For Immediate Distribution

19 March 2014

DAVID JONES 1H14 RESULTS & FUTURE STRATEGIC DIRECTION PLAN UPDATE

- **Future Strategic Direction Plan** continues to gain momentum and deliver results
- **1H14 PAT** of $70.1 million reflecting Department Store EBIT growth of 8.3% and Financial Services EBIT broadly halving in line with previous guidance
- **Total Sales** up 3.8% in 1H14. Like-For-Like (LFL) Sales up 1.1%
- **Gross Profit Margin** flat to 1H13 at 39.0%
- **CODB ratio** down 30 basis points (bps) to 30.2%
- **Inventory** well managed and down on 1H13
- No Net Debt, **Strong Balance Sheet, Solid Cashflows**
- **Interim Dividend** of 10.0 cps fully franked

David Jones Limited (DJS) today reported Profit after Tax (PAT) of $70.1 million for the half year ended 25 January 2014 (1H13: $73.5 million).

David Jones CEO & Managing Director Paul Zahra said, "Our result this half reflects the momentum that our Future Strategic Direction Plan is gaining, with our core Department Store business delivering 8.3% EBIT growth. Our result this half also reflects the fact that the EBIT contribution from our Financial Services business broadly halved in line with previous guidance."

A summary of the Company's financial performance for the half year ended 25 January 2014 (1H14) is shown below:

KEY ITEMS	1H14	1H13
Sales ($m)	1,042.3	1,003.8
Department Store EBIT ($m)	91.6	84.6
Financial Services EBIT ($m)	11.6	24.5
Total EBIT ($m)	103.2	109.1
PAT ($m)	70.1	73.5
Basic EPS (cps)	13.1	13.9
Operating cashflows ($m)	125.6	114.3
Interim dividend per ordinary share (cps) (fully franked)	10.0	10.0

Total Sales
Total Sales for the half year were $1,042.3 million, up 3.8% on the corresponding prior year period (1H13: $1,003.8 million). Like-for-Like (LFL) Sales for the half were up 1.1%. LFL Sales exclude the two new stores in Victoria (namely Highpoint and Malvern Central) which opened on 14 March 2013 and 12 September 2013 respectively. LFL Sales however includes stores disrupted due to refurbishment during the period (in 1H14 the Canberra Centre (ACT) was being refurbished).

The Fashion, Beauty and Homewares categories performed strongly. The Company's online store grew significantly and was up 220% on the corresponding prior year period. As previously reported the Company entered into a Retail Brand Management Agreement (RBMA) with Dick Smith Electronics Pty Limited (Dick Smith) in relation to its Electronics category. The RBMA took effect from 1 October 2013. Excluding the Electronics category (which is now operated by Dick Smith) the Company's LFL Sales were up 3.6% in 2Q14 and up 2.4% in 1H14.

Gross Profit
Gross Profit increased by $15.0 million to $406.1 million (1H13: $391.1 million). The Gross Profit percentage of 39.0% was held in line with the corresponding prior year period (1H13: 39.0%) despite being impacted by aggressive competitor discounting pre Christmas, the exit of low productivity categories and the conversion of Dick Smith to a RBMA.

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

CODB increased by $8.0 million to $314.5 million (1H13: $306.5 million) and the CODB to Sales ratio of 30.2% is 30 bps lower than the corresponding prior year period. The increase in CODB principally relates to higher lease and occupancy costs and higher depreciation charges.

The increase in lease and occupancy costs reflects the opening of the Highpoint (VIC) and Malvern Central (VIC) stores and contracted increases under existing leases.

The higher depreciation charge reflects the Company's significant investment in technology.

Department Stores – Earnings Before Interest and Tax (EBIT)
EBIT for Department Stores was $91.6 million, which represents an increase of $7.0 million (8.3%) on the corresponding prior year period (1H13: $84.6 million).

Financial Services – Earnings Before Interest and Tax
Financial Services EBIT was $11.6 million, which represents a $12.9 million (52.7%) decrease on the corresponding prior year period (1H13: $24.5 million). The EBIT for Financial Services is in line with previous guidance and reflects the agreement with American Express converting to a profit sharing arrangement.

Net Interest Expense
Net interest expense of $3.5 million is $1.3 million lower than the corresponding prior year period (1H13: $4.8 million), reflecting lower average net debt and lower interest rates.

Income Tax Expense
The income tax expense rate of 29.6% is 10 bps higher than the corresponding prior year period (1H13: 29.5%).

Profit After Income Tax Expense
The consolidated entity's Profit after Tax was $70.1 million which is $3.4 million lower than the corresponding prior year period (1H13: $73.5 million). The profit decline in the Financial Services segment was, to a large extent, mitigated by the strong performance of the Department Stores segment.

DEBT POSITION
The Company's Balance Sheet remains strong. The Company had no net debt as at 25 January 2014 (1H13 Net Debt: $64.3 million).

DIVIDENDS
The Board has declared a fully franked interim dividend of 10.0 cents per share (cps) (1H13: 10 cps). The record date for the interim dividend is 10 April 2014 and the dividend payment date is 7 May 2014.

Given the low level of debt, the Company's Dividend Reinvestment Plan (DRP) is to be discontinued. The DRP will not be available to shareholders for the FY14 interim dividend.

FUTURE STRATEGIC DIRECTION PLAN UPDATE

The Company has completed the second year of implementation of its Future Strategic Direction Plan. The Plan continues to gain traction and momentum and is delivering good results.

1. ADDRESSING STRUCTRAL CHANGES IN THE RETAIL SECTOR

OMNI CHANNEL RETAILING
David Jones has successfully transformed into an Omni Channel Retailer (OCR). In 2Q14 the Company cycled the launch of its new webstore and delivered online sales growth of 150%. Online sales grew by 220% in 1H14. This growth was driven by:

- New services being launched such as click & collect and gift registry online;
- The introduction of new functionality such as shoppable videos, image zoom and ratings and reviews;
- Range expansion with up to 120,000 SKUs available online in December 2013;
- Strong performance of the David Jones site even during peak traffic periods with 98% of orders dispatched within 24 hours and 80% of all calls to the Company's call centre answered within 20 seconds; and
- Online traffic increasing by 75% on 1H13 and conversion increasing by 50%.

The Company is aiming for its online sales to constitute 10% of Total Sales by FY18.

A key component of the Company's OCR strategy going forward will be increasing its digital contacts and the roll out of its Customer Data Analytics program. These tools will provide a real time understanding of individual customers as they shop and interact with David Jones across all channels. This in turn will enable the Company to deliver relevant, personalised offers to customers as they transact either in store or online as well as personalised post purchase offers and purchase suggestions linked to spend history.

COST PRICE HARMONISATION
The Company's Cost Price Harmonisation program is now embedded in the business. All new brands are price harmonised before they enter the business.

Mr Zahra said, "There have been significant retail price reductions across our business as we have implemented our Cost Price Harmonisation program in conjunction with our international suppliers. The key objective of this program was to ensure our prices are more aligned with our international peers.

"I am pleased to report that these price reductions have been more than offset by volume increases and we have maintained our GP Margin percentage throughout this process," Mr Zahra said.

2. DRIVING GROWTH FROM OUR CORE DEPARTMENT STORE BUSINESS

GROWING SALES
The Company delivered both Total and LFL Sales growth in 1H14. The key initiatives the Company has implemented that have played a part in driving this growth are set out below.

Customer Service
Customer Service continues to be a priority and the business is building upon initiatives rolled out over the past two years.

David Jones' "5 Star Service for Today" was launched in October 2013 and introduces new contemporary service standards for today's customers which incorporate international best practice. The Company continues to invest in customer service and front line staff education.

Mr Zahra said, "Importantly all RBMA (concession) staff in our business have participated in our "5 Star Service for Today" education program and we have expanded our Daily Sales Reports at an individual level to include concession staff. This is important to ensure we eliminate any service silos and that we promote a seamless service experience across our business."

In 1H14 the Company's investment in customer service initiatives resulted in:
- An 11% reduction in customer complaints versus 1H13;
- A 9% increase in the Company's compliments to complaints ratio;
- A 12% improvement in David Jones' independently conducted Mystery Shopper score; and
- Improvements in concession staff service across the David Jones business demonstrating the elimination of service silos.

Targeting New Customers
The Company has identified a number of new customer segments that it is targeting, to deliver incremental sales growth. These include:
- The inbound Asian tourist market which the Company has targeted through the acceptance of UnionPay, employing 140 front line staff fluent in Cantonese and Mandarin and the introduction of new promotional events such as Chinese New Year;
- The Activewear market through the addition of leading Australian activewear brand Lorna Jane in a department store first;
- The Career Wear market which is valued at approximately $400 million p.a. The Company is aiming to capture a significant proportion of this market over time. During

1H14 David Jones signed up both Hugo Boss and Brooks Brothers on an Australian department store exclusive basis;
- The Young Fashion market through the addition of new brands and more digitally focused, interactive marketing; and
- American Express cardholders (including the David Jones American Express Cards) that were previously enrolled in the American Express Membership Rewards Program have transitioned to the David Jones' online "Shop with Points" program.

In-store Traffic and Conversion
In 1H14 the Company completed the roll out throughout its store portfolio of traffic analytics and is progressing the roll-out of complimentary wi-fi.

Mr Zahra said, "Complimentary in-store wi-fi is a great tool for acquiring customer email addresses and engaging with customers. Traffic analytics enable us to accurately ascertain foot traffic into our stores. This information is used in conjunction with our recently rolled-out Daily Productivity Reports for individual front line staff to ascertain and benchmark conversion of foot traffic into sales."

New Brands
In 1H14 the Company introduced approximately 100 new national and international brands across the business to replace non performing brands. The continual refreshing of the brand portfolio ensures that floor space productivity is maximised and that the David Jones' brand portfolio reflects the brands that customers want to buy.

New Stores
David Jones opened its new village format Malvern Central (VIC) store in September 2013.

This store incorporates all of the Company's 'Next Generation Store' features. It is 7,500 square metres in size with a focus on high margin Fashion and Beauty categories and offers over 350 brands, of which 150 are Australian department store exclusive to David Jones.

The Company is on track to open its new Indooroopilly (QLD) store in May 2014 and its new Macquarie (NSW) store in FY15.

Refurbishments & Productivity
David Jones has 38 stores in its portfolio. Over the past five years approximately 50% of the stores in the portfolio have been refurbished. In 1H14 the Company completed the refurbishment of its Canberra Centre (ACT) store. In 2H14 the Company is undertaking the extensive refurbishment of its Miranda (NSW) and Adelaide Central Plaza (SA) stores. Whilst these refurbishments will be disruptive to sales, it is expected that once completed they will help drive foot traffic and sales growth.

A key objective of the Company's refurbishment program is to improve the productivity of stores by increasing the selling space. The Company is targeting 80% of Gross Lettable Area (GLA) being selling space post refurbishment. New stores have 85% of GLA allocated to selling space.

MAXIMISING PROFIT MARGINS
The Company is focused on maximising its profit margins and is implementing a four part strategy to achieve this by:

(i) Exiting low productivity categories: In 1H14 David Jones completed its exit of the following low productivity categories. Categories exited over the past 12 months were Outdoor Furniture, Music, DVDs and Electronic Games. In the short term the exit of these categories have adversely impacted GP Margins, however in the longer term this action will enhance margins.

(ii) Improving Category Mix: As part of its New Stores and Refurbishment programs the Company is changing its category mix and the allocation of store selling space from 60:40 Fashion and Beauty vs Home, to a 75:25 mix. Fashion and Beauty being higher margin categories will over time help improve the Company's GP Margin. By the end of calendar 2014, ten stores within the Company's portfolio of 38 stores will have a 75:25 category mix.

(iii) Increasing Private Label: In March 2013 the Company announced its plan to increase its private label business to 10% of Total Sales. This is in line with David Jones' international peers. In 1H14 the Company rolled out new private label merchandise across categories such as jewellery, shoes, bags, small leather goods, men's and women's basics, childrenswear, business shirts, ties and knitwear. David Jones is aiming to achieve its 10% target by FY17.

(iv) Technology Initiatives: The Company is planning to invest in a number of Technology projects over the FY14-16 period which will help maximise profit margins. These projects include a new Merchandise Planning System, "Promotions@POS" and an Automated Rebate Deal Management system.

MANAGING COSTS
Mr Zahra said, "We were pleased to report that in 1H14 our CODB percentage to Sales decreased by 30 basis points. This was achieved as a result of a number of CODB initiatives that we implemented that delivered savings and efficiencies without adversely impacting the customer experience."

The CODB initiatives implemented in 1H14 include the roll out of a new Workforce Management System, the elimination of consumables, energy and service efficiencies delivered by the Company's new Point of Sale system (POS), energy savings from the use of energy efficient lighting and the upgrade of air conditioning and refrigeration as well as Marketing efficiencies as the Company transitions from traditional to digital media.

Mr Zahra said, "We have a number of additional CODB efficiency programs that are scheduled to be rolled out across the period 2H14 through to FY16. The savings delivered by these programs will go some way to offsetting the cost increases that we expect in our business in areas such as labour and property.

"We also plan to exit low productivity stores as their leases expire. We have six leases in less robust demographies due to expire in the next five years. These lease expiries give us the opportunity to review our store portfolio in light of our broader OCR strategy. In this regard we have decided not to renew the leases at our Birkenhead Point (NSW) and Harbour Town (QLD) warehouse stores," Mr Zahra said.

INVENTORY MANAGEMENT
Inventory management continues to be a strong focus of the Company.

In 1H14 the Company launched a new "consignment stock system", where the vendors supply stock to David Jones but the ownership of the stock remains with the vendor. This has enabled David Jones to carry less inventory and to delay payment for inventory to when the goods are actually sold by David Jones.

The Company has continued to increase the number of staggered intakes of inventory it receives throughout each season which has enabled it to manage its inventory levels and improve its working capital levels.

ENHANCING EBIT
On 1 October 2013 David Jones converted its challenging Electronics category from "own buy" to a RBMA (concession) with Dick Smith.

This arrangement has helped improve the Company's EBIT in 1H14 by removing labour and inventory costs and provides that Dick Smith will pay David Jones a minimum guaranteed EBIT contribution from this business regardless of the quantum sales generated by this category. Importantly the Dick Smith RBMA allows David Jones to participate in the "upside" when sales from the Electronics category exceed the minimum guaranteed base level.

3. FINANCIAL SERVICES

The Company’s Financial Services business is comprised of three products, the David Jones Store Card, the David Jones American Express Gold Card and the David Jones American Express Platinum Card.

The Company’s Financial Services business delivered an increase in Total Billings in 1H14 reflecting the strong performance of the David Jones American Express cards (Gold and Platinum). Total Receivables for this business however declined by 10% reflecting a large decline in Store Card receivables and an increasing trend by cardholders in 1H14 to pay down debt.

The earnings decline in Store Cards was fully negated by an increase in the contribution from the David Jones American Express cards. The David Jones American Express cards now account for approximately two thirds of Financial Services earnings.

4. PROPERTY

In 2012 the Company's four Sydney and Melbourne CBD properties were valued at $612 million, on a current use basis.

Since then the Company has explored options to unlock the value of these properties including the air rights above the existing buildings.

In January 2014 the Company lodged a preliminary development application with Sydney City Council in relation to its Market Street (NSW) property. Initial feedback received from Council in relation to the development envelope proposed for this site has been favourable.

In March 2014 Colliers International was appointed as the Company’s property advisors to seek expressions of interest in relation to the Market and Elizabeth Street (NSW) sites. An Information Memorandum is expected to be issued in 4Q14.

CONCLUSION

Mr Zahra concluded, "Our Future Strategic Direction Plan is gaining momentum and delivering results. We have successfully transformed David Jones into an Omni Channel Retailer and we are aiming for our online sales to account for 10% of Total Sales by FY18.

"Our Department Store business is delivering good EBIT growth. We have a strong brand and market positioning which holds us in good stead for future growth.

"We have a robust business model with good growth prospects and we continue to be committed to paying out not less than 85% of PAT to shareholders as fully franked dividends," Mr Zahra said.

ENDS

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DAVID JONES LIMITED

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APPENDIX 4D

HALF YEAR FINANCIAL REPORT

Current Reporting Period:	26 Weeks ended 25 January 2014
Previous Corresponding Period:	26 Weeks ended 26 January 2013

Results For Announcement to the Market	
Revenues from ordinary activities	Up 3.8% to $1,042.349 million
Profit from ordinary activities after tax attributable to members	Down 4.6% to $70.149 million

Dividends – Ordinary Shares	Amount per security	Franked amount per security
2014 Interim dividend declared 19 March 2014 (payable 7 May 2014)	10.0¢	10.0¢
2013 Final dividend (paid 4 November 2013)	7.0¢	7.0¢
Previous corresponding period		
2013 Interim dividend (paid 6 May 2013)	10.0¢	10.0 ¢
2012 Final dividend (paid 5 November 2012)	7.0¢	7.0¢

Record date for determining entitlements to the interim dividend	10 April 2014

David Jones Limited suspended its Dividend Reinvestment Plan on 19 March 2014.

For an explanation of the figures referred to above refer to the attached ASX and media release, and notes to the half year financial report.

Net Tangible Asset Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	$ 1.37	$ 1.35

The attached half year financial report has been reviewed by the Company's independent auditors EY.

This Appendix 4D and the attached half year financial report are given to the ASX under ASX Listing Rule 4.2A and should be read in conjunction with the annual report of David Jones Limited for the year ended 27 July 2013 together with any public announcements made by David Jones Limited during the 26 weeks ended 25 January 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

DAVID JONES LIMITED

AND ITS CONTROLLED ENTITIES

HALF YEAR FINANCIAL REPORT FOR THE 26 WEEKS ENDED 25 JANUARY 2014

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DIRECTORS' REPORT

Your Directors present their report on David Jones Limited (the Company) and its controlled entities for the half year ended 25 January 2014.

Directors

The Directors of the Company in office during the half year and until the date of this report, unless otherwise stated, are shown below:

Gordon Cairns	Chairman and Independent Non-Executive Director (appointed 10 March 2014)
Paul Zahra	Chief Executive Officer and Managing Director
Leigh Clapham	Independent Non-Executive Director (resigned 18 March 2014)
Melinda Conrad	Independent Non-Executive Director
Jane Harvey	Independent Non-Executive Director (appointed Deputy Chair 10 February 2014)
Philippa Stone	Independent Non-Executive Director
John Harvey	Independent Non-Executive Director (resigned 22 November 2013)
Peter Mason AM	Chairman and Independent Non-Executive Director (resigned 10 March 2014)
Steven Vamos	Independent Non-Executive Director (resigned 10 February 2014)

Directors were in office for the entire period unless otherwise stated.

Principal Activities

The principal activities of the Consolidated Entity during the half 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 period.

Results and Review of Operations

Financial Performance

A review of the results for the half year ended 25 January 2014 (1H2014) is set out below. This review should be read in conjunction with the Company's Half Year Financial Report.

Summary of Results for the 26 weeks ended 25 January 2014 and 26 January 2013

	25 January 2014	26 January 2013
	$000	$000
	Reported Results	Reported Results
Total sales	**1,042,349**	1,003,797
Gross profit	**406,052**	391,076
Cost of doing business	**(314,506)**	(306,520)
Department Stores – Earnings Before Interest and Tax	**91,546**	84,556
Financial Services – Earnings Before Interest and Tax	**11,615**	24,552
Total – Earnings Before Interest and Tax	**103,161**	109,108
Net interest expense	**(3,449)**	(4,817)
Profit before income tax expense	**99,712**	104,291
Income tax expense	**(29,563)**	(30,766)
Profit after income tax expense	**70,149**	73,525
Earnings per share for profit attributable to the equity holders of the parent entity:		
Basic earnings per share (cents per share)	**13.1**	13.9
Diluted earnings per share (cents per share)	**13.1**	13.9

DIRECTORS' REPORT

Results and Review of Operations (continued)

Total Sales

Total sales for the half year were $1,042.3 million, up 3.8% on the corresponding prior half year period (1H2013: $1,003.8 million). Like-for-like (LFL) sales for the half were up 1.1%. LFL sales exclude two new stores in Victoria, namely Highpoint and Malvern Central, which opened on 14 March 2013 and 12 September 2013 respectively.

The fashion, beauty and homewares categories performed strongly. The Company's on-line store had significant growth and was up 220% on the corresponding prior half year period.

As previously reported the Company entered into a Retail Brand Management Agreement (RBMA) with Dick Smith Electronics Pty Limited with effect from 1 October 2013. Sales related to Dick Smith for the half year ended 25 January 2014 are included under Agency Sales Revenue in the Company's Statement of Comprehensive Income.

Gross Profit

Gross profit increased by $15.0 million to $406.1 million (1H2013: $391.1 million). The gross profit percentage of 39.0% was held in line with the corresponding prior half year period (1H2013: 39.0%) despite being impacted by aggressive competitor discounting pre Christmas, completing the exit of low productivity categories (music, DVDs, computer games and outdoor furniture), and the conversion of Dick Smith to a RBMA.

Cost of Doing Business (CODB)

CODB is comprised of employee benefits expense, lease and occupancy expenses, depreciation and amortisation, marketing expenses, administration and other expenses in relation to the Department Stores segment.

CODB increased by $8.0 million to $314.5 million (1H2013: $306.5 million) and the CODB to sales ratio of 30.2% is 30 bps lower than the corresponding prior half year period. The increase in CODB principally relates to higher lease and occupancy costs and higher depreciation charges.

The increase in lease and occupancy costs reflects the opening of the Highpoint and Malvern Central stores and contracted increases under existing leases.

The higher depreciation charge reflects the Company's significant investment in technology and new stores over the past 12 months.

Department Stores – Earnings Before Interest and Tax (EBIT)

EBIT for Department Stores was $91.6 million, which represents an increase of $7.0 million (8.3%) on the corresponding prior half year period (1H2013: $84.6 million).

Financial Services – Earnings Before Interest and Tax

Financial Services EBIT was $11.6 million, which represents a $12.9 million (52.7%) decrease on the corresponding prior half year period (1H2013: $24.5 million). The EBIT for Financial Services is in line with previous guidance and reflects the expiry of the American Express minimum profit guarantee.

Net Interest Expense

Net interest expense of $3.5 million is $1.3 million lower than the corresponding prior half year period (1H2013: $4.8 million), and is due to lower average net debt and lower interest rates.

Income Tax Expense

Income tax expense rate of 29.6% is 10 bps higher than the corresponding prior half year period (1H2013: 29.5%).

Profit After Income Tax Expense

The consolidated entity's profit after tax of $70.1 million is $3.4 million lower than corresponding prior half year period (1H2013: $73.5 million). The profit decline in the Financial Services segment was partly mitigated by the strong performance of the Department Stores segment.

Results and Review of Operations (continued)

Financial Position

The Consolidated Entity's financial position is summarised below:

Summary of Financial Position as at 25 January 2014 and 27 July 2013

	Note	**25 January 2014 $000**	27 July 2013 $000
Net current liabilities	1	(29,280)	(17,589)
Property, plant, equipment and intangibles		857,917	880,017
Other liabilities (net)	2	(32,184)	(34,187)
Total funds employed		**796,453**	**828,241**
Net cash /(debt)	3	683	(86,483)
Net tax balances	4	43,373	59,338
Net assets/Equity		**840,509**	**801,096**

Notes:

1. Net current liabilities 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 cash/(debt) reflects the net cash/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.

Net Current Liabilities

The Company had a net current liability position of $29.3 million as at 25 January 2014. The Company continued its focus on managing working capital, which resulted in $23.2 million being released to cash flows in 1H2014.

Property, Plant, Equipment and Intangibles

During the period property, plant, equipment and intangibles declined by $22.1 million to $857.9 million as at 25 January 2014. This decline reflects depreciation and amortisation charges offset by capital expenditure. Capital expenditure (net of refunds from landlords and proceeds from sale of assets) was $7.1 million. Capital expenditure in FY2014 is heavily weighted to the second half of the financial year.

Net Cash/ (Debt)

The company had a net cash position of $0.7 million as at 25 January 2014 (27 July 2013: Net debt of $86.5 million). The net cash position is due to strong operating cash flows in the period and the weighting of capital expenditure to the second half of the financial year.

Net Assets/ Equity

The net asset position increased by $39.4 million during the period primarily due to $5.9 million of equity raised through the Dividend Reinvestment Plan and an increase in Retained Earnings of $32.8 million.

Cash Flows

Summary of Cash Flows for the 26 weeks ended 25 January 2014 and 26 January 2013

	25 January 2014 $000	27 July 2013 $000
Net cash flows from operating activities	125,649	114,322
Net cash flows used in investing activities	(7,051)	(34,377)
Dividends paid	(31,432)	(28,784)
Net decrease in net debt	87,166	51,161

DIRECTORS' REPORT

Results and Review of Operations (continued)

Operating cash flows for the period were $125.6 million (1H2013: $114.3 million). The improvement in operating cash flows reflects the focus on working capital.

Net cash used in investing activities reflects net capital expenditure of $7.1 million (1H2013: $34.4 million). The reduction in capital expenditure, as compared to the corresponding prior half year period, reflects the weighting of expenditure to the second half of the financial year.

Auditor's Independence Declaration

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

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 at 25 January 2014 amounts in this report and the accompanying financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

This report is made in accordance with a resolution of the Directors.

Gordon Cairns
Chairman

Paul Zahra
Chief Executive Officer and Managing Director

19th March 2014

STATEMENT OF COMPREHENSIVE INCOME

FOR THE 26 WEEKS ENDED 25 JANUARY 2014 AND 26 JANUARY 2013

	25 January 2014 $000	26 January 2013 $000
Total sales	**1,042,349**	1,003,797
Less: Agency sales revenue	**(17,269)**	-
Revenue from sale of goods	**1,025,080**	1,003,797
Cost of sales	**(619,028)**	(612,721)
Gross profit	**406,052**	391,076
Other revenues	**16,656**	30,976
Employee benefits expenses	**(151,376)**	(153,833)
Lease and occupancy expenses	**(100,742)**	(95,606)
Depreciation and amortisation	**(31,262)**	(25,573)
Advertising, merchandising and visual expenses	**(16,875)**	(18,886)
Administration expenses	**(11,554)**	(11,407)
Financing expenses	**(3,449)**	(4,817)
Other expenses	**(7,738)**	(7,639)
Profit before income tax expense	**99,712**	104,291
Income tax expense	**(29,563)**	(30,766)
Profit after income tax expense attributable to equity holders of the parent entity	**70,149**	73,525
Other comprehensive income		
Items that will be reclassified to profit or loss in future periods:		
Gains on cash flow hedges	**874**	1,824
Transfer of realised gains on hedges to profit and loss	**(694)**	(740)
Income tax on items of other comprehensive income	**(54)**	(325)
Total other comprehensive income for the period, net of tax	**126**	759
Total comprehensive income attributable to equity holders of the parent entity for the period	**70,275**	74,284
Basic earnings per share (cents per share)	**13.1**	13.9
Diluted earnings per share (cents per share)	**13.1**	13.9

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

STATEMENT OF FINANCIAL POSITION

AS AT 25 JANUARY 2014 AND 27 JULY 2013

	Note	25 January 2014 $000	27 July 2013 $000
CURRENT ASSETS			
Cash and cash equivalents		**45,747**	13,877
Receivables		**25,835**	19,092
Inventories		**224,767**	251,543
Financial assets		**965**	941
Other assets		**9,481**	6,670
Non current assets held for sale		**-**	2,582
Total current assets		**306,795**	294,705
NON-CURRENT ASSETS			
Financial assets		**12**	12
Property, plant and equipment		**808,593**	835,373
Intangible assets		**49,324**	44,644
Deferred tax assets		**59,849**	62,391
Other assets		**1,220**	660
Total non-current assets		**918,998**	943,080
Total assets		**1,225,793**	1,237,785
CURRENT LIABILITIES			
Payables		**255,945**	261,840
Interest bearing liabilities	4	**45,064**	360
Current tax liabilities		**16,476**	3,053
Provisions		**33,331**	35,586
Financial liabilities		**23**	178
Other liabilities		**1,029**	813
Total current liabilities		**351,868**	301,830
NON-CURRENT LIABILITIES			
Interest bearing liabilities	4	**-**	100,000
Provisions		**8,446**	7,359
Other liabilities		**24,970**	27,500
Total non-current liabilities		**33,416**	134,859
Total liabilities		**385,284**	436,689
Net assets		**840,509**	801,096
EQUITY			
Contributed equity	5	**570,627**	564,698
Reserves		**77,563**	76,867
Retained earnings		**192,319**	159,531
Total equity		**840,509**	801,096

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

STATEMENT OF CHANGES IN EQUITY

FOR THE 26 WEEKS ENDED 25 JANUARY 2014 AND 26 JANUARY 2013

For the period ended 25 January 2014	Note	Share Capital $000	Cash Flow Hedge Reserve $000	Share Based Payments Reserve $000	Retained Earnings $000	Total $000
Total equity at 28 July 2013		**564,698**	**544**	**76,323**	**159,531**	**801,096**
Profit for the period		-	-	-	**70,149**	**70,149**
Other comprehensive income, net of tax		-	**126**	**-**	**-**	**126**
Total comprehensive income for the period		-	**126**	**-**	**70,149**	**70,275**
Transactions with owners, recorded directly in equity:						
Issue of ordinary shares through the Dividend Reinvestment Plan		**5,929**	-	-	**-**	**5,929**
Dividends paid	6	**-**	-	-	**(37,361)**	**(37,361)**
Share based payment transactions		-	-	**530**	-	**530**
Income tax		-	-	**40**	-	**40**
Total contributions by and distributions to owners		**5,929**	-	**570**	**(37,361)**	**(30,862)**
Total equity at 25 January 2014		**570,627**	**670**	**76,893**	**192,319**	**840,509**

For the period ended 26 January 2013	Note	Share Capital $000	Cash Flow Hedge Reserve $000	Share Based Payments Reserve $000	Retained Earnings $000	Total $000
Total equity at 29 July 2012		547,028	(922)	75,284	154,314	775,704
Profit for the period		-	-	-	73,525	73,525
Other comprehensive income, net of tax		-	759	-	-	759
Total comprehensive income for the period		-	759	-	73,525	74,284
Transactions with owners, recorded directly in equity:						
Issue of ordinary shares through the Dividend Reinvestment Plan		8,132	-	-	-	8,132
Dividends paid	6	-	-	-	(36,916)	(36,916)
Share based payment transactions		-	-	652	-	652
Income tax		-	-	158	-	158
Total contributions by and distributions to owners		8,132	-	810	(36,916)	(27,974)
Total equity at 26 January 2013		555,160	(163)	76,094	190,923	822,014

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

CASH FLOW STATEMENT

FOR THE 26 WEEKS ENDED 25 JANUARY 2014 AND 26 JANUARY 2013

	Note	25 January 2014 $000	26 January 2013 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		**1,142,242**	1,091,861
Payments to suppliers and employees (inclusive of GST)		**(1,016,188)**	(987,528)
Commissions received		**16,656**	30,976
Interest received		**296**	156
Borrowing costs paid		**(3,745)**	(4,973)
Income tax paid		**(13,612)**	(16,170)
Net cash from operating activities		**125,649**	114,322
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		**(2,559)**	(31,637)
Payments for software		**(7,127)**	(2,740)
Proceeds from sale of property		**2,635**	-
Net cash used in investing activities		**(7,051)**	(34,377)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid on ordinary shares		**(31,432)**	(28,784)
Net repayment of borrowings		**(55,000)**	(61,000)
Net cash used in financing activities		**(86,432)**	(89,784)
Net increase/(decrease) in cash and cash equivalents		**32,166**	(9,839)
Cash and cash equivalents at beginning of the period		**13,517**	20,530
Cash and cash equivalents at the end of the period	3	**45,683**	10,691

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

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 25 JANUARY 2014 AND 26 JANUARY 2013

1. SUMMARY OF ACCOUNTING POLICIES

David Jones Limited (the Company) is a public company domiciled in Australia and is listed on the Australian Securities Exchange. The half year financial report for the 26 weeks ended 25 January 2014 comprises the Company and its controlled entitles (together referred to as the Consolidated Entity).

Statement of compliance

This general purpose half year financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The half year financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the 52 weeks ended 27 July 2013 and any public announcements made by the Company during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

The half year financial report is presented in Australian dollars and is prepared on an historical cost basis except for derivative financial instruments, which are stated at their fair value.

The Consolidated Entity is of a kind referred to in ASIC Class Order 98/100. Accordingly, amounts in the half year financial report have been rounded to the nearest thousand dollars, unless otherwise stated.

The accounting policies applied are consistent with those adopted and disclosed in the annual financial report for the 52 weeks ended 27 July 2013.

New accounting standards and interpretations

There have been no new accounting standards or amendments applicable to the Consolidated Entity, which have had a material impact on the half year financial report.

2. 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 half year:

- Department Stores comprising David Jones department stores, online and corporate support office; and
- Financial Services comprising the alliance between the Consolidated Entity and American Express.

Unallocated items

Interest revenue and expenses are not allocated to operating segments, as this type of activity is not managed on a segment specific basis.

Segment accounting policies

Segment accounting policies are the same as the Consolidated Entity's policies described in Note 1. During the half year, there were no changes in segment accounting policies that had a material effect on segment information.

Seasonality of operations

The financial performance of the Consolidated Entity is exposed to seasonality in sales volumes, with the revenue and profit of its Department Stores segment being historically weighted in favour of the first half of the financial year. The seasonality is a reflection of the additional retail sales generated during the Christmas trading period each year.

2. SEGMENT REPORTING (CONTINUED)

Operating segments for the half year ended 25 January 2014 were:

Operating segments:	Department Stores	Financial Services	Unallocated	Consolidated
	$000	$000	$000	$000
Total sales	**1,042,349**	**-**	**-**	**1,042,349**
Gross profit	**406,052**			**406,052**
Other income:				
Commissions earned by Financial Services	**-**	**13,926**		**13,926**
Other revenues from external customers	**2,730**	**-**	**-**	**2,730**
Total other income	**2,730**	**13,926**	**-**	**16,656**
Depreciation and amortisation	**(31,262)**	**-**	**-**	**(31,262)**
Share based payments	**(530)**	**-**	**-**	**(530)**
Other expenses	**(285,444)**	**(2,311)**	**-**	**(287,755)**
Total expenses	**(317,236)**	**(2,311)**	**-**	**(319,547)**
Segment earnings result	**91,546**	**11,615**	**-**	**103,161**
Finance income	**-**	**-**	**296**	**296**
Finance costs	**-**	**-**	**(3,745)**	**(3,745)**
Net finance costs	**-**	**-**	**(3,449)**	**(3,449)**
Profit before tax	**91,546**	**11,615**	**(3,449)**	**99,712**

Operating segments for the half year ended 26 January 2013 were:

Operating segments:	Department Stores	Financial Services	Unallocated	Consolidated
	$000	$000	$000	$000
Total sales value	1,003,797	-	-	1,003,797
Gross profit	391,076	-	-	391,076
Other income:				
Commissions earned by Financial Services	-	29,442	-	29,442
Other revenues from external customers	1,534	-	-	1,534
Total other income	1,534	29,442	-	30,976
Depreciation and amortisation	(25,570)	(3)	-	(25,573)
Share based payments	(652)	-	-	(652)
Other expenses	(281,832)	(4,887)	-	(286,719)
Total expenses	(308,054)	(4,890)	-	(312,944)
Segment earnings result	84,556	24,552	-	109,108
Finance income	-	-	156	156
Finance costs	-	-	(4,973)	(4,973)
Net finance costs	-	-	(4,817)	(4,817)
Profit before tax	84,556	24,552	(4,817)	104,291

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 25 JANUARY 2014 AND 26 JANUARY 2013

3. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents are comprised of the following:

	25 January 2014 $000	26 January 2013 $000
Cash and cash equivalents	**45,747**	10,923
Bank overdraft (interest bearing liabilities)	**(64)**	(232)
Cash and cash equivalents at the end of the period	**45,683**	10,691

4. INTEREST BEARING LIABILITIES

	25 January 2014 $000	27 July 2013 $000
CURRENT		
Bank overdraft	**64**	360
Unsecured bank loans	**45,000**	-
	45,064	360
NON-CURRENT		
Unsecured bank loans	**-**	100,000
	-	100,000

As at 25 January 2014, 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.

In addition, the Company has an uncommitted short term trade finance facility of $25.0 million and unsecured bank overdraft facilities of $29.4 million. These facilities are subject to annual review in March each year. Both these facilities can be cancelled by the lender on 30 days notice.

NOTES TO THE HALF YEAR FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 25 JANUARY 2014 AND 26 JANUARY 2013

	25 January 2014 $000	27 July 2013 $000

5. CONTRIBUTED EQUITY

Ordinary shares, fully paid	**570,627**	564,698

Movements in contributed equity:		
Balance at the beginning of the period	**564,698**	547,028
Dividend Reinvestment Plan	**5,929**	17,670
Balance at the end of the period	**570,627**	564,698

Movements in the number of ordinary shares:	**Number of Shares**	Number of Shares
Balance at the beginning of the period	**535,002,401**	528,655,600
Dividend Reinvestment Plan	**2,135,444**	6,346,801
Balance at the end of the period	**537,137,845**	535,002,401
Less: Shares held by Trust for Long Term Incentive Plan	**(1,279,037)**	(1,279,037)
Balance at the end of the period	**535,858,808**	533,723,364

6. DIVIDENDS

Dividends recognised at the reporting date are:

	Amount Per Share	Total Amount $000	Date of Payment
25 January 2014:			
2013 Final	7.0¢	37,361	4 November 2013
26 January 2013:			
2012 Final	7.0¢	36,916	5 November 2012

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

Subsequent to 25 January 2014, the Directors declared the following dividend, franked at the tax rate of 30%:

	Amount Per Share	Total Amount $000	Date Payable
Interim 2014	10.0¢	53,714	7 May 2014

The 2014 interim dividend has not been recognised as a liability in the half year financial statements for the 26 weeks ended 25 January 2014.

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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	
	25 January 2014	27 July 2013	**25 January 2014**	27 July 2013
	$000	$000	**$000**	$000
FINANCIAL ASSETS				
Cash and cash equivalents	**45,747**	13,877	**45,747**	13,877
Receivables	**25,835**	19,092	**25,835**	19,092
Forward exchange contracts	**965**	941	**965**	941
Shares in other corporations	**12**	12	**12**	12
Total financial assets	**72,559**	33,922	**72,559**	33,922
FINANCIAL LIABILITIES				
Payables	**255,945**	261,840	**255,945**	261,840
Interest bearing liabilities:				
Bank overdraft	**64**	360	**64**	360
Unsecured bank loan	**45,000**	100,000	**45,556**	101,138
Forward exchange contracts	**-**	28	**-**	28
Interest rate swap contracts	**23**	150	**23**	150
Total financial liabilities	**301,032**	362,378	**301,588**	363,516

Fair Value

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

	Level 1	Level 2	Level 3	Total
25 January 2014	$000	$000	$000	$000
FINANCIAL ASSETS				
Forward exchange contracts	**–**	**965**	**–**	**965**
Shares in other corporations	**–**	**–**	**12**	**12**
	–	**965**	**12**	**977**
FINANCIAL LIABILITIES				
Interest rate swap contracts	**–**	**23**	**–**	**23**
	–	**23**	**–**	**23**
27 July 2013				
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

7. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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 of the financial instruments disclosed in the Statement of Financial Position.

8. CONTINGENT LIABILITIES

The nature and amount of contingent liabilities are disclosed in Note 25 to the Consolidated Entity's 27 July 2013 Financial Statements.

There have been no material changes to the contingent liabilities since 27 July 2013.

The Directors are not aware of any other circumstance or information which would lead them to believe that any matters disclosed in the Company's 27 July 2013 Financial Statements have crystallised, and consequently no provisions have been recognised in the half year financial statements in respect of those matters.

9. EVENTS OCCURRING AFTER THE REPORTING DATE

Dividends

Dividends declared after 25 January 2014 are disclosed in note 6.

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) the Half Year Financial Report, as set out on pages 9 to 25, is in accordance with the *Corporations Act*, including:

  (i) giving a true and fair view of the financial position of the Consolidated Entity as at 25 January 2014 and its performance for the half year ended on that date; and

  (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and

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

Signed in accordance with a resolution of the Directors:

Gordon Cairns	Paul Zahra
Chairman	Chief Executive Officer and Managing Director

Sydney, 19th March 2014

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

In relation to our review of the financial report of David Jones Limited for the 26 weeks ended 25 January 2014, 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

Lisa Nijssen-Smith
Partner
19 March 2014

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To the members of David Jones Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of David Jones Limited, which comprises the statement of financial position as at 25 January 2014, the statement of comprehensive income, statement of changes in equity and cash flow statement for the 26 weeks ended on that date, 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 half-year end or from time to time during the 26 weeks.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 25 January 2014 and its performance for the 26 weeks ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of David Jones Limited and the entities it controlled during the period, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 referenced in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of David Jones Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 25 January 2014 and of its performance for the 26 weeks ended on that date; and

b) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Lisa Nijssen-Smith
Partner
19 March 2014