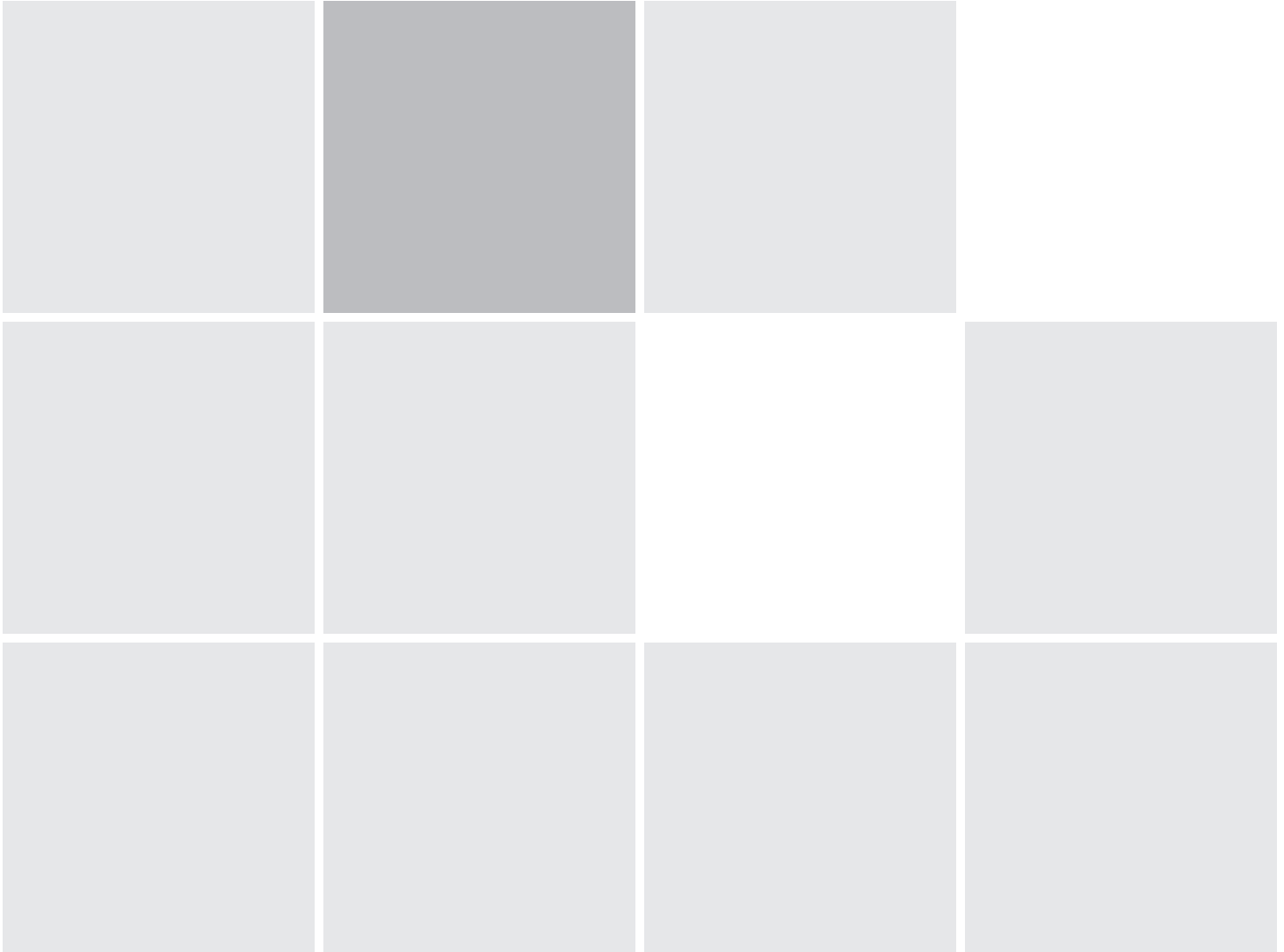




NOTICE
OF MEETING



**DAVID JONES LIMITED
ANNUAL GENERAL MEETING 2005**

Friday, 2 December 2005 at 10.00 am

DAVID JONES LIMITED
ABN 75 000 074 573

**DAVID JONES LIMITED
ANNUAL GENERAL MEETING**

Notice is given to the members of David Jones Limited ABN 75 000 074 573 (the Company) that the Annual General Meeting of the Company will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales on Friday 2 December 2005 at 10.00 a.m.

BUSINESS

1. To receive and consider the financial report of the Company and its controlled entities for the 52 weeks ended 30 July 2005 and the reports of the Directors and Auditor.

2. To elect 2 Directors.

(a) Robert Savage retires by rotation and, being eligible, offers himself for re-election.

(b) Stephen Goddard retires by rotation and, being eligible, offers himself for re-election.

3. To adopt the Remuneration Report.

The vote on this resolution is advisory only.

4. (a) Allocation of shares under the LTI Plan to Mark McInnes

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That approval be given for the grant of up to a maximum number of 674,070 ordinary shares in the capital of the Company to Mark McInnes, the Chief Executive Officer of the Company, pursuant to the David Jones Limited Long Term Incentive Plan and on the terms set out in the notice of Annual General Meeting 2005.'

4. (b) Allocation of shares under the LTI Plan to Stephen Goddard

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That approval be given for the grant of up to a maximum number of 263,430 ordinary shares in the capital of the Company to Stephen Goddard, the Finance Director of the Company, pursuant to the David Jones Limited Long Term Incentive Plan and on the terms set out in the notice of Annual General Meeting 2005.'

5. (a) Issue of retention shares to Mark McInnes

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That approval be given for the grant of rights to up to a maximum number of 1,000,000 ordinary shares in the capital of the Company to Mark McInnes, the Chief Executive Officer of the Company, pursuant to the Executive Service Agreement entered into between the Company and Mark McInnes dated 2 August 2005 and the David Jones Limited Long Term Incentive Plan.'

5. (b) Issue of retention shares to Stephen Goddard

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

'That approval be given for the grant of rights to up to a maximum number of 600,000 ordinary shares in the capital of the Company to Stephen Goddard, the Finance Director of the Company in three tranches over a three year period, pursuant to the David Jones Limited Long Term Incentive Plan, and on the terms set out in the notice of Annual General Meeting 2005.'

By order of the Board



Caroline Waldron
SECRETARY

Sydney 7 October 2005

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Voting Exclusion

In accordance with the Listing Rules of the Australian Stock Exchange Limited any votes cast on resolutions 4(a), 4(b), 5(a) and 5(b) by a Director of the Company or any associate of a Director will be disregarded except where the vote is cast:

- by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- by the chairman of the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Proxies

Any member entitled to attend and vote is entitled to appoint not more than two proxies to attend and vote in his or her stead. If more than one proxy is appointed, each proxy should be appointed to represent a specified portion of the member's voting rights. If two proxies are appointed and the appointment does not specify the proportion of the member's votes that each proxy may exercise, each proxy may exercise half the votes. The person or persons so appointed need not necessarily be members of the Company.

To be effective, the Proxy Form must be received by Computershare Investor Services Pty. Limited, Level 3, 60 Carrington Street, Sydney, NSW, 2000 (or by facsimile to (02) 8235 8220) not less than 48 hours before the time for holding the meeting. No facility exists for receiving Proxy Forms by email.

Corporate Representative

If your holding is registered in a company name and you would like to attend the meeting (and do not intend to return a completed Proxy Form), please bring with you to the meeting a duly completed Appointment of Corporate Representative Form to enable you to attend and vote at the meeting. Contact the Share Registry which will forward to you a form for completion.

Entitlement to vote

For the purposes of the meeting, shares will be taken to be held by the persons who are the registered holders at 7.00 p.m. (Sydney time) on Wednesday 30 November 2005. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the meeting.

Explanatory Notes

ITEM 1 – FINANCIAL REPORT AND THE REPORTS OF THE DIRECTORS AND AUDITOR

The Corporations Act requires the financial report and the reports of the Directors and Auditor be laid before the Annual General Meeting. Shareholders will be given an opportunity to raise questions on all these reports at the meeting.

ITEM 2 – ELECTION OF DIRECTORS

Profiles of the candidates offering themselves for re-election to the office of Director are as follows:

(a) Robert Savage

Resident of Sydney

Term of office Non-Executive Director since 25 October 1999.

Independent Yes

External Directorships Chairman and director of Mincom Limited, Chairman elect and director of Perpetual Trustees Australia Limited and director of Smorgon Steel Limited.

Skills, experience and expertise Mr Savage has had extensive business experience gained during a 35 year career with IBM in marketing, finance, software development and management roles. During this period, he worked in Australia, throughout Asia and in the United States. Roles at IBM included: Managing Director and Chairman of IBM Australia; General Manager – Government for all of IBM's business activity with governments throughout Asia Pacific and South Asia; and Chairman and CEO of IBM Hong Kong, China and Taiwan. He is also a member of the Board of Advice of the Sydney University Faculty of Business and Economics.

Board committee membership Member of the Remuneration and Nominations Committee.

(b) Stephen Goddard

Resident of Sydney

Term of office Executive Director since 3 February 2003.

Independent No

External Directorships Nil

Skills, experience and expertise Mr Goddard has more than 20 years' experience in the Australian retail sector across a broad range of areas including Finance, Operations, Strategic Planning, Merchandise, Stores, Logistics and Supply Chain. Of these 20 years, 18 have been spent in senior management and strategic roles in major Australian department stores including 8 years at the Company and 10 years at Coles Myer Limited. Mr Goddard has extensive and broad ranging retail experience. Mr Goddard joined the Company in



Robert Savage
Chairman and Non-Executive
Director



Stephen Goddard
Executive Director

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1997 as Operations Director. He was appointed Chief Financial Officer in July 2001 and has played an integral role in rebuilding the financial performance of the Company in recent times.

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

ITEM 3 – ADOPTION OF THE REMUNERATION REPORT

The Corporations Act requires listed companies to put a resolution to shareholders to adopt the company's remuneration report. The vote on this resolution is advisory only and does not bind the Directors or the Company. Nevertheless, the outcome of the vote will be considered by the Remuneration and Nominations Committee when evaluating the remuneration arrangements of the Company.

The Remuneration Report is set out on pages 34 to 49 of the 2005 Annual Report and is also available on the Company's website, www.davidjones.com.au.

The Remuneration Report:

- describes the policies behind, and structure of, the remuneration arrangements of the Company and the link between the remuneration of employees and the Company's performance;
- sets out the remuneration arrangements in place for each Director and for certain members of the senior management team; and
- explains the differences between the bases for remunerating Non-Executive Directors and executives of the Company, including the Executive Directors.

A reasonable opportunity for discussion of the Remuneration Report will be provided at the meeting.

The Directors unanimously recommend that shareholders vote in favour of resolution 3.

ITEMS 4(A) AND 4(B) – ALLOCATIONS OF ORDINARY SHARES UNDER THE LONG TERM INCENTIVE PLAN (LTI PLAN) TO MARK MCINNES AND STEPHEN GODDARD

The LTI Plan

The LTI Plan is intended to improve Company performance, ensure the alignment of management with shareholder interests and retain high calibre executives. The Company designed the LTI Plan and the terms of the proposed offers in consultation with independent remuneration specialists.

Under the LTI Plan senior managers of the Company who are able to directly influence the long-term success of the Company may be offered entitlements to ordinary shares in the Company. The entitlement is conditional upon the satisfaction of performance

measures measured over a period of three financial years. The actual number of shares finally provided to participants depends on the extent to which each of the performance measures have been satisfied. No shares will be provided prior to the final date of the relevant measurement period.

A portion of the total entitlement of shares offered to a participant is allocated to each measure. If only one performance measure is satisfied a participant will be entitled to the relevant number of shares in respect of that measure. If the threshold is not achieved then the participant has no entitlement to any shares allocated in respect of that measure. If the threshold is exceeded then a participant's entitlement to shares may be increased, depending on how much the measure is exceeded by, and whether or not the "target" or "stretch" level is attained or exceeded.

Participants will be notified of any shares they become entitled to and any shares will be allocated within three months after completion of the relevant measurement period. Participants are not required to pay for the entitlement or the shares.

Long Term Incentive Plan 2006–2008

(Operates from 1 August 2006 to 31 July 2008)

It is proposed to offer Mark McInnes participation in the LTI Plan up to a total of 674,070 ordinary shares, as follows:

224,690 ordinary shares at "threshold", 449,380 ordinary shares at "target", up to a maximum number of 674,070 ordinary shares at "stretch".

It is proposed to offer Stephen Goddard participation in the LTI Plan up to a total of 263,430 ordinary shares, as follows:

87,810 ordinary shares at "threshold", 175,620 ordinary shares at "target", up to a maximum number of 263,430 ordinary shares at "stretch".

Any shares to be issued to Mark McInnes and Stephen Goddard under the LTI Plan 2006-2008 will be issued by 2 December 2008.

Performance Measures

Two independent performance measures (Capital Management and Total Shareholder Return) apply to each offer. The selected measures reflect and support the Company's strategic business direction and take into account the Company's future expectations. Each measure applies to 50% of the shares offered.

1. Capital Management – this is measured by return on funds employed (ROFE) averaged over the relevant measurement period.

ROFE is earnings before interest, tax and goodwill and after significant items as a percentage of average

funds employed (subject to certain potential adjustments at Board discretion). Funds employed equals average debt + average equity (adjusted for future income tax benefits, tax provisions, dividend provisions and restructuring provisions). The funds employed calculation is equivalent to inventory + receivables + fixed assets less trade and other creditors.

If the ROFE averaged over the relevant measurement period meets or exceeds the threshold ROFE level, then the participant will have an entitlement of between 50% and 150% of the offered shares subject to ROFE. The threshold ROFE level has been set by reference to the Company's historical performance and weighted average cost of capital, taking into account peer group performance.

2. *Total Shareholder Return (TSR)* – this is measured against a peer group of companies over the relevant period.

TSR is the return to shareholders provided by share price appreciation over the measurement period plus dividends, expressed as a percentage of the investment. TSR reflects the increase in value delivered to shareholders over the performance period.

The share prices used for the purpose of the TSR calculation are determined as the average daily closing price over the three month period immediately preceding the start and end of the performance period. The TSR of all the companies in the peer group, and the Company, are ranked at the end of the performance period.

Unless the Company's TSR is at or above the 50th percentile ranking of the peer group participants will not be entitled to any portion of the offered shares subject to TSR (TSR Shares). A TSR ranking between the 50th and 62nd percentile will entitle participants to between 50% and 100% of the TSR Shares (increasing at a rate of an additional 4.166% for every additional percentile ranking). An additional 3.846% of the TSR Shares is attained for every additional percentile up to the 75th percentile where participants will have an entitlement to 150% of the TSR Shares.

If the TSR performance measure is achieved to a threshold level or higher in the initial performance measurement period it will not be re-tested. However, to the extent the TSR measure is not achieved within the initial period the measure will be re-tested at the end of the next year over an extended performance period against the same criteria. If the TSR performance level is achieved to a threshold or higher level on re-testing a participant is entitled to the relevant number of TSR Shares, calculated by reference to the extent to which that measure is achieved.

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

	PERFORMANCE LEVEL				
	Weighting	Below Threshold	Threshold	Target	Stretch
TSR	50%	<50th %ile	50th %ile	62nd %ile	>75th %ile
ROFE 2004–2006, 2005–2007 and 2006–2008 offers	50%	<15%	17%	19%	21%
Reward %	100%	0%	50%	100%	150%

All offers are made 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:

- waive or reduce a relevant requirement governing a participant's entitlement to shares;
- subject to the requirements of the ASX Listing Rules, add to or vary any of the LTI Plan Rules, or waive or vary their application to a participant; and
- amend, waive or replace the performance measures in the event of significant events (eg an acquisition) which were not foreseen in the Company's business plan for the period, or to take account of the impact of international accounting standards on the Company's financial results (and in particular on the calculation of ROFE and the ROFE threshold levels).

Measurement of the performance measures may also exclude legislative or regulatory changes that are outside of management's control. Abnormal items that are within management's control or are a result of management decisions will be included in the calculation.

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Peer Group

The peer group provides an external benchmark that enables a comparison of the Company's TSR performance to that of similar organisations. The Board may determine at its discretion that a company be deleted from the peer group if the company no longer meets the peer group criteria, the LTI Plan objectives, or has ceased to be listed. In accordance with the LTI Plan Rules the Board has the right to review the peer group annually and as a result of this review has the flexibility to make changes in consideration of the LTI Plan objectives.

Prior to the annual allocation of a grant under the LTI Plan, the TSR peer group is systematically reviewed to ensure peer companies are continuing to meet selection criteria, liquidity, size thresholds and listing requirements. To ensure impartiality and rigor, the review process is undertaken by an independent advisor: PricewaterhouseCoopers (PwC) has undertaken the peer group review using the 2004–2006 and 2005–2007 offers as the base.

PwC's review involved 5 year historical modelling of the Company's TSR performance relative to both retail and non-retail peer companies. The review indicated that over the 5 year period David Jones and retail peers demonstrated significant variability in TSR performance which could reasonably be attributed to the cyclical nature of the retail sector and the direct impact of consumer discretionary spend on company operations.

There were, however, a number of non-retail peers that demonstrated less TSR variability over the course of the 5 years (banks, pharmaceutical, healthcare and engineering companies) because their operations are not cyclical and/or are relatively resilient to changes in consumer sentiment.

With the objective of achieving a clear view of the Company's TSR performance relative to similar companies, PwC recommended the inclusion of non-retail peer companies that, like David Jones and other retailers, are significantly impacted by consumer spending and sentiment and/or economic cycles in the peer group. The rationale is summarised as follows:

CATEGORY	DIMENSION	DESCRIPTION	RATIONALE
Industry	Cyclical and/or consumer based	S&P/ASX 300 retailers	The Company is a retail business.
		S&P/ASX 300 non-retailers that demonstrate a cyclical pattern	The Company's operations are influenced by both an established retail cycle and changes in consumer sentiment.

The customisation of the TSR peer group to include peer companies impacted by consumer sentiment and economic cycles was supported by management and endorsed by the Board. The peer group to be adopted for the 2006–2008 LTI grant and subsequent offers is summarised in the table below.

S&P/ASX 300 retailers		S&P/ASX 300 non-retailers which are affected by consumer spending and sentiment and/or have a similar cyclical element to their operations	
Woolworths Limited	JB Hi-Fi Limited	APN News and Media Limited	Pacific Brands Limited
Coles Myer Limited	Just Group Limited	Austereo Group Limited	Publishing & Broadcasting Limited
Harvey Norman Holdings Limited	Rebel Sport Limited	Funtastic Limited	PMP Limited
Metcash Limited	Repco Corporation Limited	Flight Centre Limited	Salmat Limited
Colorado Limited	Super Cheap Auto Limited	G.U.D Holdings Limited	Seven Network Limited
Brazin Limited	Miller's Retail Limited	Globe International Limited	Southern Cross Broadcasting Australia Limited
		Housewares Limited	STW Communications Group Limited
		John Fairfax Holdings Limited	Ten Network Holdings Limited
		Kresta Limited	Western Australia Newspapers Holdings Limited

Mark McInnes and Stephen Goddard are the only Executive Directors and accordingly are the only Directors who are eligible to participate in the LTI Plan. Details of any securities issued under the LTI Plan to an Executive Director will be published in the annual report of the Company. In accordance with the ASX Listing Rules approval from shareholders will be obtained before participation in the LTI Plan commences for any Executive Director.

General Provisions

Once the performance measures have been met and providing the participant is still employed by the Company at the end of the measurement period, shares will be registered in the name of each participant subject to a ten year holding lock. Shares can only be released if the participant's employment ceases, or where the participant is still an employee, after this ten year period expires or upon application made to the Board or its delegate. Entitlements to shares may be forfeited if a participant ceases employment prior to the performance measures being satisfied, is dismissed with cause or has committed any act of fraud or gross misconduct.

Shares provided may be by purchase of existing shares or by a new issue of shares. Participation in the LTI Plan does not affect participation in any other incentive or other scheme operated by the Company. The maximum number of shares issued under all employee incentive plans in a rolling five year period and the number of unexercised options on issue must not be more than 6% of the Company's issued share capital.

Note: The 2003-2005 LTI Plan allocations of 1,041,667 ordinary shares to Mark McInnes and 472,222 ordinary shares to Stephen Goddard which were previously approved by shareholders were issued in full on 28 September 2005 as performance hurdles were met.

The Directors (other than Mr McInnes and Mr Goddard) recommend that shareholders vote in favour of resolutions 4(a) and 4(b).

ITEMS 5(A) AND 5(B) – ISSUE OF RETENTION SHARES TO MARK MCINNES AND STEPHEN GODDARD

The Board considers the motivation and retention of the Chief Executive Officer, Mark McInnes, and the Finance Director, Stephen Goddard, and other senior managers to be vital to the Company's long term performance.

As Chief Executive Officer, Mark McInnes has overseen a dramatic turnaround in the Company's performance. Since his appointment in February 2003, the Company has substantially increased Net Profit After Tax (NPAT) levels with the 2005 profit result of \$77.9 million, a record for the Company. In addition, dividends payable to shareholders have increased from 6 cents fully franked per share in the 2003 financial year to 13 cents fully franked in the 2005 financial year and the Company's cash position at 2005 financial year end was \$147.2 million. The Company entered into a new Executive Service Agreement (CEO Agreement) with Mr McInnes in August 2005. The remuneration components of the CEO Agreement are structured with a view to enhancing continuity of management to enable the Company to meet its three year strategic review targets.

In his role as Finance Director, Stephen Goddard is a key member of the management team. He is also on the Board. Stephen Goddard is directly responsible for managing the Company's financial and legal risks, internal control and compliance, including management of the Company's credit card business. In addition, his role encompasses assisting with the setting and management of the Company's strategic direction. Stephen Goddard adds considerable value to the business through his broad business and retail experience and has played a critical role in the Company's achievements noted above.

In the interests of retaining and incentivising experienced managers and executives, the Board has reviewed the current market for senior executives. The review highlighted that the market for experienced senior executives in Australia is highly competitive and that other retailers have had to source key appointments from overseas. The review also indicated that the Company needs to bring the remuneration package for Mark McInnes and Stephen Goddard in line with the market to secure them for the future, and to continue to incentivise each of them in the performance of their roles with remuneration packages aligned with shareholder returns. As a result, shareholders are asked to approve the grant of rights to up to 1,000,000 ordinary shares in the capital of the Company to Mr McInnes and the grant of rights to up to 600,00 ordinary shares in the capital of the Company to Mr Goddard. These grants apply in addition to Mr McInnes and Mr Goddard's current rights under the LTI Plan. The terms of grant of rights to shares will be the same for each of the Executive Directors.

Rights to shares will be granted to Mr McInnes in three tranches: on 2 December 2005 (333,333 rights), 30 September 2006 (333,333 rights) and 30 September 2007 (333,334 rights), or one business day after the announcement to the ASX of the fully audited annual accounts for the Company in the relevant year, whichever is earlier.

Rights to shares will be granted to Mr Goddard in three tranches: on 2 December 2005 (200,000 rights), 30 September 2006 (200,000 rights) and 30 September 2007 (200,000 rights), or one business day after the announcement to the ASX of the fully audited annual accounts for the Company in the relevant year, whichever is earlier.

The number of rights in each tranche that can vest is determined by the extent to which the following pre-acquisition requirements are satisfied:

- the performance condition (based on the compound growth of the Company's profit after tax (PAT) – refer below); and
- the employment condition which requires continuous employment with the Company (until 31 August 2008).

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Although the rights to the shares will be granted annually, the shares will not be issued and allotted until after 31 July 2008 as a result of the employment condition. If the respective employment condition is satisfied, the number of shares in respect of which the performance condition was satisfied will be allocated.

When allocated the shares will be subject to a holding lock of up to ten years in accordance with the LTI Plan Rules. Rights carry no entitlement to dividends or to vote at meetings of the Company's shareholders. However, where the performance condition for a tranche has been satisfied, the Executive Directors will become entitled to an additional cash payment equivalent to the dividends that would have been paid on the relevant percentage of shares had those shares been registered in their name.

Performance condition

Compound PAT growth has been selected because it is a fundamental driver of shareholder value. Compound PAT growth is measured over the following performance periods:

- 1 August 2004 to 31 July 2005;
- 1 August 2005 to 31 July 2006; and
- 1 August 2006 to 31 July 2007.

Performance is calculated following the release of audited annual accounts. The 2004 financial year forms the base year against which annual compound PAT growth will be measured. PAT for the 2004 financial year was \$65.329 million. The performance will be calculated on a pre-AIFRS basis.

No entitlement to shares will arise unless the Company's compound PAT growth is at or above 5% above the base year. Where compound PAT growth is 5%, 50% of the relevant tranche will satisfy the performance condition. An additional 1% of each tranche is attained for each additional 0.1% compound PAT growth between 5% and 9.9%. Where compound PAT growth reaches 10% above the base level, 100% of the relevant tranche will satisfy the performance condition.

Once the performance condition is satisfied, in whole or in part, in respect of a tranche, future performance against the performance condition will not have an impact on vesting of that tranche.

Any rights that have not satisfied the performance condition within the initial performance measurement period will be re-tested. Re-testing will occur on 31 July 2008 based on the compound growth of PAT over the period 1 August 2007 to 31 July 2008. Any rights to shares that do not satisfy the performance condition on re-testing will lapse immediately.

Employment condition

Entitlement to any shares may be forfeited if the Executive Director is dismissed without notice (for example, in the event of serious or wilful misconduct) or if he resigns. Where employment is terminated by the Company with notice, entitlement to compensation in respect of the retention bonus varies depending on when termination occurs.

Shares may be allocated under the tranches in respect of which the performance condition has been satisfied as at the date of notice of termination. Where the Executive Director is not required to work some or all of the notice period he will receive payment equivalent to the value of the performance shares in the applicable tranche that would have satisfied the performance condition had termination not occurred (with performance measured, in general, on the basis of forecast PAT growth to the end of the financial year in which termination occurred).

General provisions

The offer is made subject to the Corporations Act, ASX Listing Rules, the terms of the LTI Plan Rules, and, for Mr McInnes, the terms of the CEO Agreement. Further details of the LTI Plan Rules are provided in the discussion of Items 4(a) and 4(b) above.

Should the approval of shareholders not be obtained to grant the Executive Directors a retention bonus in the form of shares under Items 5(a) and 5(b), the Board intends to grant them an alternative long term incentive providing an equivalent benefit.

The Directors (other than Mr McInnes and Mr Goddard) recommend shareholders vote in favour of resolutions 5(a) and 5(b).