

DIRECTORS' REPORT: REMUNERATION REPORT

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I. INTRODUCTION

I.1 Overview

This Remuneration Report forms part of the Directors' Report and outlines the remuneration arrangements for executives and employees of David Jones Limited, including Specified Directors and Specified Executives in accordance with sections of the AASB 1046 "Director and Executive Disclosure by Disclosing Entities" and Section 300A of the Corporations Act.

Over the course of the past two years and as a result of the Company's 2003 Strategic Review there has been an intensive and sustained focus on the consolidation of remuneration programs, processes and practices to further establish a clear and direct link between Company performance, individual performance and employee remuneration. To this end, key remuneration systems have been reviewed, where necessary revised, and then consistently applied. Subsequently, there has been a definitive shift in the mindset of employees and an increasing understanding and acceptance of the following remuneration mandates:

- annual participation in the remuneration review and short term and long term incentive programs is absolutely conditional on the achievement of individual and company performance targets;
- every employee is accountable and needs both to understand and achieve outcomes which contribute to the results of their business unit, function and the Company's overall performance;
- employees who perform receive remuneration rewards;
- consistent with a high performance culture and continuous improvement, the Company's benchmark of what represents good and acceptable performance will continue to shift upwards; and
- the Company is committed to attracting, rewarding and developing people for high performance outcomes.

The Company's remuneration practices have also been reviewed to ensure that the way in which employees are recognised and rewarded maintains an effective and constructive balance between "what" an employee achieves, that is outcomes or results, and "how" the employee goes about achieving these.

I.2 The David Jones Competencies

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

Universal Competencies

These competencies apply to all employees.

Live for Our Customers	We shape our future and guide our actions by considering impact on our customers and brand at all times.
Strive to Achieve	We never lose sight of our goals and are fully committed to achieving positive outcomes.
See it Do it	We are successful when we are accountable for clear outcomes and when we display personal ownership for improved results. We each take ownership of the problems we discover and are accountable for making sure they are resolved.
Unite the Business	Together we build the type of relationships which makes David Jones a great place to be and enable us to work effectively throughout our organisation, with our suppliers and customers.

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Management Competencies

In addition to universal competencies, line managers are also assessed against the following competencies:

Results Through Others Effective leaders at David Jones build enthusiastic teams and create an environment where people can't imagine working anywhere else. Our best leaders establish compelling goals and achieve outstanding results through their teams.

Business Savvy Demonstrates a thorough understanding of the key business principles contributing to David Jones' success and applies them to optimum effect.

Cost Efficiency Leader We will be successful when we embed a culture committed to sustaining cost efficient outcomes and aligning every person's role to delivering maximum value to our customers, rewarding results to our shareholders and the flow on benefits of improved efficiencies to everyone at David Jones.

Shape Our Future David Jones is successful because we predict and adapt quickly to changing market demands. How we conceive, initiate, plan and manage our future is critical to our ongoing success.

Senior Executive Competencies

In addition to universal and management competencies, Specified Directors, Specified Executives and senior employees have an additional competency as follows:

Grow, Grow, Grow Our success is measured by our continuing ability to increase shareholder value by identifying new and profitable growth opportunities for the company and taking action to convert opportunities to value outcomes.

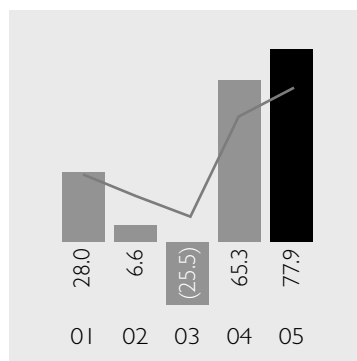
The high performance culture established at David Jones, and more intensively since the strategic review, has been derived from achieving an effective balance between "what" an employees delivers, "how" they go about doing this and the increased focus on aligning Company performance with employee remuneration.

1.3 Company performance

As the graphs below demonstrate, since 2003 there has been a significant improvement in the Company's performance. The results for NPAT, share price and dividend payment serve to demonstrate that David Jones is delivering on its promise of increasing shareholder value and return.

Five-Year Performance History

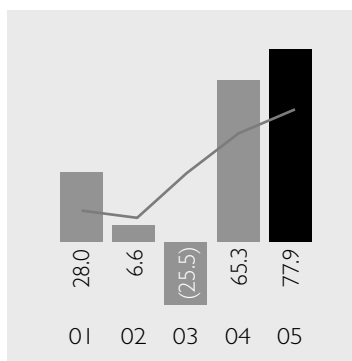
NPAT and Dividend Payment



■ NPAT (\$ millions)
— Dividend (cents per dividend)

Five-Year Performance History

NPAT and Year End Share Price



■ NPAT (\$ millions)
— Share price (at balance date)

1.4 Performance Measures

ROFE

The table below demonstrates that the Company performance for ROFE has been increasing since 2002 and there has been a direct correlation in the David Jones share price over this time. This is a further reflection of a measure that aligns Company performance with shareholder value.

YEAR	ROFE	Share Price at end of Year
FY01	9.30%	1.06
FY02	12.42%	1.00
FY03	14.80%	1.45
FY04	26.12%	1.89
FY05	30.10%	2.14

TSR

The table below presents David Jones' TSR Performance for the completed 2004–2006 and 2005–2007 LTI Plan offers. As is evident, David Jones' TSR performance for these two offers has exceeded the median of the TSR peer group of companies and has resulted in a performance ranking in the top quartile of the peer group.

LTI Plan Offer	David Jones' TSR Return	Median of TSR Peer Group	David Jones' Performance Ranking
2003–2005 Offer	97.6%	71.9%	Ranked in top quartile
2002–2004 Offer	80.1%	42.5%	Ranked in top quartile

Note: The yearly dates are from August–July.

2. REMUNERATION PHILOSOPHY AND OBJECTIVES

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

- applying a "pay for performance" philosophy that directly links employee remuneration to the achievement of individual results and the Company's overall performance;
- ensuring employees are remunerated in a way that recognises and rewards individual performance while upholding the longer term interests of shareholders and continued strong performance of the Company; and
- providing remuneration that is market competitive and enabling the attraction, motivation and retention of high performing employees.

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3. ROLE OF THE REMUNERATION AND NOMINATIONS COMMITTEE

The Remuneration and Nominations Committee (Committee), a sub-committee of the Board, operates under the delegated authority of the Board of Directors of David Jones. The Committee Charter is available on the David Jones website.

The primary purpose of the Committee with specific regard to remuneration is to assist the Board by undertaking a periodic review of remuneration objectives for the purpose of assessing the following:

- remuneration practices are aligned with David Jones' strategy and objectives;
- fair, responsible and equitable remuneration of Specified Directors, Specified Executives and senior employees having regard to the performance of David Jones, the performance of the individual and the general remuneration environment;
- an appropriate balance between fixed and variable components of remuneration and prevailing employment market conditions;
- the review of, and recommendation to the Board on, the nature and composition of the STI Scheme and the LTI Plan;
- the review of, and recommendation to the Board on, the remuneration of Specified Directors and the terms of their employment contracts;
- the review of, and recommendation to the Board on, any annual payments to be made to Specified Directors under the STI Scheme and LTI Plan;
- approval, on the recommendation of the CEO, of the remuneration of the members of the Management Committee, including the terms of their employment contracts;
- the review and recommendation for shareholder approval of Non-Executive Director remuneration (within shareholder approved limits); and
- compliance with the Corporations Act and other relevant legislative requirements.

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

The table below lists those advisers who have been engaged during the year:

ADVISER	SERVICES PROVIDED
Egan Associates	Australian non-executive director compensation and benchmarking Australian executive compensation and benchmarking
Mercer	Australian executive compensation and benchmarking
Ernst & Young	Audit of share plans
PricewaterhouseCoopers	Valuation of equity based remuneration LTI Plan analysis Australian executive compensation and benchmarking

4. REMUNERATION STRUCTURE OVERVIEW

The Company's remuneration structure involves two components: fixed and variable remuneration.

4.1 Fixed Remuneration

Fixed Remuneration is comprised of employment cost (made up of base salary plus superannuation provided under the Superannuation Guarantee Contribution) and other benefits provided through salary sacrificing arrangements. Employment cost is determined by reference to formal benchmarked information relating to external employment markets, individual accountabilities, individual performance, position requirements, qualifications and experience.

Any adjustment to fixed remuneration is based on individual performance. An annual appraisal process is undertaken on the individual performance of all executives. Individual performance is assessed against both key result areas (KRAs) – used to measure the performance of the group, individual businesses and/or executive in any one year; which are technically based and relevant to the employee's annual objectives – and assessment against the David Jones Competencies.

The result of the individual executive's performance appraisal feeds into the annual remuneration review and determines what, if any, adjustment to employment cost will be received. If the individual executive does not meet the target requirements of their KRAs or competencies their employment cost is not adjusted. David Jones' policy in relation to employees is to provide "at market" remuneration for fulfilling target requirements of the role and the opportunity for "above market" remuneration for superior performance.

4.2 Variable Remuneration

Variable Remuneration is comprised of the annual STI Scheme and LTI Plan and is based on Company performance. The proportion of variable remuneration opportunity varies for senior employees and takes into consideration the level of individual accountability, performance and experience. Participation in these plans encourages senior employees' direct involvement and focus on achieving profitable results that link to and improve overall Company performance, and in so doing, deliver increased value for shareholders.

4.3 Summary of Remuneration Mix

The Company's remuneration structure is designed to achieve an effective balance between fixed and variable components of remuneration, specifically, to drive decisions and behaviours that focus on achieving short term annual results, while at the same time giving consideration to the longer term profitability of the Company and sustainable shareholder value. The table below summarises the current remuneration mix of Specified Directors and Specified Executives comprising those who report directly to the CEO.

	POSITION	% of Total Target Remuneration		
		EC	STI	LTI
Specified Directors	CEO	38%	38%	24%
	Finance Director	50%	25%	25%
Specified Executives	Group General Managers	62%	19%	19%

The remuneration mix approved by the Board in 2000 was weighted towards fixed remuneration for Specified Executives. This weighting reflected benchmarking against the external market and David Jones' relative performance in the retail sector.

Since that time, the remuneration mix of the CEO has been purposefully shifted towards a higher variable weighting given that long term Company performance is more pertinent to the CEO's position than short term performance. As the Finance Director and Group General Managers are also integral to the formulation and implementation of longer term Company strategy, the focus has been achieving a steady shift in the weighting of the remuneration mix from fixed remuneration towards variable remuneration, that is, the short term and long term incentive elements.

4.4 Variable Remuneration Programs

(a) STI Scheme

The STI Scheme is designed to link specific annual targets (predominantly financial) with the opportunity to earn cash-based incentives derived from a percentage of fixed remuneration, that is, employment cost. The STI Scheme underwent a full-scale review and revision as part of the Company's strategic review in 2003.

The aim of the STI Scheme review was to ensure employees' performance targets directly linked to the strategic direction of the Company. This link was achieved through the establishment of STI Scheme budgets directly related to revenue, expense control and profit generation within the influence and control of individual employees, thereby creating a clear line of sight between individual and Company results and any subsequent reward.

The objectives of the STI Scheme are to:

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

To ensure continuous improvement, the STI Scheme performance measures are comprehensively reviewed and communicated annually. At the beginning of the financial year the Committee recommends to the Board the STI Scheme performance targets and measures for the Specified Directors and Specified Executives.

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Participation

Annual participation in the STI Scheme is conditional on achieving the required level of performance in the annual performance appraisal process. To qualify for annual participation in the STI Scheme, an employee must achieve the KRAs applicable to their role as well as consistently demonstrate the behaviours comprising the David Jones competencies. If an employee does not achieve the Company's target appraisal score, they do not participate in the STI Scheme for that year. This has led to the increased availability of remuneration funds to employees with performance levels in the very good to excellent range.

When an employee qualifies for participation in the STI Scheme, they are again assessed against specific performance hurdles relevant to their business function; again, if these hurdles are not satisfied, no STI Scheme payment is received.

Measures

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

- Each employee is allocated a minimum of 2 hurdles and 4 qualifiers, depending on the function in which they work.
- Each hurdle must be achieved in order to earn an STI Scheme payment.
- When the hurdles are achieved, the employee is further assessed against a number of qualifiers specific to the position they occupy.
- The employees' STI Scheme reward quantum is determined by reference to a percentage of their employment cost, and that percentage of employment cost is based on the level of position accountability, performance and external market data.
- The number of qualifiers achieved determines what percentage of their STI Scheme reward quantum is received.

The table below provides an example of hurdles and qualifiers applicable to Specified Executives in the revenue generating functions of Stores and Merchandise as well as a non-revenue generating function, Information Technology.

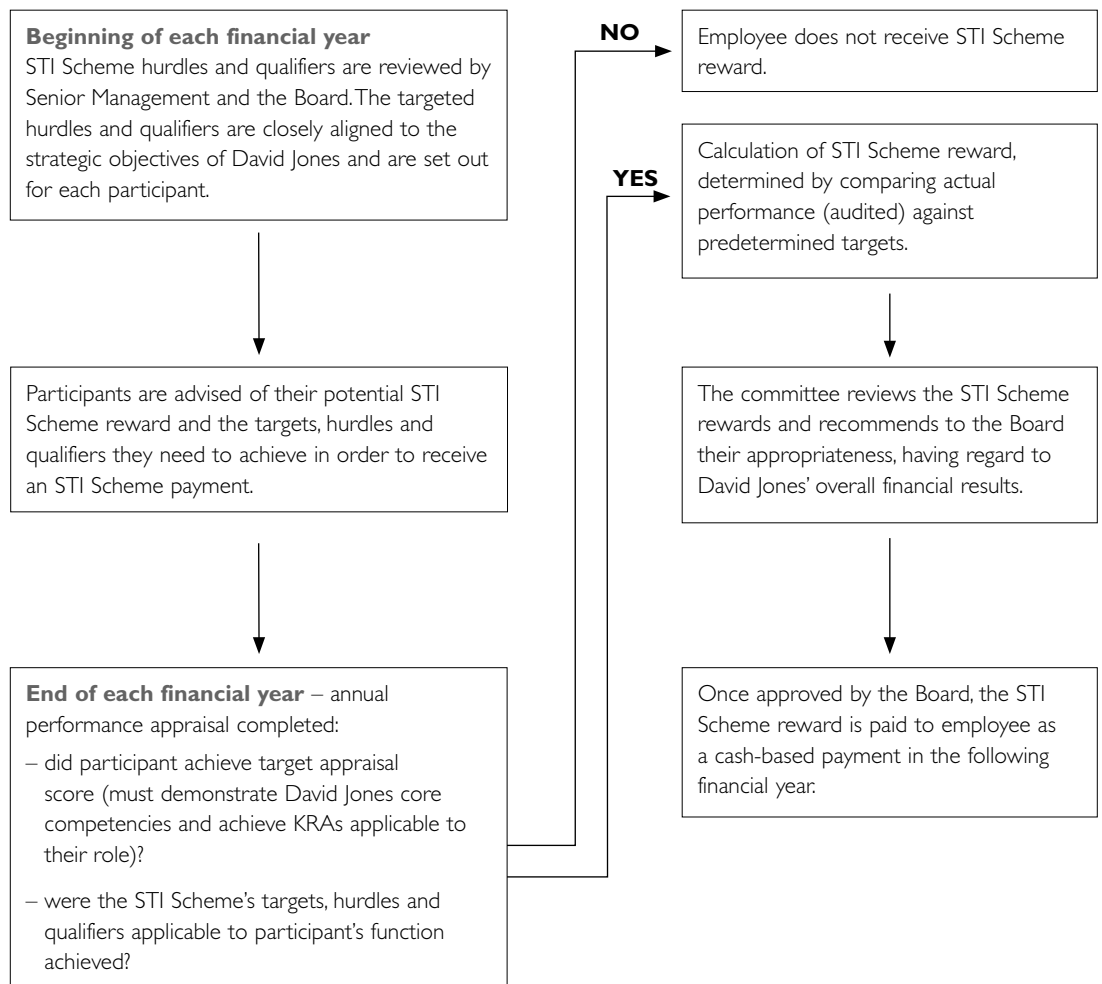
BUSINESS FUNCTION:	STORES FUNCTION	MERCHANDISE FUNCTION	INFORMATION TECHNOLOGY FUNCTION
HURDLE ONE	Stores' Net Contribution	Buyers' Gross Profit	Profit After Tax
HURDLE TWO	Total Stores' % Shrinkage	% Aged Inventory	Demonstrated Cost Efficiency
HURDLE THREE	Create and implement strategies to deal with economic change		
QUALIFIER	Total Stores' Net Profit	Buying Gross Profit (75% GGM & 25% Total Merchandise Function)	Achieve IT related Function/ Company wide cost budgets
QUALIFIER	Profit After Tax	Profit After Tax	Profit After Tax
QUALIFIER	Total Stores' Sales	Achieve Function Cost Budget (Total Merchandise Function)	IT Capital Expenditure Budget
QUALIFIER	Achieve Stores' Function Costs	Gross Margin Return on Investment (GMROI)	Major Project Management
QUALIFIER	Not applicable	Store Sales (Total Merchandise Function)	Incremental cost efficiency. Built into FY2006 Budget

At the end of the financial year, a structured and formal STI Scheme evaluation process is applied with a minimum of 2 review and sign off points per employee. The Committee compares the audited financial results to the hurdles and qualifiers of the Specified Directors and Specified Executives for the purpose of validating the STI Scheme calculations, level of achievement and resulting STI Scheme payment. The Committee then makes a recommendation to the Board regarding the appropriateness of the STI Scheme payments based on audited financial results. Specific information relating to the STI Scheme payments for Specified Directors and Specified Executives for 2005 are detailed on page 46 of this Report.

Payment

Once approved by the Board, the STI Scheme payment is paid to participants in cash. Based on the Company's 2005 financial results, the STI Scheme payments approved by the Board for Specified Directors, Specified Executives and senior employees were based on achievement of STI Scheme hurdles and qualifiers that exceeded STI Scheme targets.

The following diagram summarises the annual STI Scheme process:



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(b) LTI Plan

The Company's LTI Plan arrangements were designed to link employee reward with key performance indicators that drive sustainable growth in shareholder value.

The objectives of the LTI Plan are to:

- align senior employees' incentives with shareholder interests;
- balance short term with long term Company focus; and
- retain high calibre senior employees by providing an attractive equity-based incentive that builds an ownership of the Company mindset.

Participation

Only senior employees who are able to directly influence the long term success of the Company participate in the LTI Plan.

An offer is made under the LTI Plan to senior employees each financial year and is based on individual performance as assessed by the annual appraisal process. If a senior employee does not sustain a consistent level of high performance they will not be nominated for LTI Plan participation. The Board reviews all nominated senior employees with participation subject to final Board approval.

The Company designed the LTI Plan and the specific terms of the offers made under the Plan in consultation with independent remuneration specialists Mercer Human Resource Consulting. In accordance with the ASX Listing Rules approval from shareholders is obtained before participation in the LTI Plan commences for Specified Directors.

Overview of LTI Plan Operation

The Plan's measures of performance, Capital Management and TSR, were selected on the basis that they are proven drivers of shareholder value and can be directly linked to the performance of the Company.

The target performance levels for these two measures and the established peer group of Companies for TSR are reviewed annually by the Board and prior to an LTI Plan grant.

A formal offer of LTI Plan grants to a senior employee provides the employee with the right to a certain number of ordinary shares in the Company, which may vest for each performance period. As part of an offer, an eligible senior employee receives a schedule indicating the threshold, target and stretch levels of achievement under the LTI Plan performance measures and the number of shares which may be allocated for threshold, target and stretch performance.

At the end of the 3 year performance period, performance shares may vest to the employee, depending on when and if the performance targets of both measures have been achieved. Measures are assessed and results independently reviewed; if measures are met, shares are allocated to employees in line with their performance according to outcomes across the two performance measures: threshold, target or stretch. Shares allocated are subject to a share registry holding lock and approval by the Board is required for the release of any shares.

Performance Measures

The performance measures are summarised as follows.

Capital Management

This is measured by ROFE averaged over the relevant measurement period. 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 half of their offer of shares pertaining to the Capital Management measure. The threshold ROFE level has been set by reference to David Jones' historical performance and weighted average cost of capital, taking into account ROFE peer group performance.

ROFE is defined as 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 plus average equity (adjusted for future income tax benefits, tax provisions, dividend provisions and restructuring provisions). The funds employed calculation is equivalent to inventory plus receivables plus fixed assets minus trade and other creditors.

TSR

TSR measures the return a shareholder obtains from ownership of shares in the Company during a defined period of time and takes into account changes in the market value of the shares and the dividends on the shares. TSR essentially reflects the increase in value delivered to shareholders over the performance period.

The Company's TSR performance is compared with the TSR performance of similar companies in a comparator group. The Company's performance is assigned a percentile ranking based on its performance relative to other companies comprising the comparator group (the highest ranking Company being ranked at the 100th percentile).

Participants will not have any entitlement to the half of their offered shares pertaining to the TSR component unless the Company's TSR is at or above the 50th percentile ranking of the peer group. At a 50th TSR percentile ranking, participants will have an entitlement to 50% of their offer of shares pertaining to the TSR component. If the Company's TSR ranking is above the 50th percentile, an additional 4.166% of the TSR offer of shares is attained for every additional percentile up to 100% at the target 62nd percentile. An additional 3.846% of the shares is attained for every additional percentile up to the stretch 75th percentile where participants will have an entitlement to 150% of the shares subject to the TSR performance measures.

TSR provides a relative, external market performance measure regarding share price growth and dividends and is currently considered market best practice as it ensures an alignment between comparative shareholder return and reward for the employee.

Performance Measure Testing and Re-testing Guidelines

In assessing whether the TSR performance hurdle has been met, the Company's TSR growth from the commencement of the grant and that of the comparator group is calculated. TSR is calculated by subtracting the share price at the beginning of the performance period from the share price at the end of that period and adding dividends during the period, and expressing this as a percentage. The TSR calculation, once completed, is independently reviewed.

The share price used for the purpose of the TSR calculation is 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, will be ranked at the end of the performance period.

If the TSR measure is not achieved within the initial performance measurement period to a threshold level or higher, there will be no entitlement to shares for a participant. In this case, the measure will be re-tested at the end of the next year over an extended performance period and against the same criteria.

If the TSR performance measure is achieved to a threshold level or higher in the initial period it will not be re-tested.

Calculation of Entitlements

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

	LTI Plan Offer	Weighting	PERFORMANCE LEVEL			
			Below Threshold	Threshold	Target	Stretch
Total Shareholder Return	2004–2006	50%	<50th %ile	50th %ile	62nd %ile	>75th %ile
	2005–2007	50%	<50th %ile	50th %ile	62nd %ile	>75th %ile
ROFE	2004–2006	50%	<15%	15%	17%	19%
	2005–2007	50%	<17%	17%	19%	21%
REWARD %	2004–2006	100%	0%	50%	100%	150%
	2005–2007	100%	0%	50%	100%	150%

In relation to the 2003 to 2005 offer made to eligible LTI Plan participants, 3,427,512 ordinary shares were allocated on 28 September 2005 in accordance with the LTI Plan rules. The maximum number of shares was allocated to each participant as the performance targets for both TSR and ROFE were achieved at stretch level, with actual 03–05 performance presented on page 37 of this report.

The LTI Plan will continue to operate indefinitely, although this will be subject to ongoing review by the Board in light of changing business requirements and market circumstances. The Board reserves the right to adjust or even to replace the performance measures in the event of significant events (for example 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. The following table summarises key components of current offers under the LTI Plan.

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Summary of LTI Plan

FEATURE	2004 TO 2006 OFFER	2005 TO 2007 OFFER
OFFERED TO	CEO, Finance Director and senior employees	CEO, Finance Director and senior employees
DATE OF GRANT	8 June 2004	28 September 2005
EXPIRY DATE	31 July 2006	31 July 2007
PERFORMANCE MEASURES	TSR compared to peer group and Capital Management (ROFE)	
RETESTING RULES	The performance period may be extended by one year and retested for the TSR measure	
PLAN STATUS	Performance periods not yet concluded	
PEER GROUP FOR TSR COMPARATOR	ASX LISTED RETAILERS: Woolworths Limited, Coles Myer Limited, Harvey Norman Limited, Foodland Limited, Metcash Limited, Colorado Limited, Housewares International Limited, Brazin Limited, Country Road Limited, Strathfield Group Limited and Miller's Retail Limited	Woolworths Limited, Coles Myer Limited, Harvey Norman Limited, Foodland Limited, Metcash Limited, Colorado Limited, Brazin Limited, Country Road Limited, Strathfield Group Limited, Miller's Retail Limited, JB Hi-Fi Limited, Just Group Limited, Rebel Sport Limited, Oroton Group Limited and Repco Corporation Limited.
	BUSINESSES IN A 'MATURE' INDUSTRY WITH A MINIMUM MARKET CAPITALISATION GREATER THAN \$200 MILLION: GUD Limited, Downer EDI Limited, Bank of Queensland Limited, Ramsay Healthcare Limited, ION Limited, McGuigan Simeon Wines Limited, Crane Group Limited, Hills Industries Limited, Transfield Services Limited, SPC Ardmona Limited, Collection House Limited, GWA International Limited, Adelaide Bank Limited, Australian Pharmaceutical Industries Limited, Reece Australia Limited, Amalgamated Holdings Limited, Adelaide Brighton Limited, Rural Press Limited, Coates Hire Limited, Sigma Limited, Bendigo Bank Limited, Fairfax Limited, APN News and Media Limited and WA News Limited	
		GUD Limited, Bank of Queensland Limited, Ramsay Healthcare Limited, ION Limited, Crane Group Limited, Hills Industries Limited, SPC Ardmona Limited, Collection House Limited, GWA International Limited, Housewares International Limited, Adelaide Bank Limited, Reece Australia Limited, Amalgamated Holdings Limited, Adelaide Brighton Limited, Rural Press Limited, Coates Hire Limited, Bendigo Bank Limited, Fairfax Limited and WA News Limited

(c) Executive Option Plan

Options issued under the 1999 and 2001 offers vested in 2004 due to the achievements of the following performance hurdles:

- over a three month period the median DJL Accumulation Index was equal to, or greater than, the median Mid-Cap 50 Industrials Accumulation Index; and
- at the date of exercise, the closing price of fully paid ordinary shares in the capital of the Company on the Australian Stock Exchange was 15% or greater above the market value of the Company's shares at the date of grant.

There were no options granted over unissued ordinary shares to any Specified Directors or senior employees as part of their remuneration during the year.

A summary of options granted under the Executive Option Plan are set out in the Financial Statements Note 33(c)(v) on pages 77 to 79.

No further options will be granted under the Executive Option Plan as it has been replaced by the LTI Plan.

(d) Employee Share Plans

Exempt Employee Share Plan

Shareholders at the Annual General Meeting held on 23 November 1998 approved the Exempt Employee Share Plan. This Plan provides eligible employees the opportunity to acquire an ownership interest in the Company and was designed to attract a tax concession under Australian income tax legislation to encourage share incentive plans.

Eligible employees may be offered up to \$1,000 worth of the Company's ordinary shares each year, provided specific financial and qualitative objectives are met to the satisfaction of the Board.

Shares acquired under an offer must remain in the Plan 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 employee or purchase shares on the Australian Stock Exchange on behalf of the participating employee. No shares were issued or purchased on behalf of participants under the Exempt Employee Share Plan for financial year 2005.

Non-Executive Directors of the Company are not eligible to participate in the Exempt Employee Share Plan.

Deferred Employee Share Plan

Shareholders at the Annual General Meeting held on 23 November 1998 approved the Deferred Employee Share Plan. This Plan enables Directors and senior employees to acquire ordinary shares in the Company. The Plan was designed to access the available taxation deferral concession legislated by the Commonwealth Government to encourage employees to become shareholders in employer companies.

The Plan is a voluntary plan that provides greater choice for eligible employees in the way they receive their remuneration. As the cost of the shares is funded from base pay within the Company's approved annual remuneration budget there is no additional cost to the Company as a result of the operation of the Plan.

The Plan Trustee acquires shares in the Company in the ordinary course of trading on the Australian Stock Exchange on behalf of Plan participants. Under the rules of the Plan, the Board may impose relevant requirements, being performance, vesting and other conditions before the participant can withdraw shares from the Plan.

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 not met or where an employee has been dismissed as a result of fraud or wrongful conduct in which case the Board has the discretion to require forfeiture of any shares under the Plan.

During financial year 2005, 55,998 ordinary shares have been purchased under the Plan. Non-Executive Directors of the Company may participate in the Plan and during financial year 2005, of the total shares purchased, 1,864 ordinary shares were purchased for Robert Savage and 7,455 ordinary shares were purchased for Reginald Clairs.

Employee Share Plan and Employee Share Purchase Plan

These Plans were established in 1995 at the time of the Australian Stock Exchange listing of the Company. The Employee Share Plan is closed to new members and no offers have been made under the Plan since December 1997. The Employee Share Purchase Plan, though established, was never activated. Full details of these Plans are shown in Note 33 to the Financial Statements.

DIRECTORS' REPORT: REMUNERATION REPORT

5. SPECIFIED DIRECTORS AND SPECIFIED EXECUTIVES

5.1 Summary of Remuneration Arrangements

Details of the remuneration paid to Specified Directors and each of the five named Specified Executives of the Company with the highest paid remuneration during the 2005 financial year are set out in the table below.

Position	PRIMARY				VALUE OF		Total \$
	Base Salary ¹ \$	Super- annuation ² \$	Short Term Incentive ³ \$	Other Benefits ⁴ \$	Equity Options \$	LTI Plan Rights ⁵ \$	
SPECIFIED DIRECTORS							
Mark McInnes CEO	1,255,355	112,979	2,175,000	5,836	22,501	1,940,161	5,511,832
Stephen Goddard Finance Director	770,176	66,505	574,600	5,951	22,501	615,996	2,055,729
SPECIFIED EXECUTIVES							
Colette Garnsey Group General Manager – Apparel, Accessories & Footwear	532,465	47,545	354,682	4,069	8,438	365,341	1,312,540
Paul Zahra Group General Manager – Stores	543,194	49,420	354,682	1,537	4,219	365,341	1,318,393
Patrick Robinson Group General Manager – Home & Food	532,263	47,747	319,213	2,017	8,438	365,341	1,275,019
Damian Eales Group General Manager – Marketing & Operations	364,301	31,539	221,844	1,368	Not applicable	173,183	792,235
Peter Helson General Manager – Credit	298,335	24,420	117,813	283	8,438	68,131	517,420

¹ Base Salary represents actual earnings for the period ending 30 July 2005, and includes the effect of changes to EC during the year.

² Superannuation represents the Company's obligation under Superannuation Guarantee legislation (SGC).

³ These amounts are based on performance for the year ending 30 July 2005. However they will be paid in the 2006 financial year.

⁴ These amounts represent the value of Company funded car parking and settlement discount (the settlement discount benefit was removed in February 2005). In addition Specified Directors and Executives receive point of sale discount in line with that available to all David Jones employees.

⁵ The Company has adopted the fair value measurement provisions of AASB 1046 Director and Executive Disclosures by Disclosing Entities whereby the fair value of rights granted under the LTI Plan and options granted under the Executive Option Plan are being amortised over the vesting period (the period between grant and the point at which all time and performance restrictions lapse) and disclosed as part of Director and executive remuneration. An independent valuation of options granted under the Executive Option Plan and rights to ordinary shares granted under the LTI Plan have been performed by PricewaterhouseCoopers (PwC) in accordance with AASB 1046. In undertaking the valuation of the options and rights, PwC has used the binomial option pricing model with zero exercise price which takes into account factors such as the Company's closing share price at the date of grant, volatility of the underlying share price, risk free rate of return, dividend yield and time to maturity.

For the purpose of comparison the details of remuneration paid during the 2004 financial year as presented in the 2004 Remuneration Report are set out in the remuneration table on the next page. Additionally, the valuations for the LTI Plan Rights presented in the 2004 remuneration table have been updated to reflect 2005 changes in valuation calculations. These valuation changes were based on independent advice from PwC.

	PRIMARY				VALUE OF		Total \$
	Base Salary \$	Super- annuation \$	Short Term Incentive \$	Other Benefits \$	Options \$	LTI Plan Rights \$	
EXECUTIVE DIRECTORS							
Mark McInnes	856,096	77,047	661,478	14,826	44,309	*1,270,607	2,924,363
Stephen Goddard	698,784	59,674	481,034	13,404	44,309	*639,454	1,936,659
SENIOR MANAGEMENT							
Colette Garnsey	420,944	37,397	281,124	3,913	16,616	336,754	1,096,748
Paul Zahra	389,253	35,421	268,630	2,594	7,563	307,345	1,010,806
Patrick Robinson	402,105	35,903	268,630	3,658	16,616	336,754	1,063,666
Teresa Gallo	293,431	26,408	203,034	2,060	3,579	166,084	694,596
Peter Helson	286,524	23,322	254,651	1,632	16,616	89,003	671,748

* The LTI Plan Rights for Mark McInnes and Stephen Goddard that appeared in the 2004 Remuneration Report did not include the LTI Plan rights approved at the 2004 Annual General Meeting. The updated LTI Plan rights for Mark McInnes and Stephen Goddard include the 2004 Annual General Meeting approved LTI Plan grants.

5.2 Summary of Contracts

During the past 12 months the Company has focused on aligning contracts of employment and terms and conditions for Specified Executives with the intent of securing the leadership team and ensuring continuity of the Company's performance and shareholder returns. Company exposure has been reduced by the establishment of minimum notice periods for executive initiated termination of 6 months, capping termination payment at either 6 or 12 months and inclusion of a restraint of trade clause in all contracts.

Specified Directors	Termination by Company	Termination by Executive
Mark McInnes CEO Expiry, 31 July 2008	<p>PRE 31 JULY 2006</p> <p>If termination is without cause 12 months' notice is required.</p> <p>EC: entitled to EC for period to 31 July 2008.</p> <p>STI Scheme: receives STI Scheme payment and a further payment equivalent to EC at date of termination.</p> <p>LTI Plan 04-06 and 05-07 offers: based on successful performance entitled as offers fall within 12 month notice period.</p> <p>LTI Plan 06-08 offer¹: based on successful performance, entitled to pro-rata payment for months falling within notice period.</p> <p>Retention bonus¹: the Company will issue 1 share for each LTI Plan right that has vested from the first and second tranches as at date of notice.</p> <p>POST 31 JULY 2006</p> <p>If termination is without cause 12 months' notice is required.</p> <p>EC: Entitled to 12 months' notice.</p> <p>STI Scheme: receives STI Scheme payment and a further payment equivalent to EC at date of termination.</p> <p>LTI Plan 04-06, 05-07 and 06-08¹ offers: based on successful performance, entitled as offers fall within notice period.</p> <p>LTI Plan 07-09 offer¹: based on performance, entitled to pro-rata payment for months falling within notice period.</p> <p>Retention bonus¹: the Company will issue 1 share for each LTI Plan right that has vested from the first, second and third tranches as at date of notice.</p>	<p>PRE 31 JULY 2006:</p> <p>Can terminate by giving 12 months' notice.</p> <p>EC, STI Scheme & LTI Plan: entitled to EC up to termination date.</p> <p>Retention bonus: retention bonus rights forfeited.</p> <p>POST 31 JULY 2006: can terminate by giving 12 months' notice.</p> <p>EC: entitled to EC up to termination date.</p> <p>STI Scheme and LTI Plan: entitled to STI Scheme and LTI Plan incentives that have accrued to date of termination.</p> <p>Retention bonus¹: retention bonus rights forfeited.</p>
Stephen Goddard Finance Director Rolling contract	<p>The Company can terminate the Finance Director by giving 12 months' notice in writing. EC would be paid for 12 months.</p>	<p>The Finance Director can terminate his appointment by giving 12 months' written notice.</p>

¹ Subject to shareholder approval at the 2005 Annual General Meeting.

DIRECTORS' REPORT: REMUNERATION REPORT

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

Specified Executives	Contract Expiry Date	Termination by Company	Termination by Executive
Colette Garnsey Group General Manager – Apparel, Accessories and Footwear	Rolling Contract	12 months' written notice. In this case, the employee will be paid their EC for the 12 month period. A shorter period of notice may apply if mutually agreed.	6 months' written notice and payment of EC for 6 month period. A shorter period of notice may apply if mutually agreed.
Paul Zahra Group General Manager – Stores	Rolling contract		
Patrick Robinson Group General Manager – Home and Food	Rolling contract		
Damian Eales Group General Manager – Marketing and Operations	Rolling contract		
Peter Helson General Manager – Credit	Rolling contract	In this case the employee will be paid their EC for the 6 month period. A shorter period of notice may apply if mutually agreed.	

6. NON-EXECUTIVE DIRECTORS

Chairman

Robert Savage

Other Non-Executive Directors

Reginald Clairs Paula Dwyer Katie Lahey
John Coates John Harvey

Remuneration Philosophy and Objectives

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

Remuneration Structure

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

- the Company's existing remuneration policies;
- independent remuneration advice; and
- both the responsibilities of, and time commitments required from, each Director to carry out their duties.

Remuneration and benefits specialists that have reputed expertise and experience in Board remuneration recommend fee levels, which are considered in detail by the Committee. Recommended fee levels are based on survey data of comparable companies and analysis of fee structures for Non-Executive Directors in a cross section of companies, inclusive of retail. The remuneration of Non-Executive Directors is fixed, that is, Non-Executive Directors do not participate in either the STI Scheme or LTI Plan available to Executive Directors.

In accordance with a resolution of shareholders at the 2004 Annual General Meeting, the maximum aggregate amount permitted to be paid to Non-Executive Directors under the David Jones' constitution is \$1,300,000. Shareholders approved this amount in November 2004.

Non-Executive Directors may also be reimbursed for their expenses properly incurred as a Director; or in the course of their duties. Non-Executive Directors are also encouraged to own David Jones shares and may participate in the Deferred Employee Share Plan if they elect to sacrifice Directors' fees and have shares purchased under the Plan at market value.

Retirement Allowance

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

In line with shareholder approval obtained at the 2004 Annual General Meeting the Board has completely removed the retirement allowance, allowing a consistent transparent remuneration framework for all Directors regardless of the date they joined the Board. Any amounts that had been previously accrued were crystallised to be held until such time as the Director retires from the Board of David Jones.

Details of Non-Executive Directors' remuneration for the 52 weeks ending 30 July 2005 are set out in the table below.

Director	Directors' Fees \$	Committee Fees \$	Sub Total \$	Super-annuation \$	Total Remuneration Paid 2005 \$	Other Benefits ¹ \$	Retirement Allowance	
							Provided in 2005 ² \$	Accumulated Entitlement at 30 July 2005 \$
Robert Savage	258,948	N/A	258,948	13,123	272,071	1,876	70,852	225,052
John Coates	152,983	N/A	152,983	11,387	164,370	1,089	43,415	267,867
Reginald Clairs	95,904	14,000	109,904	9,891	119,795	150	8,628	138,198
Paula Dwyer	104,293	12,667	116,960	10,526	127,486	40	N/A	N/A
John Harvey	95,612	19,000	114,612	10,273	124,885	219	9,269	92,378
Katie Lahey	97,618	12,000	109,618	9,866	119,484	1,116	32,628	236,960
Totals	805,358	57,667	863,025	65,066	928,091	4,490	164,792	960,455

In accordance with a resolution of shareholders the maximum aggregate amount permitted to be paid to Non-Executive Directors under the Company's Constitution is \$1,300,000 per annum (including mandatory superannuation contributions).

¹ The Company funds one car space for the use of all Directors at a cost of \$13,116 per annum. The settlement discount benefit was removed in February 2005. In addition Non-Executive Directors receive point of sale discount in line with that available to all David Jones employees.

² Contributions to the retirement allowance plan for Non-Executive Directors (other than notional bank interest adjustments based on the accrued retirement allowance balance) were discontinued in November 2004.

For the purpose of comparison, details of the elements comprising the remuneration of Non-Executive Directors for the year ended 31 July 2004 are set out in the table below:

Director	Directors' Fees \$	Committee Fees \$	Sub Total \$	Super-annuation \$	Total Remuneration Paid 2004 \$	Other Benefits \$	Retirement Allowance	
							Provided in 2004 \$	Accumulated Entitlement at 31 July 2004 \$
Robert Savage	171,603	8,150	179,753	16,177	195,930	11,413	82,012	154,200
John Coates	93,047	3,750	96,797	8,712	105,509	7,167	56,014	224,452
Reginald Clairs	65,001	12,750	77,751	6,998	84,749	757	33,320	129,570
John Harvey	65,002	17,750	82,752	7,448	90,200	659	30,862	83,109
Katie Lahey	65,001	9,750	74,751	6,728	81,479	2,895	35,894	204,332
Paula Dwyer	64,742	6,875	71,617	6,445	78,062	931	not eligible	not eligible
Totals			583,421					

Audit. Certain disclosures required by AASB 1046 have been made in the Remuneration Report. Pages 46 to 49 of this report have been audited as required.

Signed in accordance with a resolution of the Directors



Robert Savage
Director
7 October 2005