

Appendix 4E
Preliminary Final Report

DAVID JONES LIMITED PRELIMINARY FINAL REPORT

ABN 75 000 074 573

Current Reporting Period: 52 Weeks ended 26 July 2003

Previous Corresponding Period: 52 Weeks ended 27 July 2002

For announcement to the market

\$A'000

Revenues from ordinary activities	Up	2.4%	to	1,766
Profit (loss) from ordinary activities after tax attributable to members	Down	487.0%	to	(25,466)

Net profit (loss) for the period attributable to members	Down	1,330.6%	to	(26,520)
--	------	----------	----	----------

Dividends - Ordinary Shares	Amount per security	Franked amount per security
Final dividend declared (payable 5 November 2003)	3¢	3¢
Interim dividend (paid 6 May 2003)	3¢	3¢
Previous corresponding period		
Interim dividend (paid 6 May 2002)	4¢	4¢
Final dividend (paid 23 October 2002)	3¢	3¢

Record date for determining entitlements to the final dividend

7 October 2003

Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:

Refer to attached ASX and Media Release and Notes to this Preliminary Final Report.

Net Tangible Asset Backing	Current Period	Previous Corresponding Period
Net tangible asset backing per ordinary security	\$0.91	\$1.03

The attached 2003 accounts of David Jones Limited and its Controlled Entities are in the process of being audited.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE 52 WEEKS ENDED 26 JULY 2003 AND 52 WEEKS ENDED 27 JULY 2002

	NOTE	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
Revenue from sale of goods	3	1,711,169	1,668,182
Cost of sales		(1,088,172)	(1,080,526)
Gross profit		622,997	587,656
Other revenues from ordinary activities	3	55,269	56,459
Employee benefits expense		(287,382)	(286,480)
Lease and occupancy expenses		(182,032)	(149,700)
Depreciation, amortisation and recoverable amount write down		(89,254)	(67,574)
Advertising and visual expenses		(29,219)	(30,305)
Administration expenses		(48,933)	(39,136)
Borrowing costs		(4,553)	(8,084)
Carrying amount of assets sold		(305)	(1,366)
Other expenses from ordinary activities		(58,916)	(49,902)
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(22,328)	11,568
Income tax expense relating to ordinary activities		(3,138)	(4,988)
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES AFTER RELATED INCOME TAX EXPENSE ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(25,466)	6,580
Share issue costs		(74)	(4,425)
Net (decrease) in retained profits on the initial adoption of:			
Revised AASB 1028 – Employee Benefits	2(b)	(980)	–
TOTAL REVENUE AND EXPENSES ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY RECOGNISED DIRECTLY IN EQUITY		(1,054)	(4,425)
TOTAL CHANGES IN EQUITY FROM NON-OWNER RELATED TRANSACTIONS ATTRIBUTABLE TO MEMBERS OF THE PARENT ENTITY		(26,520)	2,155
Basic earnings per share	6	(7.5) cents	1.5 cents
Basic earnings per share before non recurring significant items	6	9.2 cents	8.8 cents
Diluted earnings per share	6	(7.5) cents	1.5 cents
Diluted earnings per share before non recurring significant items	6	9.2 cents	8.8 cents

The consolidated statement of financial performance is to be read in conjunction with the accompanying notes, discussion and analysis.

DISCUSSION AND ANALYSIS ON STATEMENT OF FINANCIAL PERFORMANCE

FOR THE 52 WEEKS ENDED 26 JULY 2003 AND 52 WEEKS ENDED 27 JULY 2002

REVENUE

The Consolidated Entity's revenue from retail sales for 2003 increased by 2.6% to \$1,711.2 million and other revenue for 2003 decreased by 2.3% to \$55.2m, when compared to the previous year.

Revenue comprises:

	2003 \$M	2002 \$M
Retail sales	1,711.2	1,668.2
Other revenue	55.2	56.5
	1,766.4	1,724.7

GROSS PROFIT

Gross Profit for the core retail business increased \$26.2 million or 4.5% due to higher sales and an improvement in the gross profit percentage as compared to the previous year.

COST OF DOING BUSINESS

Cost of Doing Business (CODB) relates to department stores and corporate head office. CODB (excluding non recurring significant items) increased \$31.8 million or 6.0% for the year to \$564.3 million. CODB as a percentage of core business retail sales increased from 32.65% to 33.7% in 2003.

CREDIT CARD EARNINGS

Credit card earnings for 2003 increased by \$7.1 million or 47.8% on the previous year to \$22.1 million. A major factor in the strong growth of credit card earnings was the 12% increase in the size of the card receivables portfolio during year. Higher revenues, a reduction in operating expenses and a collections management focus have enabled the 2003 result to be achieved.

DAVID JONES ONLINE

From 2003 this business was combined with Department Store segment. As announced on 3 June 2003, David Jones Online has been repositioned to focus on integrated marketing activities and as such, has ceased the sale of general merchandise (other than Christmas hampers).

FOODCHAIN BY DAVID JONES

In 2003 the business incurred an operating loss (excluding non recurring significant items) of \$6.9 million (2002: \$12.8 million). As announced on 3 June 2003, the Foodchain business has closed and all store leases have been either assigned or terminated. As at 26 July 2003, the company has no further actual or contingent liabilities in respect of Foodchain store leases. Closure costs in relation to the Foodchain business amounted to \$39.050 million and are detailed in note 4 of this report.

INCOME TAX

Income tax expense for 2003 amounted to \$3.138 million (2002: \$4.988 million). Income tax expense and the effective tax rate is lower than the previous year due to a loss from ordinary activities before income tax of \$22.328 million (2002: Profit from ordinary activities before income tax expense of \$11.568 million). Income tax expense also includes the effect of \$9.3 million (2002: \$1.6 million) of non-deductible restructuring costs.

STATEMENT OF FINANCIAL POSITION

AS AT 26 JULY 2003 AND 27 JULY 2002

	NOTE	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
CURRENT ASSETS			
Cash assets		17,345	19,138
Receivables		47,875	53,092
Inventories		289,540	287,209
Prepayments		7,366	9,697
TOTAL CURRENT ASSETS		362,126	369,136
NON-CURRENT ASSETS			
Property, plant and equipment		246,547	272,416
Intangibles		12,178	14,051
Deferred tax assets		34,040	26,943
Other assets		4,858	2,642
TOTAL NON-CURRENT ASSETS		297,623	316,052
TOTAL ASSETS		659,749	685,188
CURRENT LIABILITIES			
Payables		182,735	166,786
Interest bearing liabilities		122	217
Current tax liabilities		3,097	10,983
Provisions		28,370	30,674
TOTAL CURRENT LIABILITIES		214,324	208,660
NON-CURRENT LIABILITIES			
Interest bearing liabilities		—	122
Deferred tax liabilities		313	312
Provisions		20,768	18,284
Other deferred liabilities		4,331	2,542
TOTAL NON-CURRENT LIABILITIES		25,412	21,260
TOTAL LIABILITIES		239,736	229,920
NET ASSETS		420,013	455,268
EQUITY			
Contributed equity		394,559	385,888
Retained profits	7	25,454	69,380
TOTAL EQUITY	8	420,013	455,268

The consolidated statement of financial position is to be read in conjunction with the accompanying notes (including note 12 – Off Balance Sheet Arrangements), discussion and analysis.

DISCUSSION AND ANALYSIS ON STATEMENT OF FINANCIAL POSITION

FOR THE 52 WEEKS ENDED 26 JULY 2003 AND 52 WEEKS ENDED 27 JULY 2002

The major movements are:

- **Cash assets** decreased by \$1.8 million or 9.4% on the previous year. This movement is explained in the discussion and analysis on statement of cash flows.
- **Receivables** are \$5.2 million lower this year as compared to last year due to a reduction in the amount receivable from trade suppliers.
- **Property, plant and equipment** decreased by \$25.9 million on the previous year. The reduction is due to lower capital expenditure, the write off of assets relating to Foodchain, David Jones Online and Corporate Head Office, and a recoverable amount write down of \$7.9 million in relation to the Hornsby store.
- **Deferred tax assets** increased by 26.3% in 2003 to \$34.0m, due to timing differences relating to provisions and depreciation.
- **Intangibles** decreased in 2003 by \$1.9 million due to the amortisation of goodwill relating to the Aherns department store business in Western Australia.
- **Payables** increased by \$15.9 million, due to an increase in both trade and sundry creditors.
- **Tax liabilities** have decreased by 69.8% in 2003 to \$3.4 million. This is attributable to a \$1.3 million refund in 2003 from over payments of tax in 2002 and timing difference movements of \$6.0 million in 2003 (2002: \$13.2 million) primarily relating to the amounts disclosed as significant items (see note 4).
- **Interest bearing liabilities** (borrowings) decreased by \$0.2 million in 2003 to \$0.1 million. The level of debt incurred by the Company will vary from time to time, in line with seasonal funding requirements
- **Contributed equity** increased in 2003 due to the issue of \$8.7 million in ordinary shares through the Company's dividend reinvestment plan. The dividend reinvestment plan has been suspended.
- **Debt to equity ratio** at the end of the year was 0.0% compared to 0.1% last year. Average debt to average equity reduced to 4.6% from 19.6% last year. This is due to the issue of Reset Preference Shares in July 2002 and the subsequent reduction in borrowing requirements.

STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 26 JULY 2003 AND 52 WEEKS ENDED 27 JULY 2002

	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers (inclusive of goods and services tax)	1,768,353	1,710,241
Payments to suppliers and employees (inclusive of goods and services tax)	(1,668,420)	(1,595,965)
Interest received	1,256	692
Borrowing costs paid	(4,553)	(8,084)
Income taxes paid	(19,182)	(17,997)
Income tax refund received	1,256	10,480
NET CASH PROVIDED BY OPERATING ACTIVITIES	78,710	99,367
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(61,850)	(70,578)
Proceeds from sale of property, plant and equipment	185	905
Repayment of Employee Share Plan loans on forfeited shares	87	76
Repayment of Employee Share Plan loans from dividend payments	36	52
NET CASH USED IN INVESTING ACTIVITIES	(61,542)	(69,545)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for share issue costs:		
Dividend reinvestment plan	—	(226)
Reset preference shares	(74)	(4,199)
Proceeds from issue of reset preference shares:	—	65,000
Repayment of borrowings	(217)	(61,442)
Dividends paid:		
Ordinary shares	(15,570)	(21,367)
Reset preference shares	(3,101)	—
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(18,962)	(22,234)
NET INCREASE/(DECREASE) IN CASH HELD	(1,793)	7,588
CASH AT BEGINNING OF THE FINANCIAL YEAR	19,138	11,550
CASH AT END OF THE FINANCIAL YEAR	17,345	19,138

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes and discussion and analysis.

DISCUSSION AND ANALYSIS ON STATEMENT OF CASH FLOWS

FOR THE 52 WEEKS ENDED 26 JULY 2003 AND 52 WEEKS ENDED 27 JULY 2002

Cash flows from operating activities decreased from \$99.4 million in 2002 to \$78.7 million in 2003, due to an increase in the Cost of Doing business relating to restructuring and other costs and reduced income tax refunds (2003: \$1.0m. 2002: \$10.5m). This was offset by higher operating cash flows from the Credit segment and lower borrowing costs.

Net cash used in financing activities was impacted by the proceeds from the issue of ordinary shares via the dividend reinvestment plan of \$8.7 million. Dividends paid in cash on ordinary shares were \$5.8 million lower than the previous year due to a reduction in the dividend rate.

Capital expenditure for the year of \$61.9 million (2002: \$70.6 million) is comprised of the following major categories:

	2003	2002
	\$M	\$M
Stores	52.1	52.0
Information technology	7.6	14.4
Other	2.2	4.2
	61.9	70.6

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF FINANCIAL REPORT

The financial report has been prepared in accordance with the Corporations Act 2001, relevant accounting standards and applicable Urgent Issues Group consensus views.

It has been prepared on the basis of historical costs and except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy as set out in note 2, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous year except for:

(a) Provision for dividend

The consolidated entity has adopted the new accounting standard AASB 1044 "Provisions, Contingent Liabilities, and Contingent Assets" which has resulted in a change in the accounting for dividend provisions. Previously, the consolidated entity recognised a provision for dividend based on the amount that was proposed or declared after the reporting date. In accordance with the requirements of the new standard, a provision for dividend will only be recognised at the reporting date where the dividends are declared, determined or publicly recommended prior to the reporting date.

An adjustment of \$12.089 million was made against the consolidated retained profits at the beginning of the financial year to reverse the amount provided at 27 July 2002 for the proposed final dividend for that year that was recommended by the Directors between the end of the year and the completion of the financial report. This reduced the consolidated current liabilities – provisions and total liabilities at the beginning of the financial year by \$12.089 million with corresponding increases in net assets, retained profits, total equity and the total dividends provided for or paid during the current financial year.

The change in accounting policy has had no effect on basic and diluted earnings per share.

(b) Employee benefits

The consolidated entity has adopted the revised accounting standard AASB 1028 "Employee Benefits" which has resulted in a change in the measurement of the annual leave provision. Previously, the consolidated entity recognised a provision for annual leave based on current remuneration rates as at reporting date. In accordance with the requirements of the revised standard, the annual leave provision is now based on the remuneration rates that the entity expects to pay when the obligation is settled.

The adjustments made at the beginning of the financial year as a result of this change were:

- an increase in consolidated provisions of \$1,400,536
- a decrease in consolidated retained profits of \$980,375
- an increase in the consolidated future income tax benefit of \$420,161

NOTES TO THE FINANCIAL STATEMENTS

	NOTE	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
3. REVENUE FROM ORDINARY ACTIVITIES			
Revenue from sale of goods		1,711,169	1,668,182
Other operating revenue		55,269	56,459
TOTAL REVENUE FROM ORDINARY ACTIVITIES		1,766,438	1,724,641
4. SIGNIFICANT ITEMS			
The impact of significant items of revenue/(expense) on profit from ordinary activities before income tax was:			
Foodchain business closure	10		
Lease exit costs		14,734	5,304
Restructuring costs		5,003	200
Non current assets written off		19,313	19,336
Total		39,050	24,840
Online business restructure			
Lease exit costs		171	—
Restructuring costs		2,372	—
Non current assets written off		3,883	—
Total		6,426	—
Other restructuring			
Store closure provision – Rockingham		1,296	—
Lease termination costs – Fountain Gate	13	9,940	—
Corporate head office		1,143	4,601
Total		12,379	4,601
Writedown in value of plant and equipment to recoverable amount			
Stores:			
- Hornsby		7,944	—
- Other		8,430	—
Corporate head office		2,260	—
Total		18,634	—
Accounting policy refinements and other adjustments			
Inventory cost refinements		6,390	6,876
Other adjustments		1,406	—
Effect of discounting interest free sales to fair value		—	2,542
Total		7,796	9,418
TOTAL SIGNIFICANT ITEMS		84,285	38,859

NOTES TO THE FINANCIAL STATEMENTS

	NOTE	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
5. DIVIDENDS			
Ordinary Shares			
Interim dividend of 3 cents (2002: 4 cents) per fully paid share paid 6 May 2003 (2002: 6 May 2002)			
Franked at 30% - 3 cents per share		12,226	15,927
Over provision relating to 2001		(11)	—
Final dividend of 3 cents per fully paid share paid on 23 October 2002 recognised as a liability at 27 July 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends (note 2(a))			
Franked at 30% - 3 cents per share		12,089	12,089
		24,304	28,016
Reset Preference Shares			
Interim dividend of \$4.0833 per share paid 3 February 2003 for the period 1 August 2002 to 31 January 2003 inclusive:			
Franked at 30%		2,654	—
Final dividend of \$4.0167 (2002: 68.7945 cents) per share paid 1 August 2003 for the period 1 February 2003 to 31 July 2003 inclusive:			
Franked at 30%		2,611	447
		5,265	447
Total dividends provided for or paid		29,569	28,463
Dividends paid in cash or satisfied by the issue of shares under the dividend reinvestment plan were as follows:			
Paid in cash		18,671	21,376
Satisfied by issue of shares		8,745	10,300
		27,416	31,676

NOTES TO THE FINANCIAL STATEMENTS

	NOTE	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
5. DIVIDENDS (CONTINUED)			
Franked Dividends			
The franked portions of the dividends recommended after 26 July 2003 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 31 July 2004			
Franking credits available for subsequent financial years based on a rate of 30% (2002: 30%)		11,574	9,255

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits that will arise from the payment of the current tax liability
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date, and
- (d) franking credits that may be prevented from being distributed in subsequent financial years.

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of controlled entities were paid as dividends.

Dividend Reinvestment Plan

As announced on 3 June 2003, the Company has suspended its Dividend Reinvestment Plan.

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED 2003 CENTS	CONSOLIDATED 2002 CENTS
6. EARNINGS PER SHARE (EPS)		
Basic EPS	(7.5)	1.5
Diluted EPS	(7.5)	1.5
Basic EPS before non recurring significant items	9.2	8.8
Diluted EPS before non recurring significant items	9.2	8.8
	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
Basic EPS and basic EPS before non recurring significant items		
Net profit/(loss) attributable to members	(25,466)	6,580
Less: Reset preference share dividends	(5,265)	(447)
Adjusted net profit/(loss) for basic EPS	(30,731)	6,133
Non recurring significant items (refer note 4)	84,285	38,859
Less: Income tax effect of non recurring significant items	(16,115)	(9,905)
After tax effect of non recurring significant items	68,170	28,954
Adjusted net profit before non recurring significant items	37,439	35,087
	CONSOLIDATED 2003 NUMBER	CONSOLIDATED 2002 NUMBER
Weighted average number of ordinary shares used in the calculation of basic and diluted EPS:		
– Basic earnings per share	407,411,262	398,160,194
– Diluted earnings per share	455,702,227	402,877,586

POTENTIAL ORDINARY SHARES

The 650,000 reset preference shares are potential ordinary shares in accordance with AASB 1027(6). The conversion factor of 74.2938 (2002: 101.6054) is calculated in accordance with the conversion formula provided on page 37 of the Reset Preference Share prospectus issued on 14 May 2002. The current number of potential ordinary shares is 48,290,964 (2002: 66,043,510). Based on conditions existing at 26 July 2003, these potential ordinary shares are not dilutive.

OPTIONS

Options to purchase ordinary shares not exercised at 26 July 2003 (27 July 2002) have not been included in the determination of diluted earnings per share. Based on conditions existing at reporting date, the options would not be potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

	NOTE	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
7. RETAINED PROFITS			
Retained profits at beginning of year		69,380	91,264
Net profit attributable to members of the parent entity		(25,466)	6,580
Net effect of initial adoption of:			
Revised AASB 1028 "Employee Benefits"	2(b)	(980)	—
Net effect on dividends from:			
Initial adoption of AASB 1044 "Provisions Contingent Liabilities and Contingent Assets"	2(a)	12,089	—
Dividends recognised during the year	5	(29,569)	(28,464)
Total dividends		(17,480)	(28,464)
Retained profits at end of year		25,454	69,380
8. TOTAL EQUITY RECONCILIATION			
Total equity at beginning of year		455,268	406,277
Total change in parent entity interest in equity recognised in statement of financial performance		(26,520)	2,155
Transactions with owners as owners:			
Contributions of equity:			
Issue of reset preference shares		—	65,000
Issue of ordinary shares under dividend reinvestment plan		8,745	10,300
Dividends	7	(17,480)	(28,464)
Total equity at end of year		420,013	455,268

NOTES TO THE FINANCIAL STATEMENTS

9. SEGMENT INFORMATION

(a) Business and Geographical Segments

The consolidated entity operates in Australia and is organised into the following divisions by product and service type:

- Department stores comprising David Jones department stores, rack stores, David Jones Online and corporate office;
- Foodchain by David Jones;
- Credit comprising the David Jones' Card
- Property comprising the land and buildings owned by David Jones Limited and its controlled entities

(b) Segment Accounting Policies

Segment accounting policies are the same as the consolidated entity's accounting policies described in note 1. During the financial year, there were no changes in segment accounting policies, other than those changes described in note 2, that had a material effect on the segment information. Since 28 July 2002 David Jones Online has been included in Department Stores. Prior period segment information has been restated in accordance with this revised basis of segment classification.

Rent is charged by the property segment to the department stores segment at current market rates and eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

9. SEGMENT INFORMATION (CONTINUED)

Primary reporting – business segments	Department Stores		Foodchain		Credit		Property		Eliminations		Consolidated	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Revenue												
Sales to customers outside the Consolidated Entity	1,674,525	1,631,082	36,643	37,100	—	—	—	—	—	—	1,711,168	1,668,182
Other revenues from customers outside the Consolidated Entity	21,499	27,829	—	—	31,799	27,200	—	—	—	—	53,298	55,029
Inter-segment revenues	—	—	—	—	—	—	2,780	2,586	(2,780)	(2,586)	—	—
Total segment revenues	1,696,024	1,658,911	36,643	37,100	31,799	27,200	2,780	2,586	(2,780)	(2,586)	1,764,466	1,723,211
Unallocated revenue											1,972	1,430
Total consolidated revenue											1,766,438	1,724,641
Results												
Segment results	5,075	41,687	(45,926)	(37,622)	22,069	14,936	2,497	2,546	(2,780)	(2,586)	(19,065)	18,962
Unallocated expenses											(3,263)	(7,394)
Net profit from ordinary activities before income tax expense											(22,328)	11,568

NOTES TO THE FINANCIAL STATEMENTS

9. SEGMENT INFORMATION (CONTINUED)

Primary reporting – business segments	Department stores		Foodchain		Credit		Property		Eliminations		Consolidated	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
Assets												
Segment assets	590,481	561,581	58	16,945	33,767	27,723	27,443	28,689	—	—	651,749	634,938
Unallocated assets											8,000	50,250
Total assets											659,749	685,188
Liabilities												
Segment liabilities	121,163	28,355	2,222	8,026	9,130	9,538	355	—	—	(15)	132,870	45,904
Unallocated liabilities											106,866	184,016
Total liabilities											239,736	229,920
Other segment information:												
Acquisition of property, plant and equipment, intangible assets and other non-current assets (and disposals)	57,475	62,839	4,373	7,751	2	232	—	—	—	—	61,850	70,822
Depreciation, amortisation and recoverable amount write downs	68,261	45,643	20,575	21,529	134	118	284	284	—	—	89,254	67,574
Non-cash expenses other than depreciation and amortisation	16,518	14,327	(3,616)	5,304	(1,156)	2,881	—	—	—	—	11,746	22,512

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
10. DISCONTINUED OPERATIONS		
On 3 June 2003, the Company announced its intention to close all Foodchain stores and thereby discontinue its operations in this business segment. All four Foodchain stores ceased trading by 28 June 2003. The Company has no further contingent liabilities or obligations relating to any Foodchain leases.		
Financial information relating to the discontinued operation for the period to the date of disposal is set out below. Further information is set out in Note 9 – Segment Information		
Financial performance information for the period ended 28 June 2003 and year ended 27 July 2002		
Revenue from ordinary activities, excluding the sale of segment assets	36,643	37,100
Revenue from the sale of segment assets	—	—
Total revenue from ordinary activities	36,643	37,100
Expenses from ordinary activities, excluding the carrying amount of assets sold and written off	(63,256)	(55,386)
Carrying amount of assets written off	(19,313)	(19,336)
Total expenses from ordinary activities	(82,569)	(74,722)
Profit from ordinary activities before income tax	(45,926)	(37,622)
Income tax benefit	13,778	11,286
Net profit/(loss)	(32,148)	(26,336)
Financial position information as at 26 July 2003 and 27 July 2002		
Segment assets	58	16,945
Segment liabilities	(2,222)	(8,026)
Net assets	(2,164)	8,919
Cash flow information for the period ended 28 June 2003 and year ended 27 July 2002		
Net cash provided by operating activities	(32,221)	(12,086)
Net cash (used in) investing activities	(1,685)	(18,344)
Net cash provided by financing activities	33,884	30,428
Net increase in cash held	(22)	(2)
Asset disposals for the period ended 28 June 2003 and year ended 27 July 2002		
Carrying amount of assets	19,313	19,336
Pre-tax loss on disposition	(19,313)	(19,336)
Tax benefit	5,794	5,801
Loss on disposition after tax	(13,519)	(13,535)

NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
11. LEASE COMMITMENTS		
OPERATING LEASE COMMITMENTS		
Future operating lease rentals not provided for in the financial statements and payable:		
– within one year	79,997	78,577
– later than one year but not later than five years	347,586	354,127
– later than five years	1,833,713	1,911,996
	2,261,296	2,344,700
FINANCE LEASE LIABILITIES		
Finance lease rentals are payable as follows:		
– within one year	125	228
– later than one year but not later than five years	—	122
– later than five years	—	—
	125	350
Less: Future lease finance charges	3	11
	122	339
Lease liabilities provided for in the financial statements		
Current	122	217
Non-current	—	122
	122	339

The consolidated entity leases retail premises and warehousing facilities. Generally, the lease agreements are for an average term of 22 years and include renewal options. Under most leases, the consolidated entity is responsible for property taxes, insurance, maintenance and expenses related to the leased properties.

The operating lease commitments set out above comprise base rental payments plus agreed percentage increases, and contingent rental payments. Contingent rentals are calculated as a percentage of the turnover of the store occupying the premises with the percentage and turnover threshold at which the additional rentals commence varying with each lease agreement.

Further details in relation to operating leases of retail properties at Bourke Street, Melbourne and Elizabeth and Market Streets, Sydney are disclosed in note 12.

NOTES TO THE FINANCIAL STATEMENTS

12. OFF BALANCE SHEET ARRANGEMENTS

The Statement of Financial Position should be read in conjunction with the following off balance sheet arrangements.

(a) Sale and Leaseback Arrangement

The Company entered into a sale and leaseback arrangement with Deutsche Retail Infrastructure Trust (DRIT) in November 2000 whereby the Elizabeth and Market Streets, Sydney and Bourke Street, Melbourne properties were, in-substance, sold by granting a seventy-nine year head lease with DRIT. The non-refundable proceeds received by the Consolidated Entity of \$201.85 million were recorded in the 28 July 2001 financial report as proceeds from the sale of property.

Legally, the consolidated entity has a recognised right to set-off the receivables (\$201.85 million at inception) under the head lease and payables under the loan agreement (\$201.85 million at inception) in order to settle on a net basis.

The Company has entered into operating leases in respect of the properties. The operating leases are for an initial term of thirty years with:

- base rentals calculated on floor space with a 2.5% per annum quarterly increase;
- contingent rentals based on turnover, reviewed every five years, with a set upper and lower limit.

The leases contain two further renewal options of thirty years and twenty years.

Under the arrangement, DRIT will provide funds to the Company for the refurbishment of the properties and a disruption allowance for reduction of rentals due to the impact of disruption during the refurbishments.

In these original arrangements, Deutsche Asset Management (Australia) Limited (DAMAL) as responsible entity for the DRIT was to receive the greater of \$100 million or 50% of the market value of the properties in year 2079.

The Company has also entered into agreements with Deutsche Bank AG (DB) whereby:

- The Company waives its right to terminate each of the Head Leases
- DB agrees to pay the 50% of the sale proceeds due to DAMAL on sale of the properties in year 79, or the minimum guarantee amount of \$100m, whichever DAMAL is entitled to, on the Company's behalf
- The Company waives any entitlement to 50% of the proceeds of sale of the properties
- The Company waives its right to buy each property by way of a pre-emptive right and by a last right of refusal

Previously an effectively guaranteed residual amount of \$100 million may have been payable by the Company in the year 2079 depending on the value of the properties at that time. DB is expected to acquire legal title to the properties at year 2079 and the Company has no contractual right to repurchase the properties during or at the end of the 79 year period.

NOTES TO THE FINANCIAL STATEMENTS

12. OFF BALANCE SHEET ARRANGEMENTS (CONTINUED)

(a) Sale and Leaseback Arrangement (continued)

In the original transaction, the Company entered into a put option agreement where elements of DRIT's financing (totalling \$146 million) could be put to the Company. This put option is only exercisable in remote circumstances (for example, payment default, demand under or cancellation of David Jones' Syndicated Banking Facility Agreement and trigger events largely associated with the insolvency of the Company). This results in the Company having an element of refinancing risk in the event of a significant fall in the value of the properties, which coincides largely with an insolvency or credit event of the Company. However, equity holders in DRIT take the primary risk of a fall in the improved value of the properties.

The Company has entered into thirty year interest rate swap contracts associated with the transaction. The estimated market values of the payables and receivables under the swaps at 26 July 2003 are \$51.045 million and \$42.795 million respectively (2002: \$29.818 million and \$21.510 million). These amounts have not been recognised in the Statement of Financial Position. The difference between the net cash inflows and outflows is recognised as an expense in the Statement of Financial Performance over the term of the swaps.

(b) Securitisation of David Jones Card Receivables

Receivables from David Jones cardholders are sold to an unrelated third party, in which the consolidated entity has no ownership interest. The consolidated entity does not have the capacity to control the unrelated third party and accordingly does not consolidate this entity.

Receivables due from David Jones' card holders that have been sold to the third party as at 26 July 2003 amount to \$392.692 million (2002: \$351.161 million). Of this amount \$38.689 million (2002: \$36.268 million) has been retained by the third party as over collateralisation. As this amount will be paid to a controlled entity, subject to the performance of the card receivables, it has been included in current receivables in the Statement of Financial Position.

The consolidated entity retains the risk for bad debts in respect of the total portfolio of securitisation receivables.

Collectability of the credit card receivables is reviewed on an ongoing basis and to the extent that recovery is doubtful, a provision for doubtful debts is recorded by the Consolidated Entity against the securitisation receivable.

The consolidated entity is entitled to the residual revenue arising from the underlying receivables after meeting the purchaser's cost of funds, bad debts and expenses.

NOTES TO THE FINANCIAL STATEMENTS

13. EVENTS SUBSEQUENT TO BALANCE DATE

On 3 June 2003 the Company announced that it would terminate its 1996 agreement to lease a new store in the Fountain Gate centre, Victoria.

Since 26 July 2003 the Company has finalised an agreement to terminate this lease and termination costs of \$9.9 million have been incurred. The financial effect of this transaction has been brought to account in the financial statements for the year ended 26 July 2003 (refer note 4).

In addition the Company has entered into a new agreement to lease a proposed store in the Fountain Gate centre under different terms. The operating lease commitments for this new lease are included in the amounts shown in note 11.

	CONSOLIDATED 2003 \$000	CONSOLIDATED 2002 \$000
14. DEPRECIATION, AMORTISATION AND RECOVERABLE AMOUNT WRITEDOWNS		
Depreciation	45,457	45,864
Amortisation	1,967	2,374
Recoverable amount writedowns	41,830	19,336
TOTAL	89,254	67,574