The Company performance required for these rights to vest will be assessed at the end of the three year performance period ended FY2015.

It is intended that the next grant of rights to executives under the terms of the ELTIP will be made following the Company's Annual General Meeting on 22 November 2013. These rights will vest to the executive subject to the performance of the Company over the three year performance period commencing FY2014 and ending FY2016.

DIRECTORS' REPORT: REMUNERATION REPORT

5.2 Key Terms of the ELTIP

The following table provides a summary of the key terms of the FY2013 – FY2015 ELTIP granted to the executives following the Annual General Meeting on 23 November 2012:

Key terms	Comments
Performance period	- FY2013 to FY2015 (three financial years). - The Company considers a three year performance period is a reasonable period over which to measure shareholder returns and is in line with general market practice.
Equity granted	- Performance rights converting to shares on a one-for-one basis upon vesting on 30 September 2015 following confirmation of the FY2015 annual results. - No consideration is payable by the executive for the right or any shares acquired as a result of exercising the right.
Performance measures	- Relative Total Shareholder Returns (TSR) and compound Earning Per Share (EPS) growth over the performance period. - There is no re-test facility.
Performance weighting	- 50% of total allocation of rights weighted to TSR. - 50% of total allocation of rights weighted to compound EPS.
Vesting and allocation dates	- Rights will vest following the determination of the Company's performance against the performance measures based on the FY2015 Financial Statements. Vesting calculations will be reviewed independently. - Any vested rights will convert to shares in September 2015.

TSR performance schedule	- Company performance will be measured against a peer group of ASX listed companies in the consumer discretionary sector:
	  - 50% of TSR rights vest if the Company achieves 51st percentile performance.
	  - 100% of TSR rights vest if the company achieves 75th percentile performance.
	  - Pro-rata vesting between the 51st and 75th percentiles.

EPS performance schedule	- The vesting of EPS rights will be based on the achievement of compound annual growth of EPS above the FY2012 base year:
	  - 50% of EPS rights vest if 5% compound EPS growth achieved.
	  - 100% of EPS rights vest if 10% compound EPS growth achieved.
	  - Pro-rata vesting between 5% and 10% compound growth.

Service condition	- Participants must be employed on the date that the rights convert to shares (September 2015). - In redundancy situations the number of rights that could vest will be pro-rated from the commencement of the performance period to the date of redundancy. Any incentive outcome will remain subject to the achievement of the performance measures as assessed at the end of FY2015.
Change of control	- In the event of a change of control Company performance will be assessed from the commencement of the performance period to the date of the change of control. - The number of rights that could vest will be pro-rated from the commencement of the performance period to the date of the change of control.

DIRECTORS' REPORT: REMUNERATION REPORT

5.3 Performance measures

For performance rights issued in FY2013 under the FY2013 – FY2015 ELTIP the performance measures adopted by the Board were relative TSR and compound growth in EPS.

An even allocation weighting between TSR and EPS was selected to ensure that there was a balance between an external, market based performance measure (relative TSR) and an internal measure taking into account both absolute increases in earnings and capital management (EPS).

Total Shareholder Returns (TSR)

Relative TSR is one of the most common performance measures used by ASX listed companies and was selected on the basis it is the most appropriate measure of the total returns to shareholders over the performance period. The performance of the Company will be assessed against a peer group of ASX consumer discretionary companies that are considered to be appropriate comparators.

The peer group for the performance rights issued under the FY2013 ELTIP is tabled below. Under the plan rules governing the ELTIP the Board has the discretion to amend the peer group to take into account changes in the circumstances of the constituents, for example removal from the ASX. No amendments were made to the peer group in FY2013.

The TSR peer group for grants made under the FY2013- FY2015 ELTIP:

Retail comparators		Other consumer discretionary comparators
Australian Pharmaceutical Industries Limited	Metcash Limited	APN News & Media Limited
Harvey Norman Holdings Limited	Premier Investments Limited	Fairfax Media Limited
JB Hi-Fi Limited	Wesfarmers Limited	Seven West Media Limited
Kathmandu Holdings Limited	Woolworths Limited	Southern Cross Media Group Limited
Myer Holdings Limited	Billabong International Limited	Ten Network Holdings Limited
Nick Scali Limited	G.U.D Holdings Limited	Treasury Wine Estates Limited
OrotonGroup Limited	Super Retail Group Limited	Flight Centre Limited
Pacific Brands Limited		Coca-Cola Amatil Limited
The Reject Shop Limited		

The share prices used for the purpose of the TSR calculation are the average daily closing prices 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 three year performance period ending on the last day of FY2015.

Earnings Per Share (EPS)

Under the ERP plan that finished in FY2012, the second performance hurdle was PAT. Following a review of both the STI and LTI arrangements in the Company the PRC determined that a profit based measure, such as PAT, should be used to assess performance over the short term, with the LTI plan containing measures that also consider the allocation of capital. As a result, PAT has been retained for the FY2013 STI plan only.

For the FY2013 – FY2015 ELTIP, the PRC considered that EPS was a more appropriate performance measure than PAT for the Chief Executive Officer and Managing Director and members of the Executive Committee as they have an influence over both the long term growth in earnings and capital management.

The EPS growth targets were chosen after completing market analysis, considering the current retail environment and delivering appropriate reward outcomes for stretch performance.

For the purposes of the FY2013 - FY2015 ELTIP EPS means basic Earnings Per Share as defined in accounting standards which may be adjusted by the Board in its discretion to reflect capital management and other initiatives.

The baseline FY2012 EPS used for the purposes of assessing the performance of the Company over the three year performance period is 19.4 cents per share.

DIRECTORS' REPORT: REMUNERATION REPORT

6. LINK BETWEEN COMPANY PERFORMANCE AND EXECUTIVE REWARD OUTCOMES

The table below sets out the key indicators of company performance and shareholder returns over the last five financial years, as well as the proportion of LTI rights that vested and total STI plan payments to executives of the Company over a five year period.

FY2013 STI payments to executives totalled $3.0m. This outcome is a result of a number of key Company financial, other financial and strategic performance measures being met. The Board recognises the importance of motivating and retaining its employees through the continued challenging retail environment, particularly in the discretionary retail sector. As it can be seen in the table, no significant STI payments were made to executives in FY2011 and FY2012.

For the purposes of the FY2013 Incentive Plan, PAT has been assessed taking into account both PAT and the impact of the Dick Smith transaction.

	Key Company financial indicators						**LTI outcomes**			**Executive STI outcomes**
Financial year	**PAT**	**EPS (cents per share)**	**Total dividends declared (cents)**	**Company TSR return (measured against LTI peer group) (%)**	**Share price at the end of the financial year[1]**	**TSR Peer Group Ranking for LTI purposes (percentile)**	**% of TSR rights that vested**	**% of PAT rights that vested**	**% of EPS rights that vested**	**Incentive plan (STI) payments ($)**
FY2009	$156.5m	31.5	28.0	35.9%	$5.05	Above 75th	100%	100%	n/a	$6.6m
FY2010	$170.8m	34.0	30.0	54.3%	$4.80	Above 75th	100%	100%	n/a	$2.4m
FY2011	$168.1m	33.0	28.0	48.6%	$3.00	Above 75th	100%	100%	n/a	$0m
FY2012	$101.1m	19.4	17.5	(6.1)%	$2.40	55th	61%	0%	n/a	$0.2m
FY2013 Statutory profit	$95.2	18.0	17.0	19.8%	$2.65	Not yet tested	Not yet tested[2]	Not applicable[3]	Not yet tested[2]	$3.0m
Adjusted profit[4]	$101.6m	19.2								

[1] The opening share price for each financial year is the same as the closing share price for the prior financial year. The opening share price for FY2009 was $3.34.

[2] The LTI granted to executives in FY2013 will be tested at the end of the 3 year performance period which ends in FY2015.

[3] PAT was removed as a performance measure for the FY2013 LTI grants and replaced with EPS.

[4] On 12 August 2013 the Company entered into an agreement with Dick Smith Electronics Pty Limited (Dick Smith) for Dick Smith to operate the Company's electronics business under a Retail Brand Management Agreement (RBMA) with effect from 1 October 2013. Under the terms of this agreement the Company will sell certain assets, including inventory, to Dick Smith. A provision of $9.1 million was made in the Financial Statements for the year ended 27 July 2013 to reflect the value at which Dick Smith will acquire this inventory.

DIRECTORS' REPORT: REMUNERATION REPORT

7. CHANGES TO INCENTIVE PLANS FOR FY2014

7.1 FY2014 Short Term Incentive Plan

The Company intends to make the following changes to the FY2014 STI plan. These changes are proposed to ensure the continued alignment of executive remuneration and reward outcomes with prevailing market practice and the achievement of the strategic plan.

- Introduction of a customer measure for all executive roles, assessed by reference to the Net Promoter Score (NPS) collated by an independent organisation

- Change in the quantum of STI to be deferred from the 'above budget' proportion to 25% of the total incentive outcome. The vesting period for the deferred component will remain at 12 months from the end of the relevant performance year.

7.2 FY2014 – FY2016 EXECUTIVE LONG TERM INCENTIVE PLAN

7.2.1 Overview

The Company has reviewed prevailing market practice relating to LTI plans for ASX listed companies. Based on its review, the Company does not intend to change the terms and conditions of the Long Term Incentive Plan for the three year performance period covering FY2014 to FY2016. The key terms proposed are similar to those detailed in section 5.3 with the exception that performance will be assessed at the end of FY2016 with any rights converting to shares in September 2016.

7.2.2 Performance measures

It is proposed that the performance measures for the FY2014 allocation will remain as growth in EPS and relative TSR performance against the peer group outlined in section 5.3.

For the EPS measure in the FY2014 to FY2016 ELTIP, the baseline against which EPS growth will be assessed will take account of the reduction in earnings associated with the Financial Services business. As previously announced by the Company, the profit from the Financial Services business is expected to be broadly half of the profit achieved in FY2013. This is a result of the profit guarantee provided by our alliance partner having come to an end at the end of FY2013.

The growth targets from this adjusted base will remain at 5% compound growth for threshold vesting (50% of EPS rights vest) and 10% compound growth for maximum vesting (100% of EPS rights vest). Straight-line pro-rata vesting will occur between 5% and 10% compound growth.

DIRECTORS' REPORT: REMUNERATION REPORT

8. REMUNERATION DISCLOSURES RELATING TO EXECUTIVES

8.1 Summary of contract terms

The following table summarises the termination provisions of employment contracts for executives:

	Termination by the Company	Termination by an executive
Paul Zahra (Chief Executive Officer and Managing Director) (Rolling contract from previous senior executive role continues to apply)	If termination without cause, 12 months notice is required. Fixed Remuneration would be paid for 12 months (reflecting notice provisions). STI and LTI: based on performance, entitled to pro-rata payment for vesting scheduled to occur within notice period.	The Chief Executive Officer and Managing Director 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 Entitled to Fixed Remuneration up to termination date. STI and LTI: entitled to STI and LTI Plan incentives that have accrued to date of resignation.
Executives (including Chief Financial Officer) Rolling contracts	The Company can terminate executives by giving 6 months notice in writing and electing to pay out any notice period not worked.	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.

Stephen Goddard retired from his position as Executive Director on 31 October 2012. Under the terms of his contract Stephen Goddard was prevented from resuming employment with specified competitors for a period of 12 months from this date. On his retirement, Stephen Goddard did not receive any termination payments in addition to his statutory entitlements.

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

DIRECTORS' REPORT: REMUNERATION REPORT

8.2 Remuneration tables

The following table provides the remuneration of the executive prepared in accordance with applicable accounting standards:

REMUNERATION OF EXECUTIVES FOR THE YEAR ENDED 28 JULY 2013

	Short-Term Employee Benefits			Post-Employment Benefits	Other Long-Term Benefits		Share based payment			
	Cash Salary	Cash Bonus (STI)	Non Monetary Benefits [1]	Super	Long Service Leave	Termination Benefits	LTI Plan Rights [2]	Total Compensation	Percentage of remuneration in LTI Plan Rights	Percentage of remuneration Performance related
	$	$	$	$	$	$	$	$	%	%
Executive Directors										
P Zahra	1,371,347	956,250	14,892	22,950	30,757	-	233,372	2,629,568	9%	45%
Resignations										
S Goddard[5]	250,422	-	4,284	18,750	7,158	-	33,941	314,555	11%	11%
Executives										
B Soller	901,600	405,000	987	16,579	2,270	-	74,134	1,400,570	5%	34%
C Daniels	658,245	212,625	10,972	25,099	10,815	-	144,485	1,062,241	14%	34%
D Player	691,589	204,750	338	16,579	1,567	-	61,778	976,601	6%	27%
S Laing	529,778	162,000	12,533	24,986	20,501	-	106,283	856,081	12%	31%
A Karp	735,379	533,691	12,607	22,951	16,642	-	49,265	1,370,535	4%	43%
P Bauchinger	446,523	180,000	705	25,805	11,349	-	41,214	705,596	6%	31%
D Robinson	462,287	180,000	338	23,364	23,186	-	56,053	745,228	8%	32%
M Durbin	422,762	202,500	1,212	24,654	20,917	-	86,343	758,388	11%	38%
TOTAL	**6,469,932**	**3,036,816**	**58,868**	**221,717**	**145,162**	**-**	**886,868**	**10,819,363**		

Notes to the table:

[1] Non-monetary benefits relates to non-cash benefits received by an executive such as car parking and benefits such as the insurance premium paid by the Company for salary continuance insurance.

[2] LTI Plan rights represented the fair value of the rights at grant determined in accordance with AASB2 Accounting for Share Based Payments. This included the remaining accounting valuation for the FY2009 – FY2012 Executive Retention Plan and the value related to the FY2013- FY2015 ELTIP.

DIRECTORS' REPORT: REMUNERATION REPORT

REMUNERATION OF EXECUTIVES FOR THE YEAR ENDED 28 JULY 2012

	Short-Term Employee Benefits				Post-Employment Benefits	Other Long-Term Benefits		Share based payment			
	Cash Salary	Cash Bonus (STI) [1]	Non Monetary Benefits [2]	Other [3]	Super	Long Service Leave	Termination Benefits[4]	LTI Plan Rights[5]	Total Compensation	Percentage of remuneration in LTI Plan Rights	Percentage of remuneration Performance related
	$	$	$	$	$	$	$	$	$	%	%
Executive Directors											
P Zahra	1,215,807	-	13,735	750	22,204	38,076		368,486	1,659,058	22%	22%
S Goddard	956,761	-	14,735	1,050	52,082	24,026		315,137	1,363,791	23%	23%
Executives											
C Daniels	512,689	-	9,315	851	24,903	9,787		471,061	1,028,606	46%	46%
A Karp	687,374	100,000	12,846	1,050	22,205	20,542		(61,905)	782,112	-	5%
S Laing	430,235	-	11,741	600	24,240	12,590		273,640	753,046	36%	36%
P Bauchinger	383,395	-	-	750	18,029	11,267		(21,332)	392,109	-	-
D Robinson	386,966	96,000	997	360	23,481	10,727		122,430	640,961	19%	34%
M Durbin	405,766	45,283	1,953	390	23,908	9,572		269,122	755,994	36%	42%
Appointments											
B Soller[6]	280,785	-	-	118	5,316	335		-	286,554	-	-
D Player[7]	57,066	-	-	50	1,373	63		-	58,552	-	-
Terminations											
B Riddington[8]	335,912	-	-	598	14,859	23,188	428,332	228,678	1,031,567	22%	22%
K McLachlan[9]	453,257	-	6,744	850	13,146	13,260	35,820	(231,275)	291,802	-	-
P Robinson[10]	421,461	-	9,685	582	45,077	30,023	718,602	(49,707)	1,175,723	-	-
TOTAL	**6,527,474**	**241,283**	**81,751**	**7,999**	**290,823**	**203,456**	**1,182,754**	**1,684,335**	**10,219,875**		

Notes to the table:

[1] In accordance with the Terms of the FY2009 - FY2012 Retention Plan no Cash Equivalent of Dividends were paid to executives during FY2012.

[2] Non-monetary benefits relates to non-cash benefits received by an executive such as car parking.

[3] Other benefits represents to the insurance premium paid by the Company for salary continuance insurance.

[4] Termination Benefits relates to payments upon termination of employment including statutory entitlements and other payments. For Brett Riddington and Patrick Robinson the amount includes any severance payments made as a result of their positions being made redundant.

[5] LTI Plan rights represents the fair value of the rights at grant determined in accordance with AASB2 Accounting for Share Based Payments.

[6] Remuneration for B Soller was for the period 2 April 2012 to 28 July 2012.

[7] Remuneration for D Player was for the period 4 July 2012 to 28 July 2012.

[8] Remuneration for B Riddington was from 31 July 2011 to 9 May 2012. The termination payment of $428,332 made to B Riddington related to redundancy and was represented by six months notice in lieu and a severance payment. This amount was less than the 12 month average annual base salary calculated in accordance with the termination provisions contained within the Corporations Act (Cth) and therefore did not require shareholder approval.

[9] Remuneration for K McLachlan was from 31 July 2011 to 24 May 2012.

[10] Remuneration for P Robinson was from 31 July 2011 to 9 May 2012. Under the terms of his contract a payment of 12 months notice in lieu was paid to P Robinson as a result of redundancy. The termination payment of $718,602 made to P Robinson was less than the 12 month average annual base salary calculated in accordance with the termination provisions contained in the Corporations Act (Cth) and therefore did not require shareholder approval. In addition, P Robinson had a contract that pre-dated the changes to the Corporations Act (Cth).

DIRECTORS' REPORT: REMUNERATION REPORT

9. REMUNERATION OF NON-EXECUTIVE DIRECTORS

9.1 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.

9.2 Remuneration structure

Non-executive Directors' fees are recommended by the PRC 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 People and Remuneration 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 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 $2,300,000. The fees for Non-executive Directors were maintained at FY2012 levels.

The Non-executive Directors base fees for FY2013 are as follows:

Year	Board		Audit Committee		People and Remuneration Committee	
	Chairman[1] ($)	Member ($)	Chairman ($)	Member ($)	Chairman ($)	Member ($)
2013 Fees	482,100	181,300	45,300	24,900	30,200	19,900
2012 Fees	482,100	181,300	45,300	24,900	30,200	19,900

[1] The Chairman does not receive fees for attendance at Committee meetings

For the actual fees received in the reporting period refer to the following section on statutory disclosures relating to Non-executive Directors remuneration.

During FY2013 the PRC completed a review of the Board fee structure resulting in the following fee structure being implemented from 1 October 2013:

Year	Board		Audit Committee		People and Remuneration Committee	
	Chairman[1] ($)	Member ($)	Chairman ($)	Member ($)	Chairman ($)	Member ($)
2014 Fees[2]	400,000	150,000	37,500	24,900	30,200	19,900

[1] The Chairman will not receive fees for attendance at Committee meetings

[2] Effective 1 October 2013

DIRECTORS' REPORT: REMUNERATION REPORT

9.3 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. As noted earlier in the report, a Robert Savage retired during the year. Details of the accrued retirement allowance balances and the amount withdrawn upon retirement are as follows:

Non-executive Director	Balance at 28 July 2012 ($)	Interest earned in FY2013 ($)	Withdrawals in the year ($)	Balance at 27 July 2013 ($)
Robert Savage AM	330,600	7,488	338,088	-
John Harvey	135,703	7,172	-	142,875

9.4 Deferred Employee Share Plan (DESP)

The Non-executive Directors were entitled to participate in the DESP which was approved at the Annual General Meeting held on 23 November 1998. This plan was suspended on 4 June 2009 as a result of the changes made to the Employee Share Scheme taxation rules as a result of the 2009 Federal Budget.

The plan enabled Non-executive Directors to acquire up to $3,000 worth of shares per annum by way of salary sacrifice. Since the retirement of Robert Savage, no Non-executive Directors participate in the plan.

10. REMUNERATION DISCLOSURES FOR NON-EXECUTIVE DIRECTORS

Details of the remuneration of the Non-executive Directors for the financial year ended 29 July 2013 and the previous financial year are set out in the following tables:

REMUNERATION OF NON-EXECUTIVE DIRECTORS FOR THE YEAR ENDED 29 JULY 2013

	Short-Term Employee Benefits		Post-Employment Benefits		
	Fees	Non Monetary Benefits	Super	Other Retirement Benefits[1]	Total Compensation
	$	$	$	$	$
Peter Mason AM	354,058	-	16,579		370,637
John Harvey	210,021	-	16,579	7,172	233,772
Philippa Stone	191,823	-	16,552		208,375
Steven Vamos	207,863	-	16,579		224,442
Appointments					
Jane Harvey[2]	156,651	-	13,734		170,385
Leigh Clapham[3]	118,370	-	10,614		128,984
Melinda Conrad[4]	4,546	-	420	-	4,966
Retirements					
Robert Savage AM[5]	180,877	6,123	22,090	7,488	216,578
TOTAL	**1,424,209**	**6,123**	**113,147**	**14,660**	**1,558,139**

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

[2] Remuneration for Jane Harvey was from her appointment date of 3 October 2012 to 27 July 2013.

[3] Remuneration for Leigh Clapham was from his appointment date of 11 December 2012 to 27 July 2013.

[4] Remuneration for Melinda Conrad was from her appointment date of 18 July 2013 to 27 July 2013.

[5] Remuneration for Robert Savage AM was from 29 July 2012 to his retirement on 31 December 2012.

DIRECTORS' REPORT: REMUNERATION REPORT

REMUNERATION OF NON-EXECUTIVE DIRECTORS FOR THE YEAR ENDED 28 JULY 2012

	Short-Term Employee Benefits		Post-Employment Benefits		
	Fees	Non Monetary Benefits	Super	Other Retirement Benefits[1]	Total Compensation
	$	$	$	$	$
Robert Savage AM[2]	473,992	12,735	33,208	18,417	538,352
Peter Mason AM[3]	190,367	-	15,833	-	206,200
John Harvey	210,767	-	15,833	7,559	234,159
Philppa Stone	216,467	-	15,833	-	232,300
Appointments					
Steven Vamos[4]	30,168	-	2,665	-	32,833
Retirements					
John Coates AC[5]	235,411	-	12,152	17,053	264,616
Reginald Clairs AO[6]	114,173	-	9,202	6,801	130,176
Katie Lahey[7]	166,644	-	14,237	17,694	198,575
TOTAL	**1,637,989**	**12,735**	**118,963**	**67,524**	**1,837,211**

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

[2] Robert Savage has forgone his entitlement to fees resulting from membership of the People and Remuneration Committee.

[3] Peter Mason has forgone his entitlement to an increase in Board fees following his appointment to Deputy Chairman on 15 June 2012.

[4] Remuneration for Steven Vamos was from his appointment date of 5 June 2012 to 28 July 2012.

[5] Remuneration for John Coates was from 31 July 2011 to his retirement on 3 May 2012.

[6] Remuneration for Reginald Clairs was from 31 July 2011 to his retirement on 29 February 2012.

[7] Remuneration for Katie Lahey was from 31 July 2011 to her retirement on 25 June 2012.

DIRECTORS' REPORT: REMUNERATION REPORT

APPENDIX ONE – EQUITY HOLDINGS OF KMP

1. Long Term Incentive Plans

The following tables show the movements in LTI Plan rights holdings of KMP for FY2013.

The rights vested during the year are represented as a reduction in the total number of rights held as these have been converted into Ordinary shares in the company during FY2013.

Non-executive Directors are not entitled to participate in any LTI Plan and therefore no holdings are disclosed.

Name	LTI Plan	Holding at 28 July 2012	Granted as Remuner-ation[1]	Vested and converted during the Year	Forfeited/ Lapsed during the Year	Holding at 27 July 2013[3]	Fair Value of Right (TSR)[4]	Fair Value of Right (NPAT/EPS)[4]
		Number	Number	Number	Number	Number	$	$
Executive Director								
Paul Zahra								
	09-12 retention offer							
	- Tranche 4	**122,000**	**–**	**(122,000)**	**–**	**–**	**1.57**	**2.51**
	09-12 Additional offer							
	- Tranche 3	**212,500**	**–**	**(212,500)**	**–**	**–**	**3.64**	**3.95**
	- Tranche 4	76,250	–	(76,250)	–	–	3.45	3.95
	FY13-15 ELTIP	–	300,000	–	–	300,000	1.22	1.85
Value vested[4]				***$924,188***				
Executives								
Brad Soller								
	FY13-15 ELTIP	**–**	**150,000**	**–**	**–**	**150,000**	**1.25**	**1.90**
Value vested[4]								
Cate Daniels								
	09-12 additional offer							
	- Tranche 3	**170,000**	**–**	**(170,000)**	**–**	**–**	**4.03**	**4.35**
	- Tranche 4	**61,000**	**–**	**(61,000)**	**–**	**–**	**3.88**	**4.35**
	FY13-15 ELTIP	**–**	**125,000**	**–**	**–**	**125,000**	**1.25**	**1.90**
Value vested[4]				***$519,750***				
Donna Player								
	FY13-15 ELTIP	**–**	**125,000**	**–**	**–**	**125,000**	**1.25**	**1.90**
Value vested[4]								
Sacha Laing								
	09-12 additional offer							
	- Tranche 3	**116,875**	**–**	**(116,675)**	**–**	**–**	**4.03**	**4.35**
	- Tranche 4	**41,938**	**–**	**(41,938)**	**–**	**–**	**3.88**	**4.35**
	FY13-15 ELTIP	**–**	**100,000**	**–**	**–**	**100,000**	**1.25**	**1.90**
Value vested[4]				***$357,329***				
Antony Karp								
	09-12 retention offer							
	- Tranche 4	**122,000**	**–**	**(122,000)**	**–**	**–**	**1.57**	**2.51**
	FY13-15 ELTIP	**–**	**75,000**	**–**	**–**	**75,000**	**1.25**	**1.90**
Value vested[4]				***$274,500***				
Paula Bauchinger								
	09-12 retention offer							
	- Tranche 4	**41,480**	**–**	**(41,480)**	**–**	**–**	**1.57**	**2.51**
	FY13-15 ELTIP	**–**	**75,000**	**–**	**–**	**75,000**	**1.25**	**1.90**
Value vested[4]				***$93,330***				

DIRECTORS' REPORT: REMUNERATION REPORT

APPENDIX ONE – EQUITY HOLDINGS OF KMP

Name	LTI Plan	Holding at 28 July 2012	Granted as Remuner-ation[1]	Vested and converted during the Year[2]	Forfeited/ Lapsed during the Year	Holding at 27 July 2013	Fair Value of Right (TSR)[3]	Fair Value of Right (NPAT/EPS)[3]
		Number	Number	Number	Number	Number	$	$
David Robinson								
	09-12 additional offer							
	- Tranche 4	30,500	–	(30,500)	–	–	3.16	3.75
	FY13-15 ELTIP	–	75,000	–	–	75,000	1.25	1.90
Value vested[4]				*$68,625*				
Matthew Durbin								
	09-12 retention offer							
	- Tranche 4	27,450	–	(27,450)	–	–	1.57	2.51
	09-12 additional offer							
	- Tranche 3	95,625	–	(95,625)	–	–	4.03	4.35
	- Tranche 4	34,312	–	(34,312)	–	–	3.88	4.35
	FY13-15 ELTIP	–	75,000	–	–	75,000	1.25	1.90
Value vested[4]				*$354,121*				
Former Executive Director								
Stephen Goddard								
	09-12 retention offer							
	- Tranche 4	76,250	–	(76,250)	–	–	3.45	3.95
Value vested[4]				*$171,563*				
Former Executives								
Patrick Robinson								
	09-12 retention offer							
	- Tranche 4	122,000	–	(122,000)	–	–	1.57	2.51
Value vested[4]				*$274,500*				
Brett Riddington								
	09-12 additional offer							
	- Tranche 3	85,000	–	(85,000)	–	–	4.03	4.35
	- Tranche 4	30,500	–	(30,500)	–	–	3.88	4.35
Value vested[4]				*$259,875*				

[1] The number of rights granted to each participant in the LTI Plan may not convert to an equivalent number of ordinary shares due to specified financial performance and employment conditions not being satisfied.

[2] Rights held at 28 July 2012 vested and converted into shares on a one-for-one basis on 19 September 2012.

[3] The fair value of rights was calculated in accordance with AASB2 Accounting for Share Based Payment which requires that the rights are valued at the date of grant. The different values in the table are a result of the varying grant dates of the rights. The FY2009 – FY2012 retention offer was granted on 24 July 2008 with the FY2009 – FY 20012 additional offer granted on 24 November 2010 to the executives and on 3 December 2010 to the Chief Executive Officer and Managing Director. The FY2013-2015 offer was granted on 23 November 2012 to executives and 21 Jan 2013 to the Chief Executive Officer and Managing Director. The minimum total value of the grants for future years is nil and an estimate of the maximum total possible value is the fair value as shown in the table.

[4] The value of rights that have vested during the year was calculated using the weighted average share price at the date of vesting.

DIRECTORS' REPORT: REMUNERATION REPORT

APPENDIX TWO – GLOSSARY OF KEY TERMS

Buying Gross Profit (BGP)	Profit measure used to assess the performance of the merchandise function taking into account sales less the costs of goods sold.
Cash Equivalent of Dividends (CED)	Payment of a cash amount to a holder of rights that have met the Company performance conditions where shares have not been allocated as the service condition has not been met. The amount is equivalent to the dividend that would have been paid had Ordinary shares been allocated to the participant.
Executive or executives	For the purposes of this report, executive refers to members of the Company's Executive Committee who are considered to be Key Management Personnel.
Executive Long Term Incentive Plan (ELTIP)	The Long Term Incentive Plan being implemented in FY2013 that will have a three year performance period covering FY2013 - FY2015.
Executive Retention Plan (ERP)	The FY2009 - FY2012 Executive Retention Plan implemented in 2008. FY2012 was the final year of this plan.
Earnings Per Share (EPS)	Earnings Per Share which has been selected as one of the two performance measures for the FY2013 - FY2015 Executive LTI Plan.
Fixed Remuneration (FR)	Annual remuneration paid on a monthly basis without performance conditions. Includes superannuation and other benefits that employees are allowed to package (for example cars and car parking).
Financial Services Earnings Before Tax (FS EBT)	A measure of the financial performance of the Financial Services business.
Key Management Personnel (KMP)	Defined as 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, Executive Directors and other executives of the Company.
Long Term Incentive (LTI)	An equity based incentive scheme with vesting based on the achievement of specific Company performance measures assessed over the longer-term.
Net Promoter Score (NPS)	Net Promoter Score. A measure of customer experience calculated by an external consultant.
PAT / NPAT	Profit After Tax.
PricewaterhouseCoopers (PwC)	PricewaterhouseCoopers is a professional services firm who were engaged by the PRC to provide independent remuneration advice during the reporting period.
Remuneration Mix	Ratio of Fixed Remuneration: STI : LTI which illustrates the relative amount of Total Remuneration that is comprised of fixed versus 'at risk', or variable, pay.
People and Remuneration Committee (PRC)	The People and Remuneration Committee is a sub-committee of the Board responsible for making recommendations to the Board regarding executive and Non-executive remuneration arrangements.
Short Term Incentive (STI)	Annual incentive plan based on the achievement of Company, Group and Individual performance measures assessed at the end of the financial year.
Store Net Profit (SNP)	A measure of operating net profit for the Stores Operations business unit taking into account costs such as salaries and other operating expenses.
Total Remuneration (TR)	Collectively the various elements of an employee's remuneration including Fixed Remuneration, Short-term Incentives and Long-term Incentives.
Total Shareholder Return (TSR)	Total Shareholder Returns a measure of the relative performance of David Jones compared to a peer group of other ASX listed companies.
Vesting	Conversion of rights to ordinary shares in the Company upon satisfaction of the performance conditions such as Company performance or service/employment based conditions.

DAVID JONES LIMITED AND ITS CONTROLLED ENTITIES

INDEX TO FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

DAVID JONES LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 27 July 2013 and 28 July 2012

	Note	2013 $000	2012 $000
Revenue from sale of goods		**1,845,012**	1,867,817
Cost of sales		**(1,147,968)**	(1,167,987)
Gross profit		**697,044**	699,830
Other income	2	**62,532**	57,568
Employee benefits expenses		**(296,103)**	(282,593)
Lease and occupancy expenses		**(193,286)**	(189,114)
Depreciation and amortisation expenses	3	**(56,762)**	(51,949)
Advertising, marketing and visual merchandising expenses		**(34,966)**	(39,036)
Administration expenses		**(24,119)**	(26,909)
Other expenses		**(14,442)**	(13,384)
Finance costs	3	**(9,057)**	(10,938)
Finance income	3	**490**	347
Profit before income tax expense		**131,331**	143,822
Income tax expense	5	**(36,147)**	(42,719)
Profit after income tax expense attributable to equity holders of the parent entity	23	**95,184**	101,103
Other comprehensive income:			
Items that will be reclassified to profit or loss in future periods**:**			
Gains on cash flow hedges		**3,512**	1,713
Transfer of realised gains on hedges to profit and loss		**(1,418)**	(1,621)
Income tax on items of other comprehensive income		**(628)**	(28)
Total other comprehensive income for the year, net of tax		**1,466**	64
Total comprehensive income attributable to equity holders of the parent entity for the year		**96,650**	101,167
Earnings per share for profit attributable to the equity holders of the parent entity:			
Basic earnings per share (cents per share)	7	**18.0**	19.4
Diluted earnings per share (cents per share)	7	**17.9**	19.4

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

DAVID JONES LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 27 July 2013 and 28 July 2012

	Note	2013 $000	2012 $000
CURRENT ASSETS			
Cash and cash equivalents	8	**13,877**	20,536
Receivables	9	**19,092**	16,389
Inventories	10	**251,543**	279,099
Financial assets	11	**941**	24
Other assets	12	**6,670**	7,201
Non current assets held for sale	34	**2,582**	–
Total current assets		**294,705**	323,249
NON-CURRENT ASSETS			
Financial assets	11	**12**	12
Property, plant and equipment	13	**835,373**	817,432
Intangible assets	14	**44,644**	43,977
Deferred tax assets	15	**62,391**	55,833
Other assets	12	**660**	394
Total non-current assets		**943,080**	917,648
Total assets		**1,237,785**	1,240,897
CURRENT LIABILITIES			
Payables	16	**261,840**	264,595
Interest bearing liabilities	17	**360**	11,006
Current tax liabilities		**3,053**	3,097
Provisions	18	**35,586**	25,955
Financial liabilities	19	**178**	1,357
Other liabilities	20	**813**	288
Total current liabilities		**301,830**	306,298
NON-CURRENT LIABILITIES			
Interest bearing liabilities	17	**100,000**	125,000
Provisions	18	**7,359**	6,183
Other liabilities	20	**27,500**	27,712
Total non-current liabilities		**134,859**	158,895
Total liabilities		**436,689**	465,193
Net assets		**801,096**	775,704
EQUITY			
Contributed equity	21	**564,698**	547,028
Reserves	22	**76,867**	74,362
Retained earnings	23	**159,531**	154,314
Total equity		**801,096**	775,704

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 52 weeks ended 27 July 2013 and 28 July 2012

For the 52 weeks ended 27 July 2013:	Note	Share Capital $000	Cash Flow Hedge Reserve $000	Share Based Payments Reserve $000	Retained Earnings $000	Total $000
Balance as at 29 July 2012		**547,028**	**(922)**	**75,284**	**154,314**	**775,704**
Profit for the year		**–**	**–**	**–**	**95,184**	**95,184**
Other comprehensive income, net of tax		**–**	**1,466**	**–**	**–**	**1,466**
Total comprehensive income for the year		**–**	**1,466**	**–**	**95,184**	**96,650**
Transactions with owners, recorded directly in equity:						
Dividends paid	6	**–**	**–**	**–**	**(89,967)**	**(89,967)**
Issue of ordinary shares through Dividend Reinvestment Plan		**17,670**	**–**	**–**	**–**	**17,670**
Share based payments		**–**	**–**	**949**	**–**	**949**
Income tax		**–**	**–**	**90**	**–**	**90**
Total contributions by and distributions to owners		**17,670**	**–**	**1,039**	**(89,967)**	**(71,258)**
Balance as at 27 July 2013		**564,698**	**544**	**76,323**	**159,531**	**801,096**

For the 52 weeks ended 28 July 2012:	Note	Share Capital $000	Cash Flow Hedge Reserve $000	Share Based Payments Reserve $000	Retained Earnings $000	Total $000
Balance as at 31 July 2011		**525,105**	**(986)**	**75,633**	**185,728**	**785,480**
Profit for the year		**–**	**–**	**–**	**101,103**	**101,103**
Other comprehensive income, net of tax		**–**	**64**	**–**	**–**	**64**
Total comprehensive income for the year		**–**	**64**	**–**	**101,103**	**101,167**
Transactions with owners, recorded directly in equity:						
Dividends paid	6	**–**	**–**	**–**	**(132,517)**	**(132,517)**
Issue of ordinary shares through Dividend Reinvestment Plan		**21,923**	**–**	**–**	**–**	**21,923**
Share based payments		**–**	**–**	**(625)**	**–**	**(625)**
Income tax		**–**	**–**	**276**	**–**	**276**
Total contributions by and distributions to owners		**21,923**	**–**	**(349)**	**(132,517)**	**(110,943)**
Balance as at 28 July 2012		**547,028**	**(922)**	**75,284**	**154,314**	**775,704**

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

DAVID JONES LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED CASH FLOW STATEMENT

For the 52 weeks ended 27 July 2013 and 28 July 2012

	Note	2013 $000	2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**2,025,548**	2,058,903
Payments to suppliers and employees (inclusive of GST)		**(1,851,721)**	(1,846,677)
Commissions received		**58,064**	54,498
Interest received		**490**	347
Borrowing costs paid		**(9,057)**	(10,884)
Income tax paid		**(43,288)**	(59,450)
Net cash flows from operating activities	24	**180,036**	196,737
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(74,890)**	(70,009)
Payments for software		**(4,094)**	(11,475)
Net proceeds from sale of property		**232**	111
Net cash flows used in investing activities		**(78,752)**	(81,373)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares	6	**(72,297)**	(110,594)
Net (repayment)/proceeds from borrowings		**(36,000)**	7,000
Net cash flows used in financing activities		**(108,297)**	(103,594)
Net increase/(decrease) in cash and cash equivalents		**(7,013)**	11,770
Cash and cash equivalents at beginning of the year		**20,530**	8,760
Cash and cash equivalents at end of the year	(i)	**13,517**	20,530

Notes:

(i) Reconciliation to the Statement of Financial Position

Cash and cash equivalents is comprised of the following:

	Note	2013 $000	2012 $000
Cash and cash equivalents	8	**13,877**	20,536
Bank overdraft	17	**(360)**	(6)
Cash and cash equivalents at end of the year		**13,517**	20,530

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 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

David Jones Limited (Company) is a public company incorporated, domiciled and operating in Australia and is listed on the Australia Securities Exchange (ASX) (trading under the symbol DJS). The consolidated Financial Statements for the 52 weeks ended 27 July 2013 comprise the Company and its subsidiaries (together referred to as the Consolidated Entity). Unless otherwise stipulated, all notes relate to the Consolidated Entity.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.1 Basis of preparation

The Financial Statements have been prepared on an historical cost basis except for derivative financial instruments which are stated at 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 that 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 financial year include:

- Income taxes: 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 may be uncertain.
- Impairment of goodwill and other assets: As disclosed in Note 1.16, the Consolidated Entity tests whether goodwill has suffered any impairment at each period end. When impairment indicators are identified, tests for impairment losses are also performed in relation to other assets. 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 certain assumptions and are based on cash flow projections.
- Inventory valuation: As disclosed in Note 1.17, inventory is stated at the lower of cost and net realisable value at period end. Cost is determined using the retail inventory method and estimated average department mark-up ratios.
- Provisions: As disclosed in Notes 1.22 and 18, certain estimates are used in the calculation of provisions.

These 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.

1.2 Statement of compliance

These General Purpose Financial Statements have been prepared in accordance with the Corporations Act 2001 and 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.

1.3 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. Costs directly attributable to the acquisition are expensed. 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.

1.4 Segment Reporting

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 and Managing Director. A reportable operating segment is defined based on information used regularly by the chief operating decision maker. The Consolidated Entity's operating segments and relevant disclosures are outlined in Note 4.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 New accounting standards and interpretations

The following standards and amendments have been adopted by the Consolidated Entity. These standards 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 year ending:
AASB 2010-8	Amendments to Australian Accounting Standards	Deferred Tax: Recovery of Underlying Assets AASB 112	1 January 2012	No impact identified	27 July 2013
AASB 2011-9	Amendments to Australian Accounting Standards – Presentation of Items in Other Comprehensive Income	The main requirement of this Standard is to group items included in Other Comprehensive Income on the basis of whether they will subsequently be reclassified to profit or loss.	1 July 2012	No material impact identified	27 July 2013

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.5 New accounting standards and interpretations (continued)

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 year ending:
AASB 2012-5	Annual Improvements to IFRSs 2009–2011 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process.	1 January 2013	No material impact identified	26 July 2014
AASB 10	Consolidated Financial Statements	IFRS 10 establishes a new control model that applies to all entities	1 January 2013	No material impact identified	26 July 2014
AASB 11	Joint Arrangements	IFRS 11 uses the principle of control in IFRS 10 to define joint control, and therefore the determination of whether joint control exists or may change.	1 January 2013	No material impact identified	26 July 2014
AASB 12	Disclosure of interests in other entities	IFRS 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structures entities.	1 January 2013	No material impact identified	26 July 2014
AASB 13	Fair value measurement	IFRS 13 establishes a single source of guidance under IFRS for determining the fair value of assets and liabilities.	1 January 2013	No material impact identified	26 July 2014
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2015	No material impact identified	30 July 2016
AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	The effect of AASB 9 is pervasive resulting in amendments to each of the following: AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023, and 1038 and Interpretations 2, 5, 10, 12, 19 and 127	1 January 2015	No material impact identified	30 July 2016
AASB 119	Employee benefits	The amended AASB 119 eliminates the option to defer gains/losses under the corridor method when accounting for Defined Benefit Plans and requires remeasurement to be presented in Other Comprehensive Income.	1 January 2013	No material impact identified	26 July 2014
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	This standard amends AASB 7 to require disclosure of information that will enable users of the entity's financial statements to evaluate the effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities on the entity's financial position.	1 January 2013	No material impact identified	26 July 2014
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	This standard amends AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	No material impact identified	26 July 2014
AASB 2011-4	Amendments to AASB 124	This amendment deletes from AASB 124 the individual KMP disclosure requirements in relation to equity holdings, loans and other related party transactions.	1 July 2013	Reduce the amount of duplicate disclosure in the Remuneration Report and Financial Statements.	26 July 2014

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.6 Basis of consolidation

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

1.6.2 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.

1.7 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:

1.7.1 Sale of goods

Revenue from 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 includes non-agency sales made under Retail Brand Management agreements, and commission earned on agency sales.

Revenue from David Jones gift cards is recognised when the card's balance is partially or fully redeemed by the customer when purchasing 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.

1.7.2 Commission earned

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

1.7.3 Finance income

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

1.8 Expenses

1.8.1 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.

1.8.2 Finance costs

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, net unrealised foreign exchange gains and losses, and any ineffective portion of hedging instruments.

1.8.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.9 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 fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether 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.

Operating lease payments are recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

1.10 Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and on 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.

1.11 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 which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance (provision for impairment of trade receivables) is made when there is objective evidence that the Consolidated Entity will not be able to collect all amounts due according to the original terms of the receivables.

1.12 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.

1.12.1 Fair value hedge

The change in the fair value of a hedging derivative is recognised in the income statement in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement in finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the income statement over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in the income statement.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the income statement.

1.12.2 Cash flow hedge

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

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.12 Derivative financial instruments (continued)

1.12.2 Cash flow hedge (continued)

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

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the 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 income statement.

1.12.3 Derivatives that do not qualify for hedge accounting

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

1.13 Other financial assets

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

1.13.1 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 if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value.

1.13.2 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.

1.14 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.

1.15 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.16 Impairment

1.16.1 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.

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.

1.16.2 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.

1.17 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 advertising 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 that are subject to Retail Brand Management agreements as these goods are purchased from the supplier immediately prior to a sales transaction occurring.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.18 Property, plant and equipment

1.18.1 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 property, plant and equipment.

1.18.2 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.

1.18.3 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 financial year are as follows:

Leasehold improvements	10 - 25 years
Plant and equipment	5 - 25 years
Computer equipment	5 - 8 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.

1.18.4 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.

1.18.5 Non-current assets held for sale

The consolidated Entity classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.19 Intangibles

1.19.1 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 1.3) 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.

1.19.2 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 financial year was five years.

1.20 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.

1.21 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.

1.22 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.

1.23 Employee benefits

1.23.1 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.

1.23.2 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.

1.23.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.23.4 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.

1.23.5 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.

1.24 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.

1.25 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.

1.26 Earnings per share

1.26.1 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.

1.26.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1.27 Income tax

Income tax on the profit or loss for the financial 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 financial year based on the corporate tax rate of 30% and any adjustment to tax payable in respect of previous financial 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.

1.28 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

2. OTHER INCOME

	2013 $000	2012 $000
Commissions received	58,064	54,757
Sundry income	4,468	2,811
Total Other Income	62,532	57,568

3. PROFIT BEFORE INCOME TAX

Profit before income tax includes the following items:

Rental expense on operating leases:		
Minimum lease payments	86,020	80,603
Contingent rentals	2,323	3,675
Total rental expense	88,343	84,278
Net finance costs:		
Interest and finance charges (gross)	9,044	10,884
Net unrealised foreign exchange loss	13	38
Hedging loss	-	16
Total finance costs	9,057	10,938
Finance income	(490)	(347)
Net finance costs	8,567	10,591
Depreciation and amortisation:		
Depreciation	53,335	50,029
Amortisation	3,427	1,920
Total depreciation and amortisation	56,762	51,949
Other items:		
Loss on disposal of plant and equipment	800	823
Share-based payments	949	(625)
Defined contribution superannuation expense	24,418	24,086
Amount set aside to provide for Directors’ retirement allowance	15	68

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

4. SEGMENT REPORTING

Operating segments

Operating segments are defined with reference to information regularly reviewed by the Consolidated Entity's Chief Executive Officer and Managing Director (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, online and corporate 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 a specific 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 52 weeks ended 27 July 2013	Department Stores	Financial Services	Unallocated	Consolidated
Operating segments:	**$000**	**$000**	**$000**	**$000**
Revenue from sale of goods	1,845,012	–	–	1,845,012
Gross profit	697,044	–	–	697,044
Other income:				
Commissions earned	–	58,064	–	58,064
Other revenues from external customers	4,468	–	–	4,468
Total other income	4,468	58,064	–	62,532
Depreciation and amortisation	(56,757)	(5)	–	(56,762)
Share based payments	(949)	–	–	(949)
All other expenses	(553,374)	(8,593)	–	(561,967)
Total expenses	(611,080)	(8,598)	–	(619,678)
Segment earnings result	90,432	49,466	–	139,898
Reconciliation to profit before tax				
Finance income	–	–	490	490
Finance costs	–	–	(9,057)	(9,057)
Net finance costs	–	–	(8,567)	(8,567)
Profit before tax				131,331

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

4. SEGMENT REPORTING (CONTINUED)

For the 52 weeks ended 28 July 2012 Operating segments:	Department Stores $000	Financial Services $000	Unallocated $000	Consolidated $000
Revenue from sale of goods	1,867,817	–	–	1,867,817
Gross profit	699,830	–	–	699,830
Other income:				
Commissions earned	–	54,757	–	54,757
Other revenues from external customers	2,811	–	–	2,811
Total other income	2,811	54,757		57,568
Depreciation and amortisation	(51,939)	(10)	–	(51,949)
Share based payments	625	-	–	625
All other expenses	(546,332)	(5,329)	–	(551,661)
Total expenses	(597,646)	(5,339)	–	(602,985)
Segment earnings result	104,995	49,418	–	154,413
Reconciliation to profit before tax				
Finance income	–	–	347	347
Finance costs	–	–	(10,938)	(10,938)
Net finance costs	–	–	(10,591)	(10,591)
Profit before tax				143,822

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

5. INCOME TAX EXPENSE

	2013 $000	2012 $000
Recognised in the Statement of Comprehensive Income:		
Current tax expense		
Current year	**46,935**	43,778
(Over)/under provision in prior years	**(3,355)**	85
	43,580	43,863
Deferred tax expense/(benefit)		
Reversal of temporary differences	**(7,433)**	(1,144)
Total income tax expense in Statement of Comprehensive Income	**36,147**	42,719

	2013 $000	2012 $000
Profit before income tax expense	**131,331**	143,822
Tax at the corporate tax rate of 30% (2012: 30%)	**39,399**	43,146
Increase in income tax expense due to:		
– Non-deductible legal fees	**240**	562
– Non-deductible share-based payments expense	**107**	–
– Non-deductible entertainment	**81**	134
– Non-deductible lease make good	**327**	–
– Other	**122**	–
Decrease in income tax expense due to:		
– Non assessable share based payments benefit	**–**	(188)
– Deductible building capital works	**(774)**	(809)
– Other	**–**	(211)
	39,502	42,634
Income tax expense under/(over) provided in prior years	**(3,355)**	85
Income tax expense	**36,147**	42,719

	2013 $000	2012 $000
Amounts recognised directly in equity		
Deferred tax recognised directly in equity		
- Share based payments	**(90)**	(276)
- Cash flow hedges	**628**	28
Total amounts recognised directly in equity	**538**	(248)

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

5. INCOME TAX EXPENSE (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

6. DIVIDENDS

	CENTS PER SHARE	TOTAL AMOUNT $000	DATE OF PAYMENT
Dividends recognised by the Company:			
2013			
2012 Final ordinary	7.0	36,916	5 November 2012
2013 Interim ordinary	10.0	53,051	6 May 2013
Total dividends recognised		**89,967**	
2012			
2011 Final ordinary	15.0	77,693	7 November 2011
2012 Interim ordinary	10.5	54,824	7 May 2012
Total dividends recognised		**132,517**	

All dividends paid in the current and prior financial year were fully franked at the tax rate of 30%.

During the financial year 6,346,801 shares (2012: 7,904,205) were issued under the Dividend Reinvestment Plan. Dividends settled in shares rather than cash amounted to $17.670 million (2012: $21.923 million).

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%:

2013 Final ordinary	7.0	**37,450**	**4 November 2013**

The financial effect of the final ordinary dividend for 2013 has not been recognised in the Financial Statements for the 52 weeks ended 27 July 2013 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% (2012: 30%) are $ 67.831 million (2012: $63.250 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 $16.050 million (2012: $15.860 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

7. EARNINGS PER SHARE

	2013	2012
	CENTS PER SHARE	CENTS PER SHARE
Basic earnings per share	**18.0**	19.4
Diluted earnings per share	**17.9**	19.4

	$000	$000
The following data was used in calculating basic and dilutive earnings per share:		
Profit after income tax expense	**95,184**	101,103

	NUMBER	NUMBER
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**530,150,633**	520,854,488
Effect of dilution – LTI Plan	**711,699**	1,452,494
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	**530,862,332**	522,306,982

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 27 July 2013, 458,301 LTI Plan rights (2012: 4,361,506) 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 non-dilutive.

8. CASH AND CASH EQUIVALENTS

	2013	2012
	$000	$000
Cash at bank and on hand	**9,877**	11,536
Short term deposits	**4,000**	9,000
	13,877	20,536

The Consolidated Entity's exposure to interest rate risk, including a sensitivity analysis for financial assets and liabilities, is disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

9. RECEIVABLES

	2013 $000	2012 $000
CURRENT		
Amounts receivable from suppliers	**10,793**	11,266
Less: Allowance for doubtful debts	**(4,029)**	(3,548)
Net amounts receivable from suppliers	**6,764**	7,718
Other receivables	**12,328**	8,671
	19,092	16,389

Notes:

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

(ii) Details of the credit risk of current receivables are disclosed in Note 32.

Movements in the allowance for doubtful debts from suppliers

	2013	2012
Balance at the beginning of the year	**(3,548)**	(3,321)
(Charge)/reversal for the year	**(658)**	(397)
Written off during the year	**177**	170
Balance at the end of the year	**(4,029)**	(3,548)

Aged Analysis of Receivables

	2013	2012
Neither past due nor impaired	**–**	1,472
Less than 30 days overdue and not impaired	**6,271**	5,970
More than 30 days but less than 90 days overdue and not impaired	**439**	202
More than 90 days overdue and not impaired	**54**	74
Total amounts due from suppliers, net of provision for doubtful debts	**6,764**	7,718

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 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 1.16.

10. INVENTORIES

	2013 $000	2012 $000
Retail inventories	**251,543**	279,099
	251,543	279,099

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

11. FINANCIAL ASSETS

	2013 $000	2012 $000
CURRENT		
Forward exchange contracts	**941**	24
	941	24
NON-CURRENT		
Shares in other corporations	**12**	12
	12	12

Forward exchange contracts are designated as cash flow hedges. Information in relation to the Consolidated Entity's exposure to forward exchange and interest rate risks are disclosed in Note 32.

12. OTHER ASSETS

	2013 $000	2012 $000
CURRENT		
Prepayments	**6,670**	7,201
	6,670	7,201
NON-CURRENT		
Prepayments	**660**	394
	660	394

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

13. PROPERTY, PLANT AND EQUIPMENT

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

	Land, Buildings and Integral Plant	Leasehold Improvements	Plant and Equipment	Computer Equipment	Fixtures and Fittings	Work in Progress	Total
Year ended 27 July 2013	$000	$000	$000	$000	$000	$000	$000
At 29 July 2012, net of accumulated depreciation	458,257	79,938	60,122	8,278	185,134	25,703	817,432
Additions	–	9,722	8,061	19,614	26,712	10,781	74,890
Disposals	–	(13)	(4)	(3)	(1,012)	–	(1,032)
Non-Current Asset Held for Sale	–	(216)	(105)	–	(2,261)	–	(2,582)
Depreciation charge for the year	(4,282)	(7,000)	(6,266)	(1,993)	(33,794)	–	(53,335)
At 27 July 2013, net of accumulated depreciation	453,975	82,431	61,808	25,896	174,779	36,484	835,373
At 27 July 2013							
Cost	475,742	170,465	126,871	40,113	391,543	36,484	1,241,218
Accumulated depreciation	(21,767)	(88,034)	(65,063)	(14,217)	(216,764)	–	(405,845)
Net carrying amount	453,975	82,431	61,808	25,896	174,779	36,484	835,373
Year ended 28 July 2012							
At 31 July 2011, net of accumulated depreciation	462,539	69,137	58,155	8,507	166,136	33,942	798,416
Additions	–	17,421	8,190	1,333	51,304	(8,239)	70,009
Disposals	–	(17)	(71)	(12)	(864)	–	(964)
Depreciation charge for the year	(4,282)	(6,603)	(6,152)	(1,550)	(31,442)	–	(50,029)
At 28 July 2012, net of accumulated depreciation	458,257	79,938	60,122	8,278	185,134	25,703	817,432
At 28 July 2012							
Cost	475,742	167,804	121,578	35,489	386,122	25,703	1,212,438
Accumulated depreciation	(17,485)	(87,866)	(61,456)	(27,211)	(200,988)	–	(395,006)
Net carrying amount	458,257	79,938	60,122	8,278	185,134	25,703	817,432

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

14. INTANGIBLE ASSETS

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

	Software	Goodwill	Total
Year ended 27 July 2013	**$000**	**$000**	**$000**
At 29 July 2012, net of accumulated amortisation	**13,672**	**30,305**	**43,977**
Additions	**4,094**	**–**	**4,094**
Disposals	**–**	**–**	**–**
Amortisation charge for the year	**(3,427)**	**–**	**(3,427)**
At 27 July 2013, net of accumulated amortisation	**14,339**	**30,305**	**44,644**
At 27 July 2013			
Cost	**45,964**	**30,305**	**76,269**
Accumulated amortisation	**(31,625)**	**–**	**(31,625)**
Net carrying amount	**14,339**	**30,305**	**44,644**
Year ended 28 July 2012			
At 30 July 2011, net of accumulated amortisation	**4,117**	**30,305**	**34,422**
Additions	**11,475**	**–**	**11,475**
Disposals	**–**	**–**	**–**
Amortisation charge for the year	**(1,920)**	**–**	**(1,920)**
At 28 July 2012, net of accumulated amortisation	**13,672**	**30,305**	**43,977**
At 28 July 2012			
Cost	**44,308**	**30,305**	**74,613**
Accumulated amortisation	**(30,636)**	**–**	**(30,636)**
Net carrying amount	**13,672**	**30,305**	**43,977**

Impairment test for goodwill and other assets

The goodwill balance relates to the acquisition of a group of department stores in Western Australia ($10.3 million) and a department store in New South Wales ($20.0 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 14.2% (2012: 14.3%). The cash flows are based on financial projections for each CGU using a long term sales growth rate of zero percent (2012: between zero percent and 1.0%) for the remaining lease period, and reflects 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 20.0% with the discount rate being increased by 1.0%. The sensitivity analyses performed indicate the forecast cash flow and assumptions used for impairment testing are reasonable.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

15. DEFERRED TAX ASSETS AND LIABILITIES

	2013 $000	2012 $000
Deferred tax assets are attributable to the following items:		
Inventory	**14,403**	10,221
Plant and equipment	**21,940**	20,375
Accrued expenses	**5,912**	7,967
Provisions for:		
– Directors retirement allowance	**43**	140
– Doubtful debts	**1,209**	1,064
– Employee benefits	**11,603**	8,767
– Sales returns	**834**	622
Gift card non-redemption provision	**(668)**	(741)
Straight-lining of lease rentals	**8,324**	8,301
Hedge accounting	**(233)**	395
Share based payments	**(999)**	(1,280)
Other amounts	**23**	2
	62,391	55,833
Reconciliation of movement of deferred tax assets:		
Opening balance	**55,833**	54,410
(Over) / under provision in prior years	**(337)**	31
Charges recognised in Statement of Comprehensive Income	**7,433**	1,144
Amounts recognised against equity	**(538)**	248
	62,391	55,833

16. PAYABLES

	2013 $000	2012 $000
Trade payables	**129,413**	134,502
Other payables and accruals	**132,427**	130,093
	261,840	264,595

17. INTEREST BEARING LIABILITIES

	2013 $000	2012 $000
CURRENT		
Bank overdraft	**360**	6
Unsecured bank loans	**–**	11,000
	360	11,006
NON-CURRENT		
Unsecured bank loans	**100,000**	125,000
	100,000	125,000

Information in relation to the Consolidated Entity's exposure to interest rate risk is disclosed in Note 32.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

17. INTEREST BEARING LIABILITIES (CONTINUED)

Unsecured bank loan

In December 2012, a $100 million tranche of the Consolidated Entity's unsecured bank loan facilities fell due for renewal. Of this tranche:

- $75 million was extended to 14 December 2015
- $25 million was not renewed and expired on 14 December 2012.

As at July 2013, the Consolidated Entity had the following unsecured bank loan facilities:

- $100 million; expiring 15 December 2014
- $75 million; expiring 14 December 2015
- $200 million; expiring 15 December 2016.

These facilities are subject to a negative pledge and borrowing covenants between the Company, certain controlled entities within the Consolidated Entity, and the facility lenders.

During the financial year the Company established a new uncommitted short term trade finance facility of $25 million which expires on 28 November 2013. This facility is not included in the below table.

	2013	2012
	$000	$000
Financing facilities		
Access to the following lines of credit was available at balance date:		
Total facilities (i)		
Unsecured bank loan facilities	**375,000**	400,000
Overdraft and trade finance facility (ii)	**30,542**	29,281
Bank guarantee facility	**780**	910
	406,322	430,191
Used at balance date		
Unsecured bank loans facilities	**100,000**	136,000
Overdraft and trade finance facility	**360**	6
Bank guarantee facility	**780**	910
	101,140	136,916
Unused at balance date		
Unsecured bank loans facilities	**275,000**	264,000
Overdraft and trade finance facility	**30,182**	29,275
Bank guarantee facility	**–**	–
	305,182	293,275

Notes:

(i) All facilities are unsecured and subject to borrowing covenants, which have been met.

(ii) The overdraft and trade finance facilities are subject to annual review in November each year. The overdraft facilities can be cancelled by the lender on 30 days notice.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

18. PROVISIONS

	2013 **$000**	2012 $000
CURRENT		
Employee entitlements	**32,806**	23,881
Sales returns	**2,780**	2,074
	35,586	25,955
NON-CURRENT		
Employee entitlements	**6,127**	5,717
Directors' retirement allowance	**143**	466
Restoration and make good	**1,089**	–
	7,359	6,183

Movement

	Sales Returns $000	Restoration $000	Total $000
Balance at the beginning of the year	2,074	–	**2,074**
Provisions made during the year	706	1,089	**1,795**
Provisions used during the year	–	–	–
Balance at the end of the year	2,780	1,089	**3,869**
Current	2,780	–	**2,780**
Non-current	–	1,089	**1,089**
Total	2,780	1,089	**3,869**

Sales returns

A provision is recognised for the estimated cost of sales returns, which have occurred during the financial year. The provision is estimated with reference to actual sales during the financial year 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

19. FINANCIAL LIABILITIES

	2013 $000	2012 $000
CURRENT		
Forward exchange contracts	**28**	819
Interest rate swap contracts	**150**	538
	178	1,357

Forward exchange and interest rate swap contracts are designated as cash flow hedges. Information in relation to the Consolidated Entity's exposure to forward exchange and interest rate risks are disclosed in Note 32.

20. OTHER LIABILITIES

	2013 $000	2012 $000
CURRENT		
Lease accrual for rent straight line adjustment	**813**	288
	813	288
NON-CURRENT		
Lease accrual for rent straight line adjustment	**27,500**	27,712
	27,500	27,712

DAVID JONES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

21. CONTRIBUTED EQUITY

	2013 $000	2012 $000
Ordinary shares, fully paid	**564,698**	547,028
	564,698	547,028
Movements in ordinary share capital		
Balance at the beginning of the year	**547,028**	525,105
Dividend Reinvestment Plan	**17,670**	21,923
Balance at the end of the year	**564,698**	547,028

Movements in the number of ordinary shares:	**2013 Number**	2012 Number
Balance at the beginning of the year	**528,655,600**	520,751,395
Dividend Reinvestment Plan	**6,346,801**	7,904,205
Balance at the end of the year	**535,002,401**	528,655,600
Less: ordinary shares held by Trust	**(1,279,037)**	(2,805,717)
Balance for the Consolidated entity	**533,723,364**	525,849,883

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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

22. RESERVES

	2013 $000	2012 $000
Share-based payments reserve	**76,323**	75,284
Cash flow hedge reserve	**544**	(922)
	76,867	74,362
Movements:		
Share based payments reserve		
Balance at the beginning of the year	**75,284**	75,633
Share based payments	**949**	(625)
Income tax recognised directly in equity	**90**	276
Balance at the end of the year	**76,323**	75,284
Cash flow hedge reserve		
Balance at the beginning of the year	**(922)**	(986)
Movement during the year in interest rate swaps	**387**	(33)
Movement during the year in foreign exchange contracts	**1,707**	125
Income tax recognised directly in equity	**(628)**	(28)
Balance at the end of the year	**544**	(922)

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.

23. RETAINED EARNINGS

	2013 $000	2012 $000
Balance at the beginning of the year	**154,314**	185,728
Net profit attributable to members of the parent entity	**95,184**	101,103
Dividends recognised on ordinary shares during the year	**(89,967)**	(132,517)
Balance at the end of the year	**159,531**	154,314

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

24. RECONCILIATION OF PROFIT AFTER INCOME TAX TO THE NET CASH FLOWS FROM OPERATIONS

	2013 $000	2012 $000
Profit after income tax	**95,184**	101,103
Adjusted for other non-cash items and transfers:		
– Depreciation and amortisation expenses	**56,762**	51,949
– Net loss on disposal of assets	**800**	823
– Loss on ineffective hedge	**–**	16
– Share-based payments	**949**	(625)
Changes in assets and liabilities:		
– (Increase)/decrease in receivables	**(2,703)**	3,248
– Decrease in inventories	**27,556**	9,751
– Decrease/(increase) in other assets	**265**	(495)
– (Decrease)/increase in payables	**(2,755)**	48,166
– Decrease in taxation	**(7,141)**	(16,704)
– Increase/(decrease) in provisions	**10,807**	(772)
– Increase in other liabilities	**312**	277
Net cash from operating activities	**180,036**	196,737

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

25. CONTINGENT LIABILITIES

The Directors are of the opinion that provisions are not required in respect of the matters disclosed below, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of being reliably measured.

Indemnities

	CONSOLIDATED		DAVID JONES LIMITED	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Indemnities to third parties given in the ordinary course of business	**780**	910	**780**	910

Litigation

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 reliably 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 Consolidated Entity, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

25. 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.

	2013 $000	2012 $000
Summarised Income Statement		
Profit before related income tax expense	**131,745**	141,559
Income tax expense	**(36,229)**	(42,819)
Profit after income tax expense	**95,516**	98,740
Summary of movements in consolidated retained earnings		
Balance at the beginning of the year	**141,023**	174,800
Dividends recognised during the year	**(89,967)**	(132,517)
Net profit attributable to parties of the Closed Group	**95,516**	98,740
Balance at the end of the year	**146,572**	141,023

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

25. CONTINGENT LIABILITIES (CONTINUED)

Deed of cross guarantee (continued)

	2013 $000	2012 $000
Statement of Financial Position		
CURRENT ASSETS		
Cash and cash equivalents	**13,877**	20,536
Receivables	**19,092**	16,389
Inventories	**251,543**	279,099
Financial assets	**941**	24
Other assets	**6,670**	7,201
Non current assets held for sale	**2,582**	–
Total current assets	**294,705**	323,249
NON-CURRENT ASSETS		
Financial assets	**70,255**	70,255
Property, plant and equipment	**835,373**	817,432
Intangible assets	**34,338**	33,672
Deferred tax assets	**62,389**	55,831
Other assets	**660**	394
Total non-current assets	**1,003,015**	977,584
Total assets	**1,297,720**	1,300,833
CURRENT LIABILITIES		
Payables	**333,005**	336,093
Interest bearing liabilities	**360**	11,006
Current tax liabilities	**3,053**	3,097
Provisions	**35,586**	25,955
Financial liabilities	**178**	1,357
Other liabilities	**813**	288
Total current liabilities	**372,995**	377,796
NON-CURRENT LIABILITIES		
Interest bearing liabilities	**100,000**	125,000
Provisions	**7,359**	6,183
Other liabilities	**27,500**	27,712
Total non-current liabilities	**134,859**	158,895
Total liabilities	**507,854**	536,691
Net assets	**789,866**	764,142
EQUITY		
Contributed equity	**564,698**	547,028
Reserves	**78,596**	76,091
Retained earnings	**146,572**	141,023
Total equity	**789,866**	764,142

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

26. COMMITMENTS FOR EXPENDITURE

	CONSOLIDATED		DAVID JONES LIMITED	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
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	**7,329**	14,851	**7,329**	14,851
Later than one year but not later than five years	**–**	–	**–**	–
Later than five years	**–**	–	**–**	–
	7,329	14,851	**7,329**	14,851
Operating lease commitments				
Future operating lease rentals payable:				
Within one year	**87,512**	82,427	**87,512**	82,427
Later than one year but not later than five years	**334,790**	318,139	**334,790**	318,139
Later than five years	**902,824**	932,750	**902,824**	932,750
	1,325,126	1,333,316	**1,325,126**	1,333,316

The Consolidated Entity leases retail premises and warehousing facilities. The operating lease agreements are for an average term of 25 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.

27. AUDITOR'S REMUNERATION

	2013	2012
	$	$
During the financial year, the following fees were paid or payable for services provided by Ernst & Young, the auditor of David Jones Limited and it's Controlled Entities:		
Audit services:		
– Audit and review of Financial Statements	**495,500**	505,000
	495,500	505,000
Other assurance services	**88,200**	55,500
Taxation services	**81,368**	-
	665,068	560,500

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

28. KMP DISCLOSURES

Key Management Personnel (KMP) 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.

	2013	2012
	$	$
Compensation by category for KMP		
Short term employee benefits – Executives	**9,565,616**	6,858,507
Short term employee benefits – Non Executive Directors	**1,430,332**	1,650,724
Post employment benefits	**349,524**	477,310
Termination benefits	**–**	1,182,754
Other long term benefits	**145,162**	203,456
Share-based payments	**886,868**	1,684,335
Total compensation	**12,377,502**	12,057,086

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

28. KMP DISCLOSURES (CONTINUED)

EQUITY HOLDINGS OF KMP

Long Term Incentive (LTI) Plan rights holdings of KMP

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

For the 52 week period ended 27 July 2013

Name	LTI Plan	Holding at 29 July 2012	Granted as Remuner-ation[1]	Vested and converted during the Year	Forfeited/ Lapsed during the Year	Holding at 27 July 2013	Fair Value of Right (TSR)[4]	Fair Value of Right (NPAT)[5]	Fair Value of Right (EPS)[6]
		Number	Number	Number	Number	Number	$	$	$
Directors									
Paul Zahra									
	FY09-12 Retention offer								
	- Tranche 4	122,000	**–**	**(122,000)**	**–**	**–**	**1.57**	**2.51**	
	FY09-12 additional offer								
	- Tranche 3	212,500	**–**	**(212,500)**	**–**	**–**	**3.64**	**3.95**	
	- Tranche 4	76,250	**–**	**(76,250)**	**–**	**–**	**3.45**	**3.95**	
	FY13-15 LTI offer	–	**300,000**	**–**	**–**	**300,000**	**1.22**		**1.85**
Value vested/lapsed[3]				***$924,188***					
Former Directors									
Stephen Goddard									
	FY 09-12 Retention offer								
	- Tranche 4	76,250	**–**	**(76,250)**	**–**	**–**	**3.45**	**3.95**	
Value vested/lapsed[3]				***$171,563***					
Executives									
Brad Soller									
	FY13-15 LTI offer	–	**150,000**	**–**	**–**	**150,000**	**1.25**		**1.90**
Value vested/lapsed[3]									
Antony Karp									
	FY09-12 Retention offer								
	- Tranche 4	122,000	**–**	**(122,000)**	**–**	**–**	**1.57**	**2.51**	
	FY13-15 LTI offer	–	**75,000**	**–**	**–**	**75,000**	**1.25**		**1.90**
Value vested/lapsed[3]				***$274,500***					
Paula Bauchinger									
	FY09-12 Retention offer								
	- Tranche 4	41,480	**–**	**(41,480)**	**–**	**–**	**1.57**	**2.51**	
	FY13-15 LTI offer	–	**75,000**	**–**	**–**	**75,000**	**1.25**		**1.90**
Value vested/lapsed[3]				***$93,330***					
Cate Daniels									
	FY09-12 additional offer								
	- Tranche 3	170,000	**–**	**(170,000)**	**–**	**–**	**4.03**	**4.35**	
	- Tranche 4	61,000	**–**	**(61,000)**	**–**	**–**	**3.88**	**4.35**	
	FY13-15 LTI offer	**–**	**125,000**	**–**	**–**	**125,000**	**1.25**		**1.90**
Value vested/lapsed[3]				**$519,750**					
Donna Player									
	FY13-15 LTI offer	**–**	**125,000**	**–**	**–**	**125,000**	**1.25**		**1.90**
Value vested/lapsed[3]									

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

28. KMP DISCLOSURES (CONTINUED)

For the 52 week period ended 27 July 2013 (continued)

Name LTI Plan	Holding at 29 July 2012 Number	Granted as Remuneration[1] Number	Vested and converted during the Year Number	Forfeited/ Lapsed during the Year Number	Holding at 27 July 2013 Number	Fair Value of Right (TSR)[4] $	Fair Value of Right (NPAT)[5] $	Fair Value of Right (EPS)[6] $
Matthew Durbin								
FY09-12 Retention offer								
- Tranche 4	27,450	–	**(27,450)**	–	–	**1.57**	**2.51**	
FY09-12 additional offer								
- Tranche 3	95,625	–	**(95,625)**	–	–	**4.03**	**4.35**	
- Tranche 4	34,312	–	**(34,312)**	–	–	**3.88**	**4.35**	
FY13-15 LTI offer	–	**75,000**	–	–	**75,000**	**1.25**		**1.90**
Value vested/lapsed[3]			***$354,121***					
David Robinson								
FY09-12 additional offer								
- Tranche 4	30,500	–	**(30,500)**	–	–	**3.16**	**3.75**	
FY13-15 LTI offer	–	**75,000**	–	–	**75,000**	**1.25**		**1.90**
Value vested/lapsed[3]			***$68,625***					
Sacha Laing								
FY09-12 additional offer								
- Tranche 3	116,875	–	**(116,875)**	–	–	**4.03**	**4.35**	
- Tranche 4	41,938	–	**(41,938)**	–	–	**3.88**	**4.35**	
FY13-15 LTI offer	–	**100,000**	–	–	**100,000**	**1.25**		**1.90**
Value vested/lapsed[3]			***$357,329***					
Former Executives								
Brett Riddington								
FY09-12 additional offer								
- Tranche 3	85,000	–	**(85,000)**	–	–	**4.03**	**4.35**	
- Tranche 4	30,500	–	**(30,500)**	–	–	**3.88**	**4.35**	
Value vested/lapsed[3]			***$259,875***					
Patrick Robinson								
FY09-12 Retention offer								
- Tranche 4	122,000	–	**(122,000)**	–	–	**1.57**	**2.51**	
Value vested/lapsed[3]			***$274,500***					

Notes:

1. The number of rights granted to each participant in the LTI Plan may not convert to an equivalent number of ordinary shares due to specified financial performance and employment conditions not being satisfied.
2. Non-Executive Directors are not entitled to participate in the LTI Plan and therefore no holdings are disclosed.
3. The value of rights that have
   (i) vested during the year is calculated using the weighted average share price at date of vesting.
   (ii) forfeited/lapsed during the year is calculated using the closing share price as at 27 July 2013.
4. Fair value as at grant date.
5. Fair value of right as at grant date. This is not relevant to the FY2013 – FY2015 plan as no component relates to NPAT.
6. Fair value as at grant date. This is relevant to the FY2013 – FY2015 LTI plan as it has an EPS component.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

28. KMP DISCLOSURES (CONTINUED)

For the 52 week period ended 28 July 2012

Name	LTI Plan	Holding at 31 July 2011[1]	Granted as Remuneration[1]	Vested and converted during the Year	Forfeited/ Lapsed during the Year[2]	Holding at 28 July 2012[4]	Fair Value of Right (TSR)[6]	Fair Value of Right (NPAT)[6]
		Number	Number	Number	Number	Number	$	$
Directors								
Paul Zahra								
	FY09-12 Retention offer							
	- Tranche 2	200,000	–	**(200,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	170,000	–	**(170,000)**	–	–	**1.65**	**2.74**
	- Tranche 4	400,000	–	–	**(278,000)**	**122,000**	**1.57**	**2.51**
	FY09-12 additional offer							
	- Tranche 3	212,500	–	–	–	**212,500**	**3.64**	**3.95**
	- Tranche 4	250,000	–	–	**(173,750)**	**76,250**	**3.45**	**3.95**
Value vested/lapsed[5]				***$1,113,700***	***($1,084,200)***			
Stephen Goddard								
	FY09-11 Retention offer							
	- Tranche 1	519,677	–	**(519,677)**	–	–	**1.63**	**1.82**
	- Tranche 2	519,677	–	**(519,677)**	–	–	**1.59**	**1.82**
	- Tranche 3	588,968	–	**(588,968)**	–	–	**1.61**	**1.82**
	FY09-12 Retention offer							
	- Tranche 4	250,000	–	–	**(173,750)**	**76,250**	**3.45**	**3.95**
Value vested/lapsed[5]				***$4,901,250***	***($417,000)***			
Executives								
Antony Karp								
	FY09-12 Retention offer							
	- Tranche 2	200,000	–	**(200,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	170,000	–	**(170,000)**	–	–	**1.65**	**2.74**
	- Tranche 4	400,000	–	–	**(278,000)**	**122,000**	**1.57**	**2.51**
Value vested/lapsed[5]				***$1,113,700***	***($667,200)***			
Patrick Robinson								
	FY09-12 Retention offer							
	- Tranche 2	200,000	–	**(200,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	170,000	–	**(170,000)**	–	–	**1.65**	**2.74**
	- Tranche 4	400,000	–	–	**(278,000)**	**122,000**	**1.57**	**2.51**
Value vested/lapsed[5]				***$1,113,700***	***($667,200)***			
Karen McLachlan								
	FY09-12 Retention offer							
	- Tranche 2	160,000	–	**(160,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	136,000	–	**(136,000)**	–	–	**1.65**	**2.74**
	- Tranche 4	320,000	–	–	**(320,000)**	–	**1.57**	**2.51**
Value vested/lapsed[5]				***$890,960***	***($704,000)***			
Paula Bauchinger								
	FY09-12 Retention offer							
	- Tranche 2	68,000	–	**(68,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	57,800	–	**(57,800)**	–	–	**1.65**	**2.74**
	- Tranche 4	136,000	–	–	**(94,520)**	**41,480**	**1.57**	**2.51**
Value vested/lapsed[5]				***$378,658***	***($226,848)***			

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

28. KMP DISCLOSURES (CONTINUED)

For the 52 week period ended 28 July 2012 (continued)

Name	LTI Plan	Holding at 31 July 2011[1]	Granted as Remuneration[1]	Vested and converted during the Year	Forfeited/ Lapsed during the Year[2]	Holding at 28 July 2012[4]	Fair Value of Right (TSR)[6]	Fair Value of Right (NPAT)[6]
		Number	Number	Number	Number	Number	$	$
Cate Daniels								
	FY09-12 Retention offer							
	- Tranche 2	20,000	–	**(20,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	14,000	–	**(14,000)**	–	–	**1.65**	**2.74**
	- Tranche 4	40,000	–	–	**(40,000)**	–	**1.57**	**2.51**
	FY09-12 additional offer							
	- Tranche 3	170,000	–	–	–	**170,000**	**4.03**	**4.35**
	- Tranche 4	200,000	–	–	**(139,000)**	**61,000**	**3.88**	**4.35**
Value vested/lapsed[5]				***$102,340***	***($429,600)***			
Matthew Durbin								
	FY09-12 Retention offer							
	- Tranche 2	45,000	–	**(45,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	38,250	–	**(38,250)**	–	–	**1.65**	**2.74**
	- Tranche 4	90,000	–	–	**(62,550)**	**27,450**	**1.57**	**2.51**
	FY09-12 additional offer							
	- Tranche 3	95,625	–	–	–	**95,625**	**4.03**	**4.35**
	- Tranche 4	112,500	–	–	**(78,188)**	**34,312**	**3.88**	**4.35**
Value vested/lapsed[5]				***$250,583***	***($337,771)***			
David Robinson								
	FY09-12 one-off offer							
	- Tranche 1	45,000	–	**(45,000)**	–	–	–	**4.03**
	- Tranche 2	14,783	–	**(14,783)**	–	–	–	**4.03**
	- Tranche 3	24,098	–	**(24,098)**	–	–	–	**4.03**
	FY09-12 additional offer							
	- Tranche 4	100,000	–	–	**(69,500)**	**30,500**	**3.16**	**3.75**
Value vested/lapsed[5]				***$252,482***	***($166,800)***			
Sacha Laing								
	FY09-12 Retention offer							
	- Tranche 2	45,000	–	**(45,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	31,500	–	**(31,500)**	–	–	**1.65**	**2.74**
	- Tranche 4	90,000	–	–	**(90,000)**	–	**1.57**	**2.51**
	FY09-12 additional offer							
	- Tranche 3	116,875	–	–	–	**116,875**	**4.03**	**4.35**
	- Tranche 4	137,500	–	–	**(95,562)**	**41,938**	**3.88**	**4.35**
Value vested/lapsed[5]				***$230,265***	***($445,349)***			
Brett Riddington								
	FY09-12 Retention offer							
	- Tranche 2	40,000	–	**(40,000)**	–	–	**1.64**	**2.74**
	- Tranche 3	28,000	–	**(28,000)**	–	–	**1.65**	**2.74**
	- Tranche 4	80,000	–	–	**(80,000)**	–	**1.57**	**2.51**
	FY09-12 additional offer							
	- Tranche 3	85,000	–	–	–	**85,000**	**4.03**	**4.35**
	- Tranche 4	100,000	–	–	**(69,500)**	**30,500**	**3.88**	**4.35**
Value vested/lapsed[5]				***$204,680***	***($358,800)***			

Notes:

1. The number of rights granted to each participant in the LTI Plan may not convert to an equivalent number of ordinary shares due to specified financial performance and employment conditions not being satisfied.
2. During the 52 weeks ended 28 July 2012, rights were forfeited due to employment or financial performance conditions not being satisfied.
3. Non-Executive Directors are not entitled to participate in the LTI Plan and therefore no holdings are disclosed.
4. Rights held at 28 July 2012 will vest and convert to shares on 19 September 2012.
5. The value of rights that have
   (iii) vested during the year is calculated using the weighted average share price at date of vesting.
   (iv) forfeited/lapsed during the year is calculated using the closing share price as at 28 July 2012.
6. Fair value of right as at grant date.

NOTES TO THE FINANCIAL STATEMENTS

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28. KMP DISCLOSURES (CONTINUED)

Shareholdings of KMP

The following tables show the movements in the number of ordinary shares held in the Company, directly, indirectly or beneficially, by each KMP, including their related parties, for the current financial year.

For the 52 week period ended 27 July 2013

	Holding at 29 July 2012	Granted as remuneration	Allocated under LTI Plan	Net change – other[1]	Holding at 27 July 2013
Directors					
Peter Mason	**132,929**	**-**	**-**	**8,185**	**141,114**
Paul Zahra	**863,926**	**-**	**410,750**	**-**	**1,274,676**
Steven Vamos	**-**	**-**	**-**	**-**	**-**
John Harvey	**48,502**	**-**	**-**	**2,560**	**51,062**
Philippa Stone	**29,754**	**-**	**-**	**-**	**29,754**
Jane Harvey	**-**	**-**	**-**	**-**	**-**
Leigh Clapham	**-**	**-**	**-**	**-**	**-**
Melinda Conrad	**-**	**-**	**-**	**-**	**-**
Former Directors					
Robert Savage	**145,799**	**-**	**-**	**(145,799)**	**-**
Stephen Goddard	**2,235,782**	**-**	**76,250**	**(2,312,032)**	**-**
Executives					
Sacha Laing	**47,501**	**-**	**158,813**	**(206,314)**	**-**
Antony Karp	**752,101**	**-**	**122,000**	**(874,101)**	**-**
Matthew Durbin	**86,425**	**-**	**157,387**	**(243,812)**	**-**
Paula Bauchinger	**252,129**	**-**	**41,480**	**-**	**293,609**
Cate Daniels	**95,489**	**-**	**231,000**	**(135,205)**	**191,284**
David Robinson	**80**	**-**	**30,500**	**(30,500)**	**80**
Donna Player	**-**	**-**	**-**	**-**	**-**
Brad Soller	**-**	**-**	**-**	**-**	**-**

Note:

1 'Net change – other' includes on-market purchases and sales of ordinary shares, shares acquired through the Dividend Reinvestment Plan, and the closing balance of shares held by former Non-Executive Directors and Executives on the date of their cessation of office or employment.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

28. KMP DISCLOSURES (CONTINUED)

Shareholdings of KMP (continued)

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 prior financial year.

For the 52 week period ended 28 July 2012

	Holding at 30 July 2011	Granted as remuneration	Allocated under LTI Plan	Net change – other[1]	Holding at 28 July 2012
Directors					
Robert Savage	**137,159**	**-**	**-**	**8,640**	**145,799**
Peter Mason	**121,506**	**-**	**-**	**11,423**	**132,929**
Paul Zahra	**493,926**	**-**	**370,000**	**-**	**863,926**
Stephen Goddard	**607,460**	**-**	**1,628,322**	**-**	**2,235,782**
Steven Vamos	**-**	**-**	**-**	**-**	**-**
John Harvey	**44,929**	**-**	**-**	**3,573**	**48,502**
Philippa Stone	**9,754**	**-**	**-**	**20,000**	**29,754**
Former Directors					
John Coates	**54,771**	**-**	**-**	**(54,771)**	**-**
Reginald Clairs	**188,552**	**-**	**-**	**(188,552)**	**-**
Katie Lahey	**23,251**	**-**	**-**	**(23,251)**	**-**
Executives					
Sacha Laing	**45,001**	**-**	**76,500**	**(74,000)**	**47,501**
Antony Karp	**375,010**	**-**	**370,000**	**7,091**	**752,101**
Matthew Durbin	**3,175**	**-**	**83,250**	**-**	**86,425**
Paula Bauchinger	**126,329**	**-**	**125,800**	**-**	**252,129**
Cate Daniels	**53,714**	**-**	**34,000**	**7,775**	**95,489**
David Robinson	**99**	**-**	**83,881**	**(83,900)**	**80**
Donna Player	**-**	**-**	**-**	**-**	**-**
Brad Soller	**-**	**-**	**-**	**-**	**-**
Former Executives					
Karen McLachlan	**3,084**	**-**	**296,000**	**(299,084)**	**-**
Brett Riddington	**40,000**	**-**	**68,000**	**(108,000)**	**-**
Patrick Robinson	**201,235**	**-**	**370,000**	**(571,235)**	**-**

Note:

1 ‘Net change – other’ includes on-market purchases and sales of ordinary shares, shares acquired through the Dividend Reinvestment Plan, and the closing balance of shares held by former Executives on the date of cessation of office or employment.

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 according to the type of merchandise purchased and did not exceed 20% (2012: 20%)

Loans to KMP

There were no loans between the Consolidated Entity and KMPs during the 52 week period ended 27 July 2013 or the 52 week period ended 28 July 2012.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

29. EMPLOYEE SHARE PLANS

LTI and Retention Plans

Rights to ordinary shares are granted to senior executives under the LTI and Retention Plans. 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 and Retention Plans rights for the 52 week period ended 27 July 2013:

			NUMBER OF LTI AND RETENTION PLAN RIGHTS						
Offer Description/Performance Period	Date of Grant	Expiry Date	Balance at 29 July 2012	Granted during period	Forfeited during period	Vested and converted during period[1, 2]	Balance at 27 July 2013	Fair value per right TSR hurdle	Fair value per right NPAT/EPS hurdle
FY09 - 12 Retention Offer - Tranche 4 31 July 2011 – 28 July 2012	24 July 2008	19 September 2012	**495,930**	**–**	**–**	**(495,930)**	**–**	**$1.57**	**$2.51**
FY09 - 12 Additional Retention - Tranche 3 1 August 2010 – 30 July 2011	1 November 2010	19 September 2012	**467,500**	**–**	**–**	**(467,500)**	**–**	**$4.03**	**$4.35**
FY09 - 12 Additional Retention Offer - Tranche 4 31 July 2011 – 28 July 2012	1 November 2010	19 September 2012	**198,250**	**–**	**–**	**(198,250)**	**–**	**$3.88**	**$4.35**
FY09 - 12 Additional Retention Offer Executive Directors - Tranche 3 1 August 2010 – 30 July 2011	3 December 2010	19 September 2012	**212,500**	**–**	**–**	**(212,500)**	**-**	**$3.64**	**$3.95**
FY09 - 12 Additional Retention Offer Executive Directors - Tranche 4 31 July 2011 – 28 July 2012	3 December 2010	19 September 2012	**152,500**	**–**	**–**	**(152,500)**	**–**	**$3.45**	**$3.95**
FY13 - 14 Supplementary Offer 29 July 2012 – 26 July 2014	14 October 2011	October 2014	**70,000**	**–**	**–**	**–**	**70,000**	**–**	**$2.36**
FY13 - 15 Executive Long Term Incentive offer 29 July 2012 – 25 July 2015	21 January 2013	30 September 2015	**–**	**300,000**	**–**	**–**	**300,000**	**1.22**	**1.85**
FY13 - 15 Executive Long Term Incentive offer 29 July 2012 – 25 July 2015	23 November 2012	30 September 2015	**–**	**800,000**	**–**	**–**	**800,000**	**1.25**	**1.90**

Note:

1. The conversion of LTI Plan rights to ordinary shares is subject to financial performance and employee service conditions being met by the plan participants.
2. The weighted average share price at date of vesting was $2.25.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

29. EMPLOYEE SHARE PLANS (CONTINUED)

LTI and Retention Plans (continued)

Movements in the LTI and Retention Plans rights for the 52 week period ended 28 July 2012:

			NUMBER OF LTI AND RETENTION PLAN RIGHTS						
Offer Description/Performance Period	Date of Grant	Expiry Date	Balance at 31 July 2011	Granted during period	Forfeited during period	Vested and converted during period[1, 2]	Balance at 28 July 2012	Fair value per right TSR hurdle	Fair value per right NPAT hurdle
FY09 - 12 Retention Offer - Tranche 2 26 July 2009 – 31 July 2010	24 July 2008	30 September 2011	**2,280,384**	**–**	**(38,000)**	**(2,242,384)**	**–**	**$1.64**	**$2.74**
FY09 - 12 Retention Offer - Tranche 3 1 August 2010 – 30 July 2011	24 July 2008	30 September 2011	**1,744,970**	**–**	**(26,600)**	**(1,718,370)**	**–**	**$1.65**	**$2.74**
FY09 - 12 Retention Offer - Tranche 4 31 July 2011 – 28 July 2012	24 July 2008	19 September 2012	**4,626,000**	**–**	**(4,130,070)**	**–**	**495,930**	**$1.57**	**$2.51**
Retention Offer Executive Directors - Tranche 1 27 July 2008 – 25 July 2009	28 November 2008	30 September 2011	**519,677**	**–**	**–**	**(519,677)**	**–**	**$1.63**	**$1.82**
Retention Offer Executive Directors - Tranche 2 26 July 2009 - 31 July 2010	28 November 2008	30 September 2011	**519,677**	**–**	**–**	**(519,677)**	**–**	**$1.59**	**$1.82**
Retention Offer Executive Directors - Tranche 3 1 August 2010 – 30 July 2011	28 November 2008	30 September 2011	**588,968**	**–**	**–**	**(588,968)**	**–**	**$1.61**	**$1.82**
FY09 - 11 one-off offer 27 July 2008 – 30 July 2011	26 September 2007	30 September 2011	**83,881**	**–**	**–**	**(83,881)**	**–**	**–**	**$4.03**
FY09 - 12 Additional Retention - Tranche 3 1 August 2010 – 30 July 2011	1 November 2010	19 September 2012	**467,500**	**–**	**–**	**–**	**467,500**	**$4.03**	**$4.35**
FY09 - 12 Additional Retention Offer - Tranche 4 31 July 2011 – 28 July 2012	1 November 2010	19 September 2012	**650,000**	**–**	**(451,750)**	**–**	**198,250**	**$3.88**	**$4.35**
FY09 - 12 Additional Retention Offer Executive Directors - Tranche 3 1 August 2010 – 30 July 2011	3 December 2010	19 September 2012	**212,500**	**–**	**–**	**–**	**212,500**	**$3.64**	**$3.95**
FY09 - 12 Additional Retention Offer Executive Directors - Tranche 4 31 July 2011 – 28 July 2012	3 December 2010	19 September 2012	**500,000**	**–**	**(347,500)**	**–**	**152,500**	**$3.45**	**$3.95**
FY13 - 14 Supplementary Offer 29 July 2012 – 26 July 2014	14 October 2011	October 2014	**–**	**70,000**	**–**	**–**	**70,000**	**–**	**$2.36**

Note:

1. The conversion of LTI Plan rights to ordinary shares is subject to financial performance and employee service conditions being met by the plan participants.
2. The weighted average share price at date of vesting was $3.01.

	2013	2012
	NUMBER	NUMBER
Shares issued under the plan to participating employees on 19 September 2012 (2012: 30 September 2011)	**1,526,680**	**5,672,957**
	$	$
Market price of David Jones Limited shares on the date of issue	**2.25**	**3.01**

DAVID JONES LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

29. EMPLOYEE SHARE PLANS (CONTINUED)

Summary of LTI and Retention Plans

Offer	FY2013 – FY2015 OFFER	FY2009 – FY2012 OFFER	FY2009 – FY2011 OFFER
Offered to	Senior Executives	Senior Executives	Finance Director
Vesting date	September 2015	Staggered up to September 2012	September 2011
Performance measures	TSR compared to peer group and growth in EPS over the three year performance period	TSR compared to peer group and NPAT	TSR compared to peer group and NPAT
Retesting rules	No Retest		
Plan Status	Not yet tested. First testing following completion of FY2015	Tranche 1 and 2 fully vested at stretch Tranche 3 vested at stretch for TSR and between target and stretch for NPAT 4th and final tranche vested between target and stretch for TSR but below target for NPAT.	Tranche 1 and 2 vested at stretch performance 3rd and final tranche vested at stretch for TSR and between target and stretch for NPAT
ASX Listed Retailers			
Peer group for TSR comparator	Australian Pharmaceutical Industries Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Kathmandu Holdings Limited, Myer Holdings Limited, Nick Scali Limited, OrotonGroup Limited, Pacific Brands Limited, The Reject Shop Limited, Metcash Limited, Premier Investments Limited, Wesfarmers Limited, Woolworths Limited, Billabong International Limited, G.U.D Holdings Limited, Super Retail Group Limited	Funtastic Limited, Harvey Norman Holdings Limited, JB Hi-Fi Limited, Metcash Limited, Nick Scali Limited, OrotonGroup Limited, Specialty Fashion Group Limited, Super Retail Group Limited and Woolworths 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 Retail Group Limited and Woolworths Limited.
Non-Retailers that demonstrate cyclical patterns			
Peer group for TSR comparator	APN News & Media Limited, Fairfax Media Limited, Seven West Media Limited, Southern Cross Media Group Limited, Ten Network Holdings Limited, Treasury Wine Estates Limited, Flight Centre Limited, Coca-Cola Amatil Limited	APN News & Media 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 Group Holdings Limited, STW Communications Group Limited, Ten Network Holdings Limited, Wesfarmers Limited and Seven West Media Limited.	APN News & Media 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 Group Holdings Limited, STW Communications Group Limited, Ten Network Holdings Limited, Wesfarmers Limited and Seven West Media Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

29. EMPLOYEE SHARE PLANS (CONTINUED)

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 financial year 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.

No shares were issued to eligible employees during the financial year and no shares were purchased by the Trustee on behalf of participants under the Plan.

Details of the shares in each of the above plans are as follows:

	EESP Number	**DESP Number**
Shares held in plan at 29 July 2012	**261,572**	**144,487**
Share issued from DRP	**5,202**	**2,711**
Shares disposed during the year	**(5,704)**	**(108,997)**
Shares held in plan at 27 July 2013	**261,070**	**38,201**

	$	**$**
David Jones share price at 27 July 2013	**2.65**	**2.65**
Market value of shares	**691,836**	**101,233**

	EESP Number	**DESP Number**
Shares held in plan at 30 July 2011	**258,929**	**147,131**
Share issued from DRP	**7,722**	**8,894**
Shares disposed during the year	**(5,079)**	**(11,538)**
Shares held in plan at 28 July 2012	**261,572**	**144,487**

	$	**$**
David Jones share price at 28 July 2012	**2.40**	**2.40**
Market value of shares	**627,773**	**346,769**

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

30. CONSOLIDATED ENTITIES

			Interest Held	
			2013	2012
	Note	**Class of Share**	**%**	%
Parent entity:				
David Jones Limited	(i)			
Subsidiaries:	(ii)			
Aherns Holdings Pty Ltd (investor)		Ordinary	**100**	100
Ahern's (Suburban) Pty Ltd (non-operating)	(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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

31. RELATED PARTY DISCLOSURES

Transactions between Directors and the Company

From time to time Directors may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by senior management.

In the ordinary course of business, the Company has paid amounts to Director-related entities for services provided on an arms length basis. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-related entities.

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, 25 and 30.

Superannuation plans

The Company contributes to several defined contribution superannuation plans.

All superannuation contributions are made in accordance with the relevant trust deeds and the Superannuation Guarantee Charge.

Other related party transactions

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

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

32. CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management

The Consolidated Entity's key objective when managing capital is to minimise its weighted average cost of capital while retaining loan facilities to pursue growth and capital management opportunities.

In managing its capital structure, the Consolidated Entity also seeks to safeguard its 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. Net debt is calculated as total interest bearing liabilities less cash and cash equivalents and equity is calculated with reference to the amount of equity shown in the Statement of Financial Position. The calculation of the Consolidated Entity's gearing ratio at the balance date of 9.7% (2012: 13.0%) is shown below:

GEARING RATIO	**2013**	**2013**	2012	2012
	\$000	**%**	\$000	%
Net debt	**86,483**	**9.7**	115,470	13.0
Equity	**801,096**	**90.3**	775,704	87.0
Capital employed	**887,579**	**100.0**	891,174	100.0

The Company maintains a Dividend Reinvestment Plan which allows shareholders to invest their dividends in the equity of the company.

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 27 July 2013 are estimated to be $51.781 million (following payment of the 2013 final dividend).

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

The Consolidated Entity's key objective of financial risk management is to facilitate 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 value.

In addition to business risk, the Consolidated Entity recognises four fundamental sources of financial risk:

(a) Interest rate risk

(b) Foreign currency risk

(c) Credit risk

(d) 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 Consolidated Entity's Treasury department is responsible for the management of these risks. The level of exposure to the above risks is monitored by the Company's Board of Directors.

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:

	CARRYING AMOUNT		**FAIR VALUE**	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
FINANCIAL ASSETS				
Cash and cash equivalents	**13,877**	20,536	**13,877**	20,536
Receivables	**19,092**	16,389	**19,092**	16,389
Forward exchange contracts	**941**	24	**941**	24
Shares in other corporations	**12**	12	**12**	12
Total financial assets	**33,922**	36,961	**33,922**	36,961
FINANCIAL LIABILITIES				
Payables	**261,840**	264,595	**261,840**	264,595
Interest bearing liabilities:				
Bank overdraft	**360**	6	**360**	6
Unsecured bank loan	**100,000**	136,000	**101,138**	135,666
Forward exchange contracts	**28**	819	**28**	819
Interest rate swap contracts	**150**	538	**150**	538
Total financial liabilities	**362,378**	401,958	**363,516**	401,624

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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

Fair Value

The Consolidated Entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1: Fair value is calculated using quoted prices in active markets

Level 2: Fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: Fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The categorisation of the fair value of the financial instruments disclosed in the Statement of Financial Position is shown below.

2013	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
FINANCIAL ASSETS				
Forward exchange contracts	**–**	**941**	**–**	**941**
Shares in other corporations	**–**	**–**	**12**	**12**
	–	**941**	**12**	**953**
FINANCIAL LIABILITIES				
Forward exchange contracts	**–**	**28**	**–**	**28**
Interest rate swap contracts	**–**	**150**	**–**	**150**
	–	**178**	**–**	**178**
2012				
FINANCIAL ASSETS				
Forward exchange contracts	–	24	–	24
Shares in other corporations	–	–	12	12
	–	24	12	36
FINANCIAL LIABILITIES				
Forward exchange contracts	–	819	–	819
Interest rate swap contracts	–	538	–	538
	–	1,357	–	1,357

(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 rate risk by entering into interest rate swap contracts in respect of its floating rate debt. The Consolidated Entity had $75.0 million (2012: $72.0 million) of notional principal interest rate swaps that were in place during the financial year ended 27 July 2013.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

(a) Interest rate risk (continued)

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. The weighted average interest rates shown below are inclusive of margins applicable to the underlying variable rate borrowings.

	Interest Bearing	Non Interest Bearing	Total	Average Interest Rate
2013	**$000**	**$000**	**$000**	**% Per annum**
FINANCIAL ASSETS				
Cash and cash equivalents	**6,542**	**7,335**	**13,877**	**2.2**
	6,542	**7,335**	**13,877**	
FINANCIAL LIABILITIES				
Bank overdraft	**360**	**–**	**360**	**3.4**
Unsecured bank loan	**25,000**	**–**	**25,000**	**4.4**
	25,360	**–**	**25,360**	
2012				
FINANCIAL ASSETS				
Cash and cash equivalents	12,451	8,085	20,536	3.5
	12,451	8,085	20,536	
FINANCIAL LIABILITIES				
Bank overdraft	6	–	6	1.1
Unsecured bank loan	64,000	–	64,000	5.2
	64,006	–	64,006	

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.

	Profit before Tax		Equity	
	2013	2012	**2013**	2012
	$000	$000	**$000**	$000
Interest rates 100bps higher: increase/(decrease) in:	**(210)**	(550)	**447**	766
Interest rates 100bps lower: increase/(decrease) in:	**210**	550	**(428)**	(705)

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 4.4% to 5.4% (2012: 5.2% to 6.2%), and from 4.4% to 3.4% for an equivalent downward shift (2012: 5.2% to 4.2%). This sensitivity interval of 100bps is considered reasonable in view of the current volatility in the financial markets.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

(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 foreign currency risk. Currencies utilised to purchase imported goods are denominated in Euros, United States Dollars, Hong Kong Dollars, Pounds Sterling and Swiss Francs.

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% (2012: 97%) 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 mature by July 2014. The information shown is for the Consolidated Entity.

	Exchange Rate		Australian Dollar Equivalent	
Gross Value Payable under Foreign Currency Contracts:	**2013**	2012	**2013**	2012
	$000	$000	**$000**	$000
Buy Euros	**0.7391**	0.7894	**9,603**	12,897
Buy United States Dollars	**0.9411**	1.0208	**9,493**	7,415
Buy Hong Kong Dollars	**7.0153**	–	**85**	–
Buy Pounds Sterling	**0.6423**	0.6452	**1,020**	1,551
Buy Swiss Francs	**0.9092**	–	**669**	–
			20,870	21,863

As these contracts are hedging firm purchase commitments, any unrealised gains and losses on the contracts, together with the cost of the contracts, will be recognised in the Financial Statements at the time the underlying transaction occurs. The mark to market gain on the contracts at balance date was $0.912 million (2012: $0.795 million loss).

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.

	Profit before Tax		Equity	
Foreign Currency Exchange Rate Sensitivity Analysis	**2013**	2012	**2013**	2012
	$000	$000	**$000**	$000
Foreign exchange rates 10% higher: increase/(decrease) in:	**58**	61	**(1,976)**	(1,903)
Foreign exchange rates 10% lower: increase/(decrease) in:	**(71)**	(75)	**2,416**	2,328

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 exchange rates.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial Risk Management (continued)

(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 27 July 2013, the Consolidated Entity had 100% of its aggregate institutional credit risk spread over four counterparties, with a Standard & Poor's long term credit rating of A to AA.

(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 million at all times in the form of undrawn standby facilities. The balance of the liquidity reserve at the balance date was $319.0 million (2012: $303.7 million).

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

32. CAPITAL AND FINANCIAL RISK MANAGEMENT (CONTINUED)

Financial risk management (continued)

(d) Liquidity risk (continued)

The contractual maturities of financial liabilities are set out below:

Maturing in:	0 – 6 Months	6 – 12 Months	Over 1 to 5 Years	Total
2013	**\$000**	**\$000**	**\$000**	**\$000**
FINANCIAL LIABILITIES				
Payables	**261,840**	**–**	**–**	**261,840**
Bank overdraft	**364**	**–**	**–**	**364**
Unsecured bank loan	**2,199**	**2,163**	**101,673**	**106,035**
Forward exchange contracts	**20,235**	**634**	**–**	**20,869**
Interest rate swap contracts	**115**	**35**	**11**	**161**
	284,753	**2,832**	**101,684**	**389,269**
2012				
FINANCIAL LIABILITIES				
Payables	264,595	–	–	264,595
Bank overdraft	6	–	–	6
Unsecured bank loan	14,483	3,208	136,570	154,261
Forward exchange contracts	15,291	6,572	–	21,863
Interest rate swap contracts	303	130	105	538
	294,678	9,910	136,675	441,263

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.

NOTES TO THE FINANCIAL STATEMENTS

For the 52 weeks ended 27 July 2013 and 28 July 2012

33. PARENT ENTITY DISCLOSURES

As at, and throughout the 52 week period ending 27 July 2013, the parent company of the Group was David Jones Limited.

	DAVID JONES LIMITED	
	2013	2012
	$000	$000
RESULT OF THE PARENT ENTITY		
Profit for the year	**97,512**	98,690
Other comprehensive income	**(1,195)**	(22)
Total comprehensive income for the year	**96,317**	98,668
FINANCIAL POSITION OF THE PARENT ENTITY		
AT YEAR END		
Current assets	**288,724**	311,815
Total assets	**1,326,667**	1,324,213
Current liabilities	**526,463**	552,395
Total liabilities	**561,323**	586,291
TOTAL EQUITY OF THE PARENT ENTITY		
Contributed equity	**564,698**	547,028
Share based payments reserve	**76,323**	75,283
Cash flow hedge reserve	**572**	(622)
Retained earnings	**123,751**	116,233
Total Equity	**765,344**	737,922

Parent entity contingent liabilities

Contingent liabilities in relation to the Company are disclosed in Note 25.

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 26.

34. EVENTS SUBSEQUENT TO REPORTING DATE

Dick Smith Electronics Transaction

On 12 August 2013 the Company entered into the following agreements with Dick Smith Electronics Pty Limited ('Dick Smith') and Dick Smith Holdings Pty Limited:

(a) Sale Agreement whereby Dick Smith will purchase items of inventory and fixed assets and assume responsibility for extended warranty claims and employee entitlement provisions for employees who accept offers of employment with Dick Smith.

(b) Retail Brand Management Agreement that grants Dick Smith the right to sell electronic products and services to David Jones retail customers.

As a consequence of the Sale Agreement, the Company has recognised a reduction in the value of inventory of $9.1 million in the year ending 27 July 2013. This has resulted in a reduction in Profit before Tax of $9.1 million from $140.4 million to $131.3 million for the year.

The net consideration payable for the assets and liabilities that will be transferred to Dick Smith under the Sale Agreement is approximately $15 million and will be paid to the Company in the year ending 28 July 2014.

Dividends

Dividends declared by the Company after 27 July 2013 are disclosed in Note 6.

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) the Financial Statements, notes and the additional disclosures 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 Consolidated Entity's financial position as at 27 July 2013 and of its performance for the year ended on that date; and

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

(b) the Financial Statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.2.

(c) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

(d) as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

(e) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the *Corporations Act 2001* for the financial year ending 27 July 2013.

Signed in accordance with a resolution of the Directors:

Peter Mason
Chairman

Paul Zahra
Chief Executive Officer and Managing Director

Sydney, 25 September 2013

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Auditor's Independence Declaration to the Directors of David Jones Limited

In relation to our audit of the financial report of David Jones Limited for the 52 weeks ended 27 July 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Graeme McKenzie
Partner
25 September 2013

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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 consolidated statement of financial position as at 27 July 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 52 weeks then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers 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 complied with 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 the previous page and which forms part of the directors' report.

Opinion

In our opinion:

a. 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 consolidated entity's financial position as at 27 July 2013 and of its performance for the 52 weeks ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the 52 weeks ended 27 July 2013. 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.

Opinion

In our opinion, the Remuneration Report of David Jones for the 52 weeks ended 27 July 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
Sydney
25 September 2013