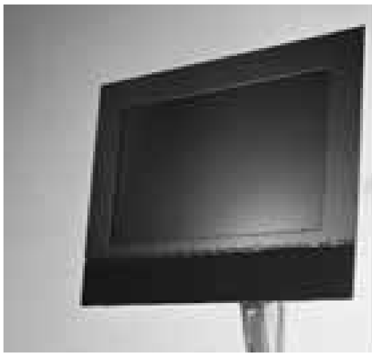
DAVID JONES LIMITED
ABN 75 000 074 573 ACN 000 074 573

DAVID JONES FINANCIAL REPORT 2004




CONTENTS

2004 DAVID JONES LIMITED ANNUAL REPORT

This 2004 financial report and the 2004 concise annual report together comprise the 2004 David Jones Limited annual report. This 2004 financial report should be read together with the 2004 concise annual report, containing the Directors' Report.

If you require a copy of the 2004 concise annual report please contact the Share Registry on 1800 652 207. Alternatively, both the 2004 financial report and the 2004 concise annual report can be accessed from the 'For Investors' section of the David Jones website **www.davidjones.com.au**.
Upon accessing the site, click on 'For Investors' at the bottom of the screen to go through to releases and reports.

STATEMENTS OF FINANCIAL PERFORMANCE

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Notes	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
Revenue from sale of goods	2(a)	**1,769,505**	1,711,169	**1,769,505**	1,711,169
Cost of sales		**(1,112,347)**	(1,088,172)	**(1,112,347)**	(1,088,172)
Gross profit		**657,158**	622,997	**657,158**	622,997
Other revenues from ordinary activities	2(a)	**65,186**	55,269	**26,055**	103,278
Employee benefits expense		**(295,214)**	(287,382)	**(295,128)**	(287,275)
Lease and occupancy expenses		**(165,831)**	(182,032)	**(168,728)**	(184,813)
Depreciation, amortisation and recoverable amount write downs	2(a)	**(42,882)**	(89,254)	**(40,660)**	(86,575)
Advertising, merchandising and visual expenses		**(55,774)**	(49,879)	**(55,775)**	(49,835)
Administration expenses		**(37,789)**	(48,933)	**(37,019)**	(48,914)
Borrowing costs	2(a)	**(3,621)**	(4,553)	**(1,179)**	(4,508)
Carrying amount of assets sold		**(257)**	(305)	**(256)**	(305)
Other expenses from ordinary activities		**(26,268)**	(38,256)	**(26,911)**	(39,181)
Profit/(Loss) from ordinary activities before income tax expense		**94,708**	(22,328)	**57,557**	24,869
Income tax (expense)/benefit relating to ordinary activities	5	**(29,379)**	(3,138)	**(13,528)**	7,185
Net Profit/(Loss) from ordinary activities after related income tax expense attributable to members of the parent entity	26	**65,329**	(25,466)	**44,029**	32,054
Share issue costs		**–**	(74)	**–**	(74)
Net (decrease) in retained profits on the initial adoption of revised AASB 1028 – Employee Benefits		**–**	(980)	**–**	(980)
Total revenue and expenses attributable to members of the parent entity recognised directly in equity		**–**	(1,054)	**–**	(1,054)
Total changes in equity from non-owner related transactions attributable to members of the parent entity		**65,329**	(26,520)	**44,029**	31,000
Basic EPS	7	**14.6c**	(7.5)c		
Diluted EPS	7	**14.2c**	(7.5)c		
Basic EPS before non recurring significant items	7	14.6c	9.2c		
Diluted EPS before non recurring significant items	7	14.2c	9.2c		

The Statements of Financial Performance should be read in conjunction with the accompanying notes to the financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2004 and 26 July 2003
David Jones Limited and its controlled entities

		CONSOLIDATED		DAVID JONES LIMITED	
	Notes	**2004 $000**	2003 $000	**2004 $000**	2003 $000
CURRENT ASSETS					
Cash assets	8	**97,844**	17,345	**8,844**	9,344
Receivables	9	**48,708**	47,875	**12,889**	16,166
Inventories	10	**306,190**	289,540	**306,190**	289,614
Prepayments	11	**7,186**	7,366	**6,762**	7,805
Land and buildings held for sale	12	**26,152**	–	**–**	–
Total current assets		**486,080**	362,126	**334,685**	322,929
NON-CURRENT ASSETS					
Other financial assets	13	**–**	–	**105,243**	105,243
Property, plant and equipment	14	**229,577**	246,547	**229,442**	219,715
Intangibles	15	**10,305**	12,178	**–**	–
Deferred tax assets	16	**39,720**	34,040	**39,720**	29,711
Other assets	17	**5,075**	4,858	**4,907**	3,410
Total non-current assets		**284,677**	297,623	**379,312**	358,079
Total assets		**770,757**	659,749	**713,997**	681,008
CURRENT LIABILITIES					
Payables	18	**255,691**	182,735	**194,312**	181,602
Interest bearing liabilities	19	**1,697**	122	**1,697**	–
Current tax liabilities	20	**25,198**	3,097	**25,198**	–
Provisions	21	**13,124**	28,370	**13,086**	28,337
Total current liabilities		**295,710**	214,324	**234,293**	209,939
NON-CURRENT LIABILITIES					
Deferred tax liabilities	22	**250**	313	**250**	–
Provisions	23	**20,707**	20,768	**20,707**	20,768
Other deferred liabilities	24	**6,150**	4,331	**6,150**	4,331
Total non-current liabilities		**27,107**	25,412	**27,107**	25,099
Total liabilities		**322,817**	239,736	**261,400**	235,038
Net assets		**447,940**	420,013	**452,597**	445,970
EQUITY					
Contributed equity	25	**395,365**	394,559	**395,365**	394,559
Retained profits	26	**52,575**	25,454	**57,232**	51,411
Total equity		**447,940**	420,013	**452,597**	445,970

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

STATEMENTS OF CASH FLOWS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Notes	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers (inclusive of Goods and Services Tax)		**1,826,101**	1,768,354	**1,793,014**	1,733,279
Payments to suppliers and employees (inclusive of Goods and Services Tax)		**(1,649,474)**	(1,668,420)	**(1,641,100)**	(1,667,392)
Interest received		**3,014**	1,256	**2,546**	982
Interest paid and other costs of finance:					
– controlled entities		**–**	–	**(466)**	(3,847)
– others		**(3,621)**	(4,553)	**(712)**	(661)
Income tax paid		**(19,901)**	(19,182)	**(19,901)**	(5,106)
Income tax refund received		**10,866**	1,256	**10,740**	70
Dividends received		**–**	–	**–**	80,000
Net cash inflow from operating activities	35(c)	**166,985**	78,711	**144,121**	137,325
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(50,891)**	(61,850)	**(50,891)**	(78,857)
Proceeds from sale of property, plant and equipment		**112**	185	**112**	185
Repayment of Employee Share Plan loans on forfeited shares		**120**	87	**120**	87
Repayment of Employee Share Plan loans from dividend payments		**41**	36	**41**	36
Net cash (outflow) from investing activities		**(50,618)**	(61,542)	**(50,618)**	(78,549)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from the issue of ordinary shares under Executive Option Plan		**750**	–	**750**	–
Payments for share issue costs:					
Reset preference shares		**–**	(74)	**–**	(74)
Repayment of external borrowings		**1,575**	(217)	**1,697**	(673)
Net movement in loans with controlled entities		**–**	–	**(58,257)**	(38,692)
Dividends paid:					
Ordinary shares		**(32,928)**	(15,570)	**(32,928)**	(15,570)
Reset preference shares		**(5,265)**	(3,101)	**(5,265)**	(3,101)
Net cash (outflow) from financing activities		**(35,868)**	(18,962)	**(94,003)**	(58,110)
Net increase/(decrease) in cash held		**80,499**	(1,793)	**(500)**	666
Cash at beginning of the financial period		**17,345**	19,138	**9,344**	8,678
Cash at end of the financial period	35(a)	**97,844**	17,345	**8,844**	9,344

The Statements of Cash Flows should be read in conjunction with the accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Consensus views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared in accordance with the historical cost convention except where stated and does not take into account changing money values or current valuations of non-current assets. Unless otherwise stated the accounting policies adopted are consistent with those of the previous year.

(b) Principles of Consolidation

The consolidated financial statements are those of the Consolidated Entity, comprising the parent company, David Jones Limited (the Company) and all entities that the Company controlled from time to time during the period and at balance date. A list of controlled entities is contained in Note 33.

Information from the financial statements of subsidiaries is included from the date the Company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the Company had control.

Acquisitions are accounted for using the purchase method of accounting.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(c) Goodwill

Goodwill, represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on acquisition of a controlled entity.

Goodwill is amortised on a straight-line basis not exceeding twenty years and reviewed in accordance with the policy set out in Note 1(d).

(d) Non-Current Assets

The carrying amounts of non current assets measured using the cost basis are reviewed to determine whether they are in excess of their recoverable amount at reporting date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts of non-current assets, the relevant cash-flows have been discounted to their present value using a discount rate of 10.8%.

(e) Other Financial Assets

Investments in controlled entities are carried in the financial statements of the Company at the lower of cost and their recoverable amount. Dividends are brought to account in the statement of financial performance when declared by the controlled entity.

(f) Property, Plant and Equipment

Cost

All property, plant and equipment (including property held for sale) is measured at cost.

The cost of property, plant and equipment constructed by the Consolidated Entity includes the cost of materials and direct labour, and an appropriate proportion of fixed and variable overheads.

Depreciation

Depreciation is calculated on a straight-line basis to write off the cost of each item of property (excluding land), plant, fittings and fixtures over its expected useful life to the Consolidated Entity. Estimates of remaining useful lives are made on a regular basis for all assets.

The expected useful lives are as follows:

Buildings and integral plant	10.0 – 66.7 years
Plant, fittings and fixtures	3.7 – 20.0 years
Computer hardware and software	3.7 years

Leased Plant and Equipment

A distinction is made between finance leases which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to ownership of leased non-current assets (finance leases) and operating leases under which the lessor effectively retains substantially all such risks and benefits.

Finance Leases
Finance leases are capitalised. A lease asset and liability are established at the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the interest expense.

The lease asset is amortised on a straight-line basis over the term of the lease, or where it is likely that the Consolidated Entity will obtain ownership of the asset, the life of the asset. Lease assets are being amortised over periods ranging from three to five years.

Operating Leases
Payments made under operating leases are charged to the statement of financial performance in equal instalments over the accounting periods covered by the lease term.

(g) Pre-Opening Expenses

Pre-opening expenses in connection with new stores are charged to the statement of financial performance in the period in which they are incurred.

(h) Foreign Currency

Transactions in foreign currencies of entities within the Consolidated Entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains and losses arising on the hedge transaction after that date are taken to net profit.

It is the Consolidated Entity's policy not to engage in speculative foreign currency trading.

(i) Taxes

Income Taxes
Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)
Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(j) Inventories

Finished goods on hand or in transit are valued at the lower of cost and net realisable value with cost primarily being determined using the retail inventory method. This method utilises the current selling prices of inventories and reduces prices to cost by the application of average department mark up ratios. Further adjustments are made to ensure the carrying value of inventories is stated at the lower of cost and net realisable value.

Volume related supplier rebates are recognised as a reduction in the cost of inventory and are recorded as a reduction of cost of sales when the inventory is sold. Inventories do not include finished goods on hand in store concession departments as these goods are purchased from the supplier immediately prior to a sales transaction occurring.

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(k) Employee Entitlements

Wages and Salaries and Annual Leave
Liabilities for wages and salaries and annual leave are recognised for employees services up to the reporting date, and are measured at the amounts expected to be paid when the liabilities are settled.

Long Service Leave
A liability for long service leave is recognised, and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and period of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Profit Sharing and Bonus Plans
A liability for employee benefits in the form of profit sharing and bonus plans is recognised in other creditors when there is no realistic alternative but to settle the liability and at least one of the following conditions is met:

- there are formal terms in the plan for determining the amount of the benefit
- the amounts to be paid are determined before the time of completion of the financial report, or
- past practice gives clear evidence of the amount of the obligation

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Equity-Based Remuneration Schemes
The Company has four employee share ownership plans, an Executive Option Plan and a Long Term Incentive Plan (refer Note 32(b)).

The fair value of equity based compensation grants (including options) to employees and Directors are not recognised as an expense in the statement of financial performance.

The market value of shares issued to employees under the equity-based remuneration schemes described in Note 32 is not being charged as an employee entitlement expense. When the shares are issued, their market value is recognised in the statement of financial position as share capital. The costs of administering these schemes, including losses incurred on the sale of forfeited shares by the trustee, are expensed as incurred.

Superannuation
The Company and certain controlled entities contribute to several defined contribution superannuation plans. Contributions are made in accordance with the relevant trust deeds and the Superannuation Guarantee Charge and are charged against income as they are made.

(l) Directors' Retirement Allowance

A retirement allowance is paid to Non-Executive Directors, who have served in this capacity for a minimum period of three years. The allowance is paid when the Director ceases to hold office.

The retirement allowance is calculated using a factor based on the number of years' service multiplied by the average annual Directors' fees over the three years prior to the date of ceasing to be a Non-Executive Director. The factors range from 1.125 for three years' service to a maximum of 3.286 for nine years and over. Directors taking office after 14 October 2003 are not entitled to the retirement allowance.

Provision is made for all Non-Executive Directors' present entitlement and a pro rata provision is made for those that have been in office for less than three years.

(m) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Revenue from Sale of Goods
Revenue from the sale of goods includes concession sales, and is net of actual returns made. Revenue from store sales is recognised when control and possession of the goods passes to the buyer. For online sales, revenue is recognised at the time payment is received. Sales made on interest free, deferred payment terms for periods of greater than one year are discounted to their fair value using as a discount rate the securitisation funding cost for credit card receivables.

Residual Revenue – Credit Card Receivables
Residual revenue arising from the securitisation of David Jones' card receivables is recognised as it accrues (refer Note 28).

Disruption Allowance
The disruption allowance received as a result of building works under the sale and leaseback arrangement represents a reimbursement for rent incurred during a major refurbishment and compensates for the associated loss of sales and gross profit, and incremental expenses in the period.

Rent and occupancy expenses for the period are disclosed net of an amount of $3,043,677 (2003: $2,820,999) for disruption allowance. In the 2004 financial period, this major refurbishment work was undertaken in the Foodhall of the Market Street, Sydney store, several floors in the Elizabeth Street, Sydney store and the Foodhall of the Bourke Street, Melbourne store.

Interest and Rent
Interest income is recognised as it accrues. Rent is recognised when the Consolidated Entity has attained control of a right to be compensated for the provision of its assets.

Proceeds from Sale of Property, Plant and Equipment
The gross proceeds of asset sales are included as other revenue. Revenue on disposal of property, plant and equipment is brought to account at the date an unconditional contract of sale is signed.

Purchase and Promotional Incentives
Promotional and advertising subsidies are offset against promotion and advertising costs. Settlement discounts are taken into income in the period to which the purchase relates.

(n) Cost of Sales
Cost of sales comprises cost of inventory sold during the period and normal retail shrinkage.

(o) Borrowing Costs
Borrowing costs are recognised as expenses in the period in which they are incurred.

(p) Shareholder Discount
Shareholder discount on sales is expensed.

(q) Service Warranties
Provision is made at balance date for the estimated liability relating to warranty claims on electrical goods covered by the Consolidated Entity's one year warranty extension program. The provision is estimated with reference to the level of sales of eligible products, the manufacturer's warranty period and the historical level of warranty claims. The Consolidated Entity's warranty extension program applies to sales made on eligible products prior to September 2003 (refer Note 23)

(r) Derivatives
The Consolidated Entity is exposed to changes in interest rates and foreign currency exchange rates from its activities. It is the Consolidated Entity's policy to use derivative financial instruments to hedge these risks within established policy.

The accounting for forward foreign exchange contracts is in accordance with Note 1(h).

The net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

When an interest rate swap is terminated early and the underlying hedged transactions are still expected to occur as designated, the gains or losses arising on the swap upon its early termination continue to be deferred and are progressively brought to account over the period during which the hedged transactions are recognised.

When an interest rate swap is terminated early and the underlying hedged transaction are no longer expected to occur as designated, the gains or losses arising on the swap upon its early termination are recognised in the statement of financial performance as at the date of the termination.

With the exception of an interest rate swap relating to dividends that may be payable on reset preference shares the Consolidated Entity's policy does not allow derivative financial instruments to be held for speculative trading purposes.

(s) Payables
Liabilities for trade and other creditors are carried at cost, which is the fair value of the consideration to be paid in the future, for goods and services received, whether or not billed to the Consolidated Entity.

(t) Interest Bearing Liabilities
Loans are carried on the statement of financial position at their principal amount subject to set off arrangements. Interest expense is accrued at the contracted rate and included in payables.

(u) Cash Assets
Cash on hand and in banks and short term deposits are stated at nominal value.

For purposes of the statement of cash flows, cash includes cash at bank and on hand, deposits at call and bank overdraft.

(v) Contributed Equity
Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of shares are recognised directly in equity as a reduction of the share proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

(w) Financial Instruments
Where financial instruments, such as reset preference shares issued by the Company, have no fixed maturity, are redeemable at the option of the Company and have no cumulative dividend obligations, the proceeds received are classified as equity and the related distributions as dividends.

(x) Earnings Per Share (EPS)
Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Basic EPS before non-recurring significant items is calculated in the same manner as basic EPS with the exception that additional adjustments are made to exclude from net profit attributable to members significant items of a non recurring nature.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends) and preference share dividends;
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares

divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Diluted EPS before non recurring significant items is calculated in the same manner as diluted EPS with the exception that additional adjustments are made to exclude from net profit attributable to members significant items of a non recurring nature.

(y) Dividends
Provision is made for the amount of any dividend declared by the Directors on or before the end of the financial year but not distributed at balance date.

(z) Restructuring costs
Liabilities arising directly from undertaking a restructuring program, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

The cost of restructurings provided for, other than related employee termination benefits, is the estimated cash flows, having regard to the risks of the restructuring activities, discounted using market yields at balance date on national government guaranteed bonds with terms to maturity and currency that match, as closely as possible, the expected future payments, where the effect of discounting is material.

Liabilities for employee termination benefits associated with restructurings are brought to account on the basis described in the accounting policy note for employee entitlements (Note 1(k)).

(aa) Provisions
Provisions are recognised when the Consolidated Entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be received and a reliable estimate can be made of the amount of the obligations.

(ab) Trade Receivables
Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is recognised as income on an accruals basis.

(ac) Comparatives
Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

(ad) Rounding of Amounts
Amounts in the financial report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar, in accordance with the Class Order 98/0100 issued by the Australian Securities & Investments Commission.

	Notes	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
2. PROFIT FROM ORDINARY ACTIVITIES					
(a) Profit from ordinary activities before income tax expense has been earned after charging/(crediting) the following items:					
Revenue from sale of goods		**(1,769,505)**	(1,711,169)	**(1,769,505)**	(1,711,169)
Other Revenue:					
– Interest received or receivable from other persons		**(3,014)**	(1,256)	**(2,546)**	(982)
– Dividends from controlled entities		**–**	–	**–**	(80,000)
– Residual revenue – credit card securitisation	1(m)	**(37,932)**	(31,126)	**–**	–
– Settlement discounts received		**(18,261)**	(17,165)	**(18,261)**	(17,165)
– Rental income		**(577)**	(716)	**(577)**	(716)
– Proceeds from sale of property, plant and equipment		**(112)**	(185)	**(112)**	(185)
– Sundry revenue		**(5,290)**	(4,821)	**(4,559)**	(4,230)
Total other revenue		**(65,186)**	(55,269)	**(26,055)**	(103,278)
Total Revenue		**(1,834,691)**	(1,766,438)	**(1,795,560)**	(1,814,447)
Borrowing costs:					
– controlled entities		**–**	–	**466**	3,847
– other persons		**3,621**	4,553	**713**	661
Total borrowing costs		**3,621**	4,553	**1,179**	4,508
Amount set side to provide for Directors' retirement allowance	1(l)	**238**	194	**238**	194
Net bad and doubtful debts expense including movement in provision for doubtful debts					
– David Jones' card receivables		**5,782**	5,381	**–**	–
– other		**(636)**	2,184	**(636)**	2,184
Rental charges on operating leases:					
– controlled entities – minimum lease payments		**–**	–	**2,647**	2,534
– other persons – minimum lease payments		**79,210**	76,172	**79,036**	75,619
– contingent rentals		**2,565**	3,121	**2,565**	3,121
Total rental charges		**81,775**	79,293	**84,248**	81,274
Depreciation of:					
– buildings		**276**	284	**–**	–
– plant, fittings and fixtures		**40,635**	45,173	**40,660**	45,190
Amortisation of:					
– goodwill		**1,873**	1,873	**–**	–
– finance leased plant, fittings and fixtures		**98**	94	**–**	–
Asset write downs		**–**	41,830	**–**	41,385
Total depreciation, amortisation and recoverable amount writedowns		**42,882**	89,254	**40,660**	86,575
Loss on sale of assets		**145**	120	**145**	120
Net foreign exchange loss/(gain)		**(35)**	22	**(35)**	22

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Notes	CONSOLIDATED **2004 $000**	CONSOLIDATED 2003 $000	DAVID JONES LIMITED **2004 $000**	DAVID JONES LIMITED 2003 $000
2. PROFIT FROM ORDINARY ACTIVITIES – continued					
(b) Significant Items					
The impact of significant items of expense on profit from ordinary activities before income tax was:					
Foodchain business closure	37				
Lease exit costs		–	14,734	–	14,734
Restructuring costs		–	5,003	–	5,003
Non-current assets written off		–	19,313	–	19,313
Total		–	39,050	–	39,050
Online business restructure					
Lease exit costs		–	171	–	171
Restructuring costs		–	2,372	–	2,372
Non-current assets written off		–	3,883	–	3,438
Total		–	6,426	–	5,981
Other restructuring					
Store closure provision – Rockingham		–	1,296	–	1,296
Lease termination costs – Fountain Gate		–	9,940	–	9,940
Corporate head office		–	1,143	–	1,143
Total		–	12,379	–	12,379
Write down in value of plant and equipment to recoverable amount					
Stores:					
– Hornsby		–	7,944	–	7,944
– Other		–	8,430	–	8,430
Corporate head office		–	2,260	–	2,260
Total		–	18,634	–	18,634
Accounting policy refinements and other adjustments					
Inventory cost refinements		–	6,390	–	6,390
Other adjustments		–	1,406	–	1,406
Total		–	7,796	–	7,796
Total Significant Items		–	84,285	–	83,840

3. SEGMENT INFORMATION

Business and Geographical Segments

The Consolidated Entity operates in Australia and was organised into the following divisions by product and service type for the financial period:

- Department Stores comprising David Jones department stores, rack stores, David Jones Online and corporate head office;
- Credit comprising the David Jones' Card; and
- Property comprising the land and buildings owned by the Consolidated Entity.

The Foodchain by David Jones segment was discontinued during the 2003 financial year (refer Note 37).

Segment Accounting Policies

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

Rent is charged by the Property segment to the Department Stores segment at current market rates and eliminated on consolidation.

PRIMARY REPORTING – BUSINESS SEGMENTS	DEPARTMENT STORES		FOODCHAIN		CREDIT		PROPERTY		ELIMINATIONS		CONSOLIDATED	
	2004 $000	2003 $000	**2004 $000**	2003 $000	**2004 $000**	2003 $000	**2004 $000**	2003 $000	**2004 $000**	2003 $000	**2004 $000**	2003 $000
REVENUE												
Sales to customers outside the Consolidated Entity	**1,769,505**	1,674,526	**–**	36,643	**–**	–	**–**	–	**–**	–	**1,769,505**	1,711,169
Other revenues from customers outside the Consolidated Entity	**23,077**	21,499	**–**	–	**38,518**	31,799	**–**	–	**–**	–	**61,595**	53,298
Inter-segment revenues	**–**	–	**–**	–	**–**	–	**2,898**	2,780	**(2,898)**	(2,780)	**–**	–
Total segment revenues	**1,792,582**	1,696,025	**–**	36,643	**38,518**	31,799	**2,898**	2,780	**(2,898)**	(2,780)	**1,831,100**	1,764,467
Unallocated revenue											**3,591**	1,971
Total consolidated revenue											**1,834,691**	1,766,438
RESULTS												
Segment results	**67,885**	5,075	**–**	(45,926)	**27,657**	22,069	**2,630**	2,497	**(2,898)**	(2,780)	**95,274**	(19,065)
Unallocated expenses											**(566)**	(3,263)
Net profit from ordinary activities before income tax expense											**94,708**	(22,328)
ASSETS												
Segment assets	**567,391**	559,700	**–**	58	**36,028**	31,394	**26,152**	26,428	**–**	–	**629,571**	617,580
Unallocated assets											**141,186**	42,619
Total assets											**770,757**	659,749
LIABILITIES												
Segment liabilities	**107,538**	95,963	**–**	2,222	**7,128**	6,528	**887**	313	**–**	–	**115,553**	105,026
Unallocated liabilities											**207,264**	134,710
Total liabilities											**322,817**	239,736
OTHER SEGMENT INFORMATION:												
Acquisition of property, plant and equipment, intangible assets and other non-current assets (and disposals)	**50,719**	57,475	**–**	4,373	**172**	2	**–**	–	**–**	–	**50,891**	61,850
Depreciation, amortisation and recoverable amount write down (refer Note 2(a))	**42,478**	68,261	**–**	20,575	**128**	134	**276**	284	**–**	–	**42,882**	89,254
Non-cash expenses other than depreciation and amortisation	**11,352**	18,402	**–**	(3,616)	**(408)**	(1,156)	**–**	–	**–**	–	**10,944**	13,630

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Consolidated 2004 $	Consolidated 2003 $	David Jones Limited 2004 $	David Jones Limited 2003 $
4. REMUNERATION OF AUDITORS				
Amounts received or due and receivable for audit services:				
– audit and review of financial reports	**449,638**	505,267	**449,638**	505,267
– other regulatory audit services	**35,600**	58,000	**35,600**	58,000
– audit of accounting policies under the Australian Equivalents of International Financial Reporting Standards (IFRS)	**55,000**	–	**55,000**	–
	540,238	563,267	**540,238**	563,267
Amounts received or due and receivable by the auditor for other services:				
– review of accounting principles in relation to sale and leaseback transaction	**–**	125,000	**–**	125,000
– review of accounting principles in relation to restructuring	**–**	90,581	**–**	90,581
– review of accounting policies	**–**	82,374	**–**	82,374
	–	297,955	**–**	297,955
	540,238	861,222	**540,238**	861,222

	2004 $000	2003 $000	2004 $000	2003 $000
5. INCOME TAX				
The income tax expense for the financial period differs from the amount calculated on the profit/(loss). The differences are reconciled as follows:				
Profit/(loss) from ordinary activities before income tax expense	**94,708**	(22,328)	**57,557**	24,869
Income tax calculated at 30% (2003: 30%)	**28,412**	(6,698)	**17,267**	7,461
Tax effect of permanent differences:				
– depreciation of buildings	**(620)**	(730)	**(377)**	–
– amortisation of goodwill	**562**	562	**–**	–
– non-deductible restructuring costs	**–**	9,253	**–**	9,253
– sale and leaseback	**1,198**	767	**1,198**	767
– sundry items	**92**	547	**92**	(103)
– transfer from subsidiaries under tax funding agreement	**–**	–	**(4,043)**	–
– dividends receivable from controlled entities	**–**	–	**–**	(24,000)
Income tax adjusted for permanent differences	**29,644**	3,701	**14,137**	(6,622)
Under/(over) provision in previous period	**(265)**	(563)	**(609)**	(563)
Income tax expense/(benefit) attributable to ordinary shares	**29,379**	3,138	**13,528**	(7,185)
Income tax expense/(benefit) comprises:				
Current taxation provision	**38,118**	10,797	**22,611**	(460)
Deferred tax liability	**(63)**	1	**(63)**	–
Future income tax benefit	**(8,411)**	(7,097)	**(8,411)**	(6,162)
Over provision in prior period	**(265)**	(563)	**(609)**	(563)
	29,379	3,138	**13,528**	(7,185)

Tax Consolidation

Effective from 28 July 2002 and for the purposes of income taxation, the Company and its 100% owned subsidiaries have formed a tax consolidated group. This decision was made subsequent to 26 July 2003. Members of the group have entered into a tax funding agreement in order to allocate income tax expense to the wholly owned subsidiaries on a pro rata basis. In addition, a tax sharing agreement has been established which provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is the Company.

5. INCOME TAX – continued

As a result of the revised tax legislation, a future income tax benefit (tax loss) of $2,001,925 has been derecognised. There has been no material effect on the provision for deferred tax liabilities. The Company has formally notified the Australian Tax Office of its adoption of the tax consolidation regime.

The consolidated group has applied UIG 52 Income Tax Accounting under the Tax Consolidation System. On adoption of tax consolidation the deferred tax balances and tax liabilities of each of the wholly owned subsidiaries have been transferred to the Company against income tax expense.

6. DIVIDENDS

Dividends recognised in the current period are:

	AMOUNT PER SHARE	TOTAL AMOUNT $000	FRANKED/ UNFRANKED	DATE OF PAYMENT
2004				
Final 2003 ordinary	3.000¢	12,348	franked	5 November 2003
Interim 2004 ordinary	5.000¢	20,580	franked	4 May 2004
Interim 2004 reset preference	$4.0833	2,654	franked	1 February 2004
Final 2004 reset preference	$4.0389	2,626	franked	1 August 2004
Total amount		38,208		
Dividends recognised in the prior year are:				
2003				
Final 2002 ordinary	3.000¢	12,089	franked	23 October 2002
Interim 2003 ordinary	3.000¢	12,226	franked	6 May 2003
Interim 2003 reset preference	$4.0883	2,654	franked	1 February 2003
Final 2003 reset preference	$4.0167	2,611	franked	1 August 2003
Total amount		29,580		
Over provision relating to 2001		(11)		
Total amount		29,569		

Franked dividends declared or paid during the period were franked at the tax rate of 30%.

Subsequent Events

Since the end of the financial period, the Directors have declared the followed dividend:

	AMOUNT PER SHARE	TOTAL AMOUNT $000	FRANKED/ UNFRANKED	DATE OF PAYMENT
Final 2004 ordinary	6.000¢	24,732	franked	9 November 2004

The 2004 final dividend of $24.732 million is based on 412,198,689 ordinary shares issued at 31 July 2004 (Note 25(b)). A further 4,215,000 options are outstanding under the Executive Option Plan (Note 32(b)(v)) which may be converted to ordinary shares prior to the payment of the dividend. There are also 1,212,000 ordinary shares which were allocated under the Long Term Incentive Plan on 28 September 2004, on which the final dividend will be paid. The financial effect of this dividend has not been brought to account in the financial statements for the period ended 31 July 2004 and will be recognised in subsequent financial reports.

Franked Dividends

The franked portions of the dividend recommended after 31 July 2004 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 July 2005.

	CONSOLIDATED		DAVID JONES LIMITED	
	2004 $000	2003 $000	**2004 $000**	2003 $000
Franking credits available for subsequent financial years based on a rate of 30% (2003: 30%)	28,305	11,574	28,305	1,878

The above amounts represent the balance of the franking account as at the end of the financial period, 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; and

(c) franking credits that may be prevented from being distributed in subsequent financial years.

In 2003, legislation was enacted which enabled the Company and its wholly owned subsidiaries to be treated as a single entity for income tax purposes. The Company elected to form a tax consolidated group from 28 July 2002. On entry into tax consolidation, the franking credits held in the franking accounts of the subsidiary members were transferred to the Company. Therefore, one franking account is maintained by the Company for the tax consolidated group.

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	CONSOLIDATED 2004 cents	CONSOLIDATED 2003 cents
7. EARNINGS PER SHARE (EPS)		
Basic EPS	**14.6**	(7.5)
Diluted EPS	**14.2**	(7.5)
Basic EPS before non recurring significant items	14.6	9.2
Diluted EPS before non recurring significant items	14.2	9.2

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000
Basic EPS and basic EPS before non recurring significant items		
Net profit/(loss) attributable to members	**65,329**	(25,466)
Less: Reset preference share dividends	**(5,279)**	(5,265)
Adjusted net profit/(loss) for basic EPS	**60,050**	(30,731)
Non recurring significant items (Note 2(b))	**–**	84,285
Less: Income tax effect of non recurring significant items	**–**	(16,115)
After tax effect of non recurring significant items	**–**	68,170
Adjusted net profit before non recurring significant items	**60,050**	37,439

	CONSOLIDATED 2004 number	CONSOLIDATED 2003 number
Weighted average number of ordinary shares used in the calculation of basic and diluted earning per share		
– Basic earnings per share	**411,692,046**	407,451,202
– Diluted earnings per share	**461,521,056**	455,742,166

Potential Ordinary Shares

The 650,000 reset preference shares are potential ordinary shares in accordance with AASB 1027(6) Earnings per Share. The conversion factor of 70.1754 (2003: 74.2938) is calculated in accordance with the conversion formula noted on page 37 of the Reset Preference Share prospectus issued on 14 May 2002. Options to purchase ordinary shares issued under the Executive Option Plan (refer Note 32(b)(v)) are also potential ordinary shares at balance date. The current number of potential ordinary shares is 49,829,010 (2003: 48,290,964). Based on conditions existing at 31 July 2004, these potential ordinary shares are dilutive.

Options

Options to purchase ordinary shares not exercised at 31 July 2004 have been included in the determination of diluted earnings per share. Based on conditions existing at reporting date, the options are potential ordinary shares (refer Note 32(b)(v)). These options were not included in the determination of diluted earnings per share for 2003, as they were not potential ordinary shares.

	Notes	CONSOLIDATED 2004 $000	2003 $000	DAVID JONES LIMITED 2004 $000	2003 $000
8. CURRENT ASSETS – CASH ASSETS					
Cash at bank and on hand		**8,844**	9,215	**8,844**	9,344
Deposits at call		**89,000**	8,130	**–**	–
		97,844	17,345	**8,844**	9,344
9. CURRENT ASSETS – RECEIVABLES					
Securitisation receivables	28(b)	**32,705**	38,689	**–**	–
Other portfolio receivables		**4,123**	–	**–**	–
		36,828	38,689	**–**	
Less: Provision for doubtful debts		**(7,495)**	(7,903)	**–**	–
		29,333	30,786	**–**	–
Refunds receivable from trade creditors		**6,158**	6,679	**6,158**	6,679
Less: Provision for doubtful debts		**(2,156)**	(2,792)	**(2,156)**	(2,792)
		4,002	3,887	**4,002**	3,887
Loans to employees under Employee Share Plan (secured)	32(b)	**870**	1,024	**870**	1,024
Tax refund due		**–**	4,120	**–**	3,581
Receivables due to be securitised		**6,338**	384	**–**	–
Other debtors		**8,165**	7,674	**8,017**	7,674
		48,708	47,875	**12,889**	16,166
10. CURRENT ASSETS – INVENTORIES					
Retail inventories	1(j)	**306,190**	289,540	**306,190**	289,614
		306,190	289,540	**306,190**	289,614
11. CURRENT ASSETS – OTHER					
Prepayments		**7,186**	7,366	**6,762**	7,805
		7,186	7,366	**6,762**	7,805
12. LAND AND BUILDINGS HELD FOR SALE					
Cost					
Opening balance		**–**	–	**–**	–
Reclassification from non-current assets		**28,003**	–	**–**	–
Closing balance		**28,003**	–	**–**	–
Accumulated Depreciation					
Opening balance		**–**	–	**–**	–
Reclassification from non-current assets		**1,851**	–	**–**	–
Depreciation for the year		**–**	–	**–**	–
Closing balance		**1,851**	–	**–**	–
Total land and buildings at deemed cost		**26,152**	–	**–**	–

The Consolidated Entity has entered into a binding sale agreement in relation to land and buildings situated at Queen Street, Brisbane, Queensland. As the sale will be completed within 12 months of this report, the land and buildings have been reclassified as a current asset

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Notes	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
13. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS					
Non-listed shares:					
Controlled entities		**–**	–	**119,115**	119,115
Provision for diminution		**–**	–	**(13,872)**	(13,872)
		–	–	**105,243**	105,243

	Notes	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
14. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT					
Land and Buildings:					
Cost					
Opening balance		**28,003**	28,003	**–**	–
Reclassified as a current asset	12	**(28,003)**	–	**–**	–
Closing balance		**–**	28,003	**–**	–
Accumulated Depreciation					
Opening balance		**1,575**	1,291	**–**	–
Depreciation for the year		**276**	284	**–**	–
Reclassified as a current asset	12	**(1,851)**	–	**–**	–
Closing balance		**–**	1,575	**–**	–
Total land and buildings at deemed cost		**–**	26,428	**–**	–
Plant, Fittings and Fixtures:					
Cost					
Opening balance		**519,198**	545,255	**518,807**	533,195
Additions		**72,896**	38,074	**72,931**	40,260
Recoverable amount write-down		**(486)**	(61,106)	**(486)**	(60,190)
Disposals		**(51,041)**	(3,025)	**(50,967)**	(2,985)
Closing balance		**540,567**	519,198	**540,285**	510,280
Accumulated Depreciation					
Opening balance		**368,464**	345,365	**368,297**	338,877
Depreciation for the year		**40,635**	45,173	**40,660**	42,418
Recoverable amount write-down		**(128)**	(19,276)	**(109)**	(18,805)
Disposals		**(50,782)**	(2,798)	**(50,806)**	(2,720)
Closing balance		**358,189**	368,464	**358,042**	359,770
Work in progress		**47,199**	69,205	**47,199**	69,205
Total plant, fittings and fixtures		**229,577**	219,939	**229,442**	219,715
Plant, Fittings and Fixtures Under Lease:					
Cost					
Opening balance		**678**	809	**–**	–
Additions		**–**	–	**–**	–
Disposals		**(678)**	(131)	**–**	–
Closing balance			678	**–**	–
Accumulated Amortisation				**–**	
Opening balance		**497**	425	**–**	–
Amortisation for the year		**98**	94	**–**	–
Disposals		**(595)**	(21)	**–**	–
Closing balance		**–**	498	**–**	–
Total leased plant, fittings and fixtures		**–**	180	**–**	–
Total property, plant and equipment		**229,577**	246,547	**229,442**	219,715

	CONSOLIDATED 2004 $000	2003 $000	DAVID JONES LIMITED 2004 $000	2003 $000
15. NON-CURRENT ASSETS – INTANGIBLES				
Goodwill – at cost	**18,729**	18,729	**–**	–
Accumulated amortisation	**(8,424)**	(6,551)	**–**	–
	10,305	12,178	**–**	–
16. NON-CURRENT ASSETS – DEFERRED TAX ASSETS				
(a) Future Income Tax Benefit				
Future income tax benefit comprises the estimated future benefit at 30% (2003: 30%) of the following items:				
Timing differences	**39,720**	32,038	**39,720**	29,711
Tax losses carried forward	**–**	2,002	**–**	–
	39,720	34,040	**39,720**	29,711
(b) Future Income Tax Benefit Not Taken To Account				
The potential future income tax benefit arising from timing differences and tax losses which has not been recognised because recovery is not beyond reasonable doubt or virtually certain respectively is shown below valued at a tax rate of 30% (2003: 30%):				
Timing differences	**–**	–	**–**	–
Capital losses	**6,064**	1,650	**–**	–
	6,064	1,650	**–**	–

The potential future income tax benefit will only be obtainable if:

(i) the relevant entities derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another entity within the Consolidated Entity in accordance with Division 170 of the Income Tax Assessment Act 1997;

(ii) the relevant entities continue to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the relevant entities in realising the benefit.

	CONSOLIDATED 2004 $000	2003 $000	DAVID JONES LIMITED 2004 $000	2003 $000
17. NON-CURRENT ASSETS – OTHER				
Prepayments	**5,075**	4,858	**4,907**	3,410
	5,075	4,858	**4,907**	3,410
18. CURRENT LIABILITIES – PAYABLES				
Trade creditors	**141,344**	99,450	**141,364**	99,496
Other creditors and accruals	**114,347**	83,285	**52,948**	82,106
	255,691	182,735	**194,312**	181,602

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Notes	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
19. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES					
Short-term borrowing		**1,697**	–	**1,697**	–
Finance lease liabilities		**–**	122	**–**	–
		1,697	122	**1,697**	–
20. CURRENT LIABILITIES – CURRENT TAX LIABILITIES					
Provision for income tax					
Movements during the period were as follows:					
Balance at beginning of year		**3,097**	10,983	**–**	5,992
Transfer from subsidiaries on consolidation		**–**	–	**3,097**	
Income tax paid		**(19,901)**	(19,182)	**(19,901)**	(5,106)
Refunds received or receivable (net)		**4,877**	3,483	**4,877**	3,518
Current period's income tax provision		**29,379**	2,717	**29,379**	(7,605)
Over provision from prior year		**(729)**	(910)	**(729)**	(260)
Transferred to deferred tax assets		**8,475**	6,006	**8,475**	6,422
Losses transferred from wholly owned subsidiaries		**–**	–	**–**	(2,961)
		25,198	3,097	**25,198**	–
21. CURRENT LIABILITIES – PROVISIONS					
Dividends		**2,626**	2,611	**2,626**	2,611
Employee entitlements	32(a)	**9,014**	8,196	**8,976**	8,163
Director's retirement allowance		**–**	588	**–**	588
Restructuring costs		**680**	16,120	**680**	16,120
Warranties	1(q)	**804**	855	**804**	855
		13,124	28,370	**13,086**	28,337
22. NON-CURRENT LIABILITIES – DEFERRED TAX LIABILITIES					
Deferred income tax comprising the estimated future tax payable at 30% (2003: 30%) on timing differences		**250**	313	**250**	–
		250	313	**250**	–

	Notes	CONSOLIDATED 2004 $000	2003 $000	DAVID JONES LIMITED 2004 $000	2003 $000
23. NON-CURRENT LIABILITIES – PROVISIONS					
Employee entitlements	32(a)	**18,787**	19,565	**18,787**	19,565
Directors' retirement allowance	1(l)	**796**	558	**796**	558
Warranties	1(q)	**1,124**	645	**1,124**	645
		20,707	20,768	**20,707**	20,768
Reconciliations					
Reconciliations of the carrying amount of each class of provision, except for employee benefits are set out below:					
Dividends – Reset Preference Shares					
Carrying amount at beginning of period		**2,611**	447	**2,611**	447
Provisions made during the period:					
– Interim dividend 2003		**–**	2,654	**–**	2,654
– Final dividend 2003		**–**	2,611	**–**	2,611
– Interim dividend 2004		**2,654**	–	**2,654**	–
– Final dividend 2004		**2,626**	–	**2,626**	–
Payments made during the period		**(5,265)**	(3,101)	**(5,265)**	(3,101)
Carrying amount at the end of the period		**2,626**	2,611	**2,626**	2,611
Restructuring costs					
Carrying amount at beginning of period		**16,120**	5,840	**16,120**	5,840
Provisions made during the period		**–**	20,575	**–**	20,575
Payments made during the period		**(15,439)**	(10,295)	**(15,439)**	(10,295)
Carrying amount at the end of the period		**681**	16,120	**681**	16,120
Warranties – current					
Carrying amount at beginning of period		**855**	925	**855**	925
Provisions made during the period		**(51)**	(70)	**(51)**	(70)
Payments made during the period		**–**	–	**–**	–
Carrying amount at the end of the period		**804**	855	**804**	855
Warranties – non current					
Carrying amount at beginning of period		**645**	–	**645**	–
Provisions made during the period		**479**	645	**479**	645
Payments made during the period		**–**	–	**–**	–
Carrying amount at the end of the period		**1,124**	645	**1,124**	645

	Notes	CONSOLIDATED 2004 $000	2003 $000	DAVID JONES LIMITED 2004 $000	2003 $000
24. NON-CURRENT LIABILITIES – OTHER DEFERRED LIABILITIES					
Discount on deferred payment, interest free sales	1(m)	**2,328**	2,956	**2,328**	2,956
Other deferred liabilities		**3,822**	1,375	**3,822**	1,375
		6,150	4,331	**6,150**	4,331

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
25. CONTRIBUTED EQUITY				
(a) Share Capital				
Ordinary shares, fully paid	**334,638**	333,832	**334,638**	333,832
Reset preference shares, fully paid	**60,727**	60,727	**60,727**	60,727
	395,365	394,559	**395,365**	394,559

(b) Movements in Ordinary Share Capital

DATE	DETAIL	NUMBER OF SHARES	ISSUE PRICE	$000
28 July 2002	Opening Balance	402,958,883		325,087
23 October 2002	Dividend reinvestment plan issue	4,557,989	$0.994	4,530
27 May 2003	Dividend reinvestment plan issue	4,086,817	$1.031	4,215
26 July 2003	**Closing Balance**	**411,603,689**		**333,832**
13 April 2004	Exercise of options under Executive Option Plan	40,000	$1.3280	53
20 April 2004	Exercise of options under Executive Option Plan	80,000	$1.3280	107
6 May 2004	Exercise of options under Executive Option Plan	40,000	$1.3280	53
19 May 2004	Exercise of options under Executive Option Plan	40,000	$1.3280	53
31 May 2004	Exercise of options under Executive Option Plan	75,000	$1.3280	101
21 June 2004	Exercise of options under Executive Option Plan	40,000	$1.4047	56
1 July 2004	Exercise of options under Executive Option Plan	40,000	$1.3280	53
1 July 2004	Exercise of options under Executive Option Plan	40,000	$1.4047	56
8 July 2004	Exercise of options under Executive Option Plan	40,000	$1.3280	53
8 July 2004	Exercise of options under Executive Option Plan	40,000	$1.4047	56
23 July 2004	Exercise of options under Executive Option Plan	40,000	$1.3280	53
23 July 2004	Exercise of options under Executive Option Plan	40,000	$1.4047	56
30 July 2004	Exercise of options under Executive Option Plan	40,000	$1.4047	56
31 July 2004	**Closing Balance**	**412,198,689**		**334,638**

(c) Terms and Conditions of Ordinary Share Capital

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the reset preference shares.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(d) Dividend Reinvestment Plan

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

(e) Movements in Reset Preference Share (RPS) Capital:

DATE	DETAIL	NUMBER OF SHARES	ISSUE PRICE	$000
28 July 2002	Opening Balance	650,000		60,801
25 January 2003	Issue costs			(74)
26 July 2003	**Closing Balance**	**650,000**		**60,727**
31 July 2004	**Closing Balance**	**650,000**		**60,727**

25. CONTRIBUTED EQUITY – continued

(f) Terms and Conditions of RPS

Dividends

RPS entitle the holder to receive a fully franked non cumulative dividend of 8.1% per annum, fixed until the first reset date of 1 August 2007, if a dividend is declared or otherwise resolved to be paid by the Directors.

Dividends on RPS will be paid at the discretion of the Directors in priority to any dividends declared on ordinary shares.

If any RPS dividend is not paid in full in any period, then no dividend or return of capital can be paid or conducted in relation to ordinary shares unless and until either:

- the Company has paid two consecutive RPS dividends in full or has paid a shortfall dividend to make up for the unpaid amount; or
- the holders of RPS pass a special resolution approving the paying of the dividend or return of capital.

The RPS do not confer on holders any right to participate in the David Jones Shareholder Rewards Scheme.

Conversion

Either the Company or the RPS holders may elect to convert the RPS to ordinary shares on the reset date. If the holder elects to convert their RPS, then the Company may elect to arrange a resale or repurchase some or all of those RPS instead and pay the RPS holder a cash amount equal to the value of the ordinary shares that would be deliverable and any dividend that would be due if conversion of those RPS were to occur on that date.

In certain circumstances (including a takeover or scheme of arrangement, proposed changes to tax regulation or the aggregate RPS on issue falling below $30 million in issue price), conversion may occur earlier. Until the first reset date, the holder will have the right at any time to request conversion of each RPS into 70.1754 ordinary shares.

Voting

RPS holders will not be entitled to speak or to vote at general meetings of the Company, except in certain circumstances, in which case holders will have one vote per RPS held.

RPS holders have the same rights as ordinary shareholders to receive accounts, reports and notices of meetings of the Company and to attend any general meetings of the Company.

Ranking

RPS are subordinated to all creditors of the Company.

On a winding up of the Company, the RPS rank ahead of ordinary shares for a return of capital (equal to the issue price) and for the payment of any accrued dividend on the RPS.

Borrowing Covenants

Under the Syndicated Facility Agreement (as amended) between a controlled entity, David Jones Finance Pty Limited, and participating banks, the proceeds from the issue of RPS are specifically excluded from the definition of Financial Indebtedness that is used to calculate financial ratios and limits in relation to the financing facilities set out in Note 35(b).

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Notes	CONSOLIDATED 2004 $000	2003 $000	DAVID JONES LIMITED 2004 $000	2003 $000
26. RETAINED PROFITS					
Retained profits at beginning of the period		**25,454**	69,380	**51,411**	37,817
Net profit/(loss) attributable to members of the parent entity		**65,329**	(25,466)	**44,029**	32,054
Net effect of initial adoption of:					
Revised AASB 1028 "Employee Benefits"		**–**	(980)	**–**	(980)
Net effect on dividends from:					
Initial adoption of AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"		**–**	12,089	**–**	12,089
Dividends recognised during the period	6	**(38,208)**	(29,569)	**(38,208)**	(29,569)
Total dividends		**(38,208)**	(17,480)	**(38,208)**	(17,480)
Retained profits at end of the period		**52,575**	25,454	**57,232**	51,411
27. TOTAL EQUITY RECONCILIATION					
Total equity at beginning of the period		**420,013**	455,268	**445,970**	423,705
Total change in parent entity interest in equity recognised in statement of financial performance		**65,329**	(26,520)	**44,029**	31,000
Transactions with owners as owners:					
Contribution of equity:					
Issue of ordinary shares under dividend reinvestment plan		**–**	8,745	**–**	8,745
Issue of ordinary shares under Executive Option Plan		**806**	–	**806**	–
Dividends	26	**(38,208)**	(17,480)	**(38,208)**	(17,480)
Total equity at end of the period		**447,940**	420,013	**452,597**	445,970

28. OFF BALANCE SHEET ARRANGEMENTS

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

(a) Sale and Leaseback Arrangement

The Consolidated Entity 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 Consolidated Entity 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.

28. OFF BALANCE SHEET ARRANGEMENTS – continued

(a) Sale and Leaseback Arrangement – continued

Under the arrangement, DRIT will provide funds to the Consolidated Entity 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 Consolidated Entity has also entered into agreements with Deutsche Bank AG (DB) whereby:

- The Consolidated Entity 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 2079, or the minimum guarantee amount of $100 million, whichever DAMAL is entitled to, on the Consolidated Entity's behalf
- The Consolidated Entity waives any entitlement to 50% of the proceeds of sale of the properties
- The Consolidated Entity waives its right to buy each property by way of a pre-emptive right and by a last right of refusal

DB is expected to acquire legal title to the properties at year 2079 and the Consolidated Entity has no contractual right to repurchase the properties during or at the end of the 79 year period.

In the original transaction, the Consolidated Entity entered into a put option agreement where elements of DRIT's financing (totalling $146 million) could be put to the Consolidated Entity. 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 Consolidated Entity). This results in the Consolidated Entity 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 Consolidated Entity. However, equity holders in DRIT take the primary risk of a fall in the improved value of the properties.

The Consolidated Entity 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 31 July 2004 are $28.471 million and $20.528 million respectively (2003: $51.045 million and $42.795 million). These amounts have not been recognised in the Statements of Financial Position. The difference between the net cash inflows and outflows is recognised as an expense in the Statements 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 31 July 2004 amount to $395.226 million (2003: $392.692 million). Of this amount $32.705 million (2003: $38.689 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 Statements 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.

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Notes	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
29. CONTINGENT LIABILITIES					
The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The Directors are not aware of any circumstance or information, which would lead them to believe that these liabilities have crystallised and consequently no provisions are included in the financial statements in respect of these matters.					
Employee Share Plan	(i)	**–**	–	**–**	–
Guarantees to third parties given in the normal course of business		**843**	1,031	**843**	1,031

(i) Employee Share Plan

The Company via a Trustee has funded the acquisition of shares in the Company by its employees. An unrealised gain of $389,990 (based on a price of $1.89 per share at 31 July 2004) exists representing the difference between the loan by the Company to the Trustee and the recoverable amount of the shares at 31 July 2004. The contingent asset would only be realised if the shares are forfeited by employees (upon resignation) and if shares are sold at a price above the book value of $1.30 per share as at 31 July 2004.

In the event that employees forfeit the shares on resignation, all gains net of the book value of $1.30 per share at 31 July 2004 vest with the employee. Conversely if the shares are forfeited and sold below the book value, the loss on sale would be borne by the Company.

Other Contingent Liabilities

A controlled entity, David Jones Finance Pty Limited, is the borrower of certain finance facilities. The borrowings of David Jones Finance Pty Limited are guaranteed by the Company and each of its controlled entities.

Contingent liabilities in relation to the sale & leaseback transaction are disclosed in Note 28.

	Notes	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
30. COMMITMENTS FOR EXPENDITURE					
Capital Commitments					
Commitments for the acquisition of plant, fittings, and fixtures contracted for at the reporting date but not recognised as liabilities in these financial statements, payable:					
Within one year		**41,672**	32,153	**41,672**	32,153
Later than one year but not later than five years		**27,000**	40,000	**27,000**	40,000
Later than five years		**–**	–	**–**	–
		68,672	72,153	**68,672**	72,153
Operating Lease Commitments					
Future operating lease rentals not provided for in the financial statements and payable:					
Within one year		**85,665**	79,997	**85,648**	79,661
Later than one year but not later than five years		**361,142**	347,586	**361,142**	347,565
Later than five years		**1,770,330**	1,833,713	**1,770,330**	1,833,713
		2,217,137	2,261,296	**2,217,120**	2,260,939
Finance Lease Liabilities					
Finance lease rentals are payable as follows:					
Within one year		**–**	125	**–**	–
Later than one year but not later than five years		**–**	–	**–**	–
Later than five years		**–**	–	**–**	–
		–	125	**–**	–
Less: Future lease finance charges		**–**	3	**–**	–
		–	122	**–**	–
Lease liabilities provided for in the financial statements:					
Current	19	**–**	122	**–**	–
		–	122	**–**	–

The Consolidated Entity leases retail premises and warehousing facilities. Generally the operating 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 28.

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

31. REMUNERATION AND EXECUTIVE DISCLOSURES

(a) Directors

The following persons were directors of David Jones Limited during the financial period.

Robert Savage	Chairman and independent Non-Executive Director
John Coates AO	Deputy Chairman and independent Non-Executive Director (appointed as Deputy Chairman 14 October 2003)
Mark McInnes	Chief Executive Officer and Executive Director
Stephen Goddard	Finance Director and Executive Director
Reginald Clairs AO	Independent Non-Executive Director
Paula Dwyer	Independent Non-Executive Director (appointed 25 November 2003)
John Harvey	Independent Non-Executive Director
Katie Lahey	Independent Non-Executive Director

With the exception of Paula Dwyer the above Directors each held office during and since the end of the period.

(b) Executives (other than Directors) with Greatest Authority for Strategic Direction and Management

The following persons were the five executives with the greatest authority for the strategic direction and management of the Company ("specified executives") during the financial period:

Colette Garnsey	Group General Manager Apparel, Accessories, and Footwear
Patrick Robinson	Group General Manager Home and Food
Paul Zahra	Group General Manager Stores and Visual Merchandising
Teresa Gallo	Group General Manager Human Resources
Peter Helson	General Manager Credit

31. REMUNERATION AND EXECUTIVE DISCLOSURES – continued

(c) Remuneration of Directors and Specified Executives

(i) Remuneration Policy

Non-Executive Directors

The Remuneration and Nominations Committee is responsible for recommending to the Board fees applicable to Non-Executive Directors.

In accordance with a resolution of shareholders at the 1999 annual general meeting, the maximum aggregate amount permitted to be paid to Directors under the Company's Constitution is $700,000 per annum (excluding mandatory superannuation contribution).

In accordance with a recommendation from the Remuneration and Nominations Committee, with effect from 14 October 2003, new Directors are not entitled to the Non-Executive Directors' retirement allowance. For existing Directors, the maximum retirement allowance payable is capped at the multiple applicable for 9 years' service, being 3.286 times average annual Directors' fees over the three years prior to the date of ceasing to be a Non-Executive Director.

Executive Directors and Senior Executives

The Remuneration and Nominations Committee is responsible for recommending to the Board remuneration policies, fees, salaries, short and long term incentives applicable to Executive Directors and Senior Executives of the Company.

The Remuneration Policy is designed to forge a performance culture and to ensure that the way the Company recognises and reward employees through remuneration, is in the best interests of the individual, the Company and shareholders.

The Remuneration Policy achieves this by:

- applying a "pay for performance" philosophy which ensures executive remuneration is linked to individual performance and the Company's performance;
- providing remuneration that is market competitive to ensure the Company has the ability to retain and motivate strong performing employees and attract high calibre prospective employees; and
- undertaking an annual evaluation process on the performance of all executives, the results of which contribute to the determination of any salary adjustment an individual executive may receive.

Executives may also receive a bonus under the Short Term Incentive Scheme, receipt of which is dependent on the executive achieving the required level of performance in their role, specific financial objectives and a measured contribution to the Company objectives during the financial year. These objectives are reviewed, communicated and assessed annually to drive an individual, team and Company wide focus on the generation and delivery of profitable results.

For Executive Directors and Senior Executives a Long Term Incentive Plan is in place and acts to both retain the executive and facilitate a longer-term Company performance focus by motivating and rewarding the achievement of increased value for shareholders over time.

NOTES TO THE FINANCIAL STATEMENTS

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

31. REMUNERATION AND EXECUTIVE DISCLOSURES – continued

(c) Remuneration of Directors and Specified Executives – continued

(ii) Remuneration of Directors and Specified Executives

		PRIMARY BENEFITS			POST EMPLOYMENT		EQUITY COMPENSATION		OTHER COMPENSATION		
		Salary & Fees $	Short Term Incentive[1] $	Non-monetary Benefits $	Super-annuation Benefits $	Retirement Benefits $	Value of LTI Plan Rights[2] $	Value of Options[2] $	Termination Benefits $	Other Benefits[9] $	TOTAL $
Directors											
Robert Savage	**2004**	**179,753**	**–**	**–**	**16,177**	**82,012**	**–**	**–**	**–**	**11,413**	**289,355**
	2003	65,000	–	–	5,850	6,962	–	–	–	2,311	80,123
John Coates	**2004**	**96,797**	**–**	**–**	**8,712**	**56,014**	**–**	**–**	**–**	**7,167**	**168,690**
	2003	65,000	–	–	5,850	28,465	–	–	–	1,522	100,837
Mark McInnes[3]	**2004**	**856,096**	**661,478**	**12,387**	**77,047**	**–**	**179,896**	**44,309**	**–**	**2,439**	**1,833,652**
	2003	598,584	238,215	5,111	53,433	–	18,652	53,344	–	781	968,120
Stephen Goddard[4]	**2004**	**698,784**	**481,034**	**12,387**	**59,674**	**–**	**191,819**	**44,309**	**–**	**1,017**	**1,489,024**
	2003	612,419	209,447	5,111	50,610	–	23,315	53,344	–	3,472	957,718
Reg Clairs	**2004**	**77,751**	**–**	**–**	**6,998**	**33,320**	**–**	**–**	**–**	**757**	**118,826**
	2003	65,000	–	–	5,850	2,935	–	–	–	589	74,374
Paula Dwyer[5]	**2004**	**71,617**	**–**	**–**	**6,445**	**–**	**–**	**–**	**–**	**931**	**78,993**
	2003	–	–	–	–	–	–	–	–	–	–
John Harvey	**2004**	**82,752**	**–**	**–**	**7,448**	**30,862**	**–**	**–**	**–**	**659**	**121,721**
	2003	76,000	–	–	6,840	28,498	–	–	–	472	111,810
Katie Lahey	**2004**	**74,751**	**–**	**–**	**6,728**	**35,894**	**–**	**–**	**–**	**2,895**	**120,268**
	2003	65,000	–	–	5,850	28,465	–	–	–	4,820	104,135
Richard Warburton[6]	**2004**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2003	157,086	–	–	14,137	71,385	–	–	–	1,262	243,870
Elizabeth Nosworthy[7]	**2004**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2003	54,167	–	–	4,875	27,735	–	–	–	567	87,344
Peter Wilkinson[8]	**2004**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	2003	454,063	–	–	30,000	–	25,435	70,908	1,159,983	6,066	1,746,455
Total Directors	**2004**	**2,138,301**	**1,142,512**	**24,774**	**189,229**	**238,102**	**371,715**	**88,618**	**–**	**27,278**	**4,220,529**
	2003	2,212,319	447,662	10,222	183,295	194,445	67,402	177,596	1,159,983	21,862	4,474,786
Specified Executives											
Colette Garnsey	**2004**	**420,944**	**281,124**	**–**	**37,397**	**–**	**94,488**	**16,616**	**–**	**3,913**	**854,482**
	2003	365,558	126,045	–	37,245	–	8,393	20,004	–	5,280	562,525
Patrick Robinson	**2004**	**402,105**	**268,630**	**–**	**35,903**	**–**	**94,488**	**16,616**	**–**	**3,658**	**821,400**
	2003	351,231	84,424	–	31,122	–	8,393	20,004	–	1,732	496,906
Paul Zahra	**2004**	**389,253**	**268,630**	**–**	**35,421**	**–**	**65,079**	**7,563**	**–**	**2,594**	**768,540**
	2003	300,339	92,870	–	37,349	–	4,010	8,304	–	2,537	445,409
Teresa Gallo	**2004**	**293,431**	**203,034**	**–**	**26,408**	**–**	**92,801**	**3,579**	**–**	**2,060**	**621,313**
	2003	267,589	98,158	–	24,083	–	12,124	3,394	–	1,952	407,300
Peter Helson	**2004**	**286,524**	**254,651**	**–**	**23,322**	**–**	**57,084**	**16,616**	**–**	**1,632**	**639,829**
	2003	273,455	103,260	–	24,884	–	7,461	20,004	–	910	429,974
Total Specified Executives	**2004**	**1,792,257**	**1,276,069**	**–**	**158,451**	**–**	**403,940**	**60,990**	**–**	**13,857**	**3,705,564**
	2003	1,558,172	504,757	–	154,683	–	40,381	71,710	–	12,411	2,342,114

[1] These amounts are based on performance for the financial period ending 31 July 2004 (2003: 26 July 2003), however they will be paid in the 2005 financial year (2003: 2004 financial year).

[2] The Company has adopted the fair value measurement provisions of AASB 1046 'Director and Executive Disclosure by Disclosing Entities' whereby the fair value of rights granted under the Long Term Incentive (LTI) Plan and options granted under the Executive Option Plan (EOP) are being amortised over the vesting period and disclosed as part of Director and executive remuneration. An independent valuation of LTI Plan rights and EOP options granted to Directors and executives has been performed by PricewaterhouseCoopers. Rights allocated under the LTI Plan grant an executive the right to a certain number of ordinary shares in the Company, which may vest, conditional on the achievement of two specific performance measures covering a three year consecutive period and continued employment beyond this time. All offers made under the LTI Plan are based on individual performance and subject to final consideration and approval by the Board.

31. REMUNERATION AND EXECUTIVE DISCLOSURES – continued

(c) Remuneration of Directors and Specified Executives – continued

(ii) Remuneration of Directors and Specified Executives – continued

[3] Mark McInnes was appointed Chief Executive Officer and a Director on 3 February 2003. Prior to this appointment he was the Company's Merchandise Director. Amounts shown for 2003 include Mark McInnes's remuneration during the period that he was Merchandise Director and Chief Executive Officer.

[4] Stephen Goddard was appointed Finance Director on 3 February 2003. Prior to this appointment he was the Company's Chief Financial Officer. Amounts shown for 2003 include Stephen Goddard's remuneration during the period that he was Chief Financial Officer and Finance Director.

[5] Paula Dwyer was appointed a Director on 25 November 2003 and is ineligible to participate in the retirement allowance.

[6] Richard Warburton retired 17 July 2003. A retirement allowance of $420,788, which accumulated over seven years' service was paid subsequent to 26 July 2003 following his retirement as a Director.

[7] Elizabeth Nosworthy resigned 3 June 2003. A retirement allowance of $167,708, which accumulated over seven years' service, was paid subsequent to 26 July 2003 following her resignation as a Director.

[8] Peter Wilkinson retired 31 January 2003 on which date all options and LTI Plan Rights lapsed. Termination benefits of $1,159,983 included all employee entitlements in line with statutory obligations and Company policy, including annual leave, long service leave, and amounts payable under the terms of his executive contract.

[9] Other benefits include settlement discount on qualifying purchases. In addition Directors and employees are entitled to a point of sale discount.

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

31. REMUNERATION AND EXECUTIVE DISCLOSURES – continued

(d) Summary of Employment Contracts

EXECUTIVE DIRECTORS	EXPIRY DATE OF CONTRACT	TERMINATION BY COMPANY	TERMINATION BY SENIOR EXECUTIVE
Mark McInnes Chief Exective Officer (CEO)	31 July 2005	Pre 31 July 2005 the Company can terminate the CEO by giving written notice for the period ending 31 July 2005. Post 31 July 2005, the Company can terminate the CEO by giving 12 months' written notice. Employment cost[1] and STI and LTI pro-rata entitlements would be paid for the full 12 months period.	Pre 31 July 2005 the CEO can terminate his appointment by giving written notice for the period ending 31 July 2005. Post 31 July 2005, the CEO can terminate his appointment by giving 3 months' written notice. The CEO would be paid a 3 month pro-rata portion of his employment cost, STI and LTI plan entitlements.
Stephen Goddard Finance Director	Not applicable, rolling contract	The Company can terminate the Finance Director by giving 12 months' notice in writing, Employment cost would be paid for 12 months.	The Finance Director can terminate his appointment by giving 3 months' written notice.
SENIOR MANAGEMENT			
Colette Garnsey Group General Manager – Apparel, Accessories and Footwear	Not applicable, rolling contracts	12 months' written notice. In this case, the executive will be paid their employment cost for the 12 month period. A shorter period of notice may apply if mutually agreed.	6 months' written notice and payment of employment cost for 6 month period. A shorter period of notice may apply if mutually agreed.
Paul Zahra Group General Manager – Stores and Visual Merchandising			
Patrick Robinson Group General Manager – Home and Food			
Teresa Gallo Group General Manager – Human Resources			3 months' written notice and payment of employment cost for 3 month period.
Peter Helson General Manager – Credit		1 month's written notice. In this event, the executive will be paid one months' employment cost.	1 month's written notice and payment for 1 month.

[1] Employment cost is comprised on base salary, superannuation and other benefits provided through salary sacrificing arrangements.

(e) Share Based Compensation

All options refer to options over ordinary shares of David Jones Limited, which are exercisable on a one-for-one basis.

(i) **Options over Ordinary Shares Granted as Remuneration**
During the period, there were no options over ordinary shares granted as remuneration to Directors or Specified Executives

(ii) **Ordinary Shares Allocated and Rights Granted over Ordinary Shares as Remuneration Under the LTI Plan**
The following ordinary shares have been allocated and rights over ordinary shares granted under the LTI Plan:

31. REMUNERATION AND EXECUTIVE DISCLOSURES – continued

(e) Share Based Compensation – continued

	ORDINARY SHARES ALLOCATED ON 28 SEPTEMBER 2004[1]	NUMBER OF LTI PLAN RIGHTS GRANTED DURING PERIOD[2] 2003–05 GRANT	2004–06 GRANT	OUTSTANDING AT 8 OCTOBER 2004
Directors				
Mark McInnes	150,000	444,444	394,521	838,965
Stephen Goddard	187,500	291,666	237,329	528,995
Senior Managers				
Colette Garnsey	67,500	322,222	238,356	560,578
Patrick Robinson	67,500	322,222	238,356	560,578
Paul Zahra	32,300	322,222	238,356	560,578
Teresa Gallo	97,500	93,917	76,798	170,715
Peter Helson	60,000	58,333	44,805	103,138

[1] The number of ordinary shares allocated relates to rights issued under the LTI Plan in respect of the 2002–2004 offer and reflects the achievement of performance measures at the stretch level.

[2] The number of rights granted is based on the achievement of performance measures at a stretch level. In accordance with the LTI Plan rules, the number of ordinary shares which may be allocated is dependent on Company and individual performance and can range from zero to the maximum number shown above.

(iii) Exercise of Options Granted as Remuneration

No Non-Executive Director holds options over ordinary shares, and no Specified Executive exercised their options during the period.

(iv) Vesting of LTI Plan Rights Granted as Remuneration

No LTI Plan rights over ordinary shares vested during the period.

(f) Equity Holdings of Directors and Specified Executives

(i) Options

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by each Director and Specified Executive, including their personally-related entities, is as follows:

	BALANCE AT 26 JULY 2003	GRANTED AS REMUNER-ATION	OPTIONS EXERCISED	OPTIONS LAPSED	BALANCE AT 31 JULY 2004	TOTAL	VESTED AND EXERCISABLE AT 31 JULY 2004
Directors							
Robert Savage	–	–	–	–	–	–	–
John Coates	–	–	–	–	–	–	–
Mark McInnes	1,200,000	–	–	(400,000)	800,000	800,000	800,000
Stephen Goddard	1,200,000	–	–	(400,000)	800,000	800,000	800,000
Reginald Clairs	–	–	–	–	–	–	–
Paula Dwyer	–	–	–	–	–	–	–
John Harvey	–	–	–	–	–	–	–
Katie Lahey	–	–	–	–	–	–	–
Specified Executives							
Colette Garnsey	450,000	–	–	(150,000)	300,000	300,000	300,000
Patrick Robinson	450,000	–	–	(150,000)	300,000	300,000	300,000
Paul Zahra	190,000	–	–	(40,000)	150,000	150,000	150,000
Teresa Gallo	80,000	–	–	–	80,000	80,000	80,000
Peter Helson	450,000	–	–	(150,000)	300,000	300,000	300,000
Total	**4,020,000**	**–**	**–**	**(1,290,000)**	**2,730,000**	**2,730,000**	**2,730,000**

All options expire on the earlier of their expiry date or termination of the individual's employment. Additional information including grant dates, exercise details, and performance hurdles, is disclosed in Note 32(b)(v).

Since 31 July 2004 all of the 2,730,000 options listed above have been exercised.

Non-Executive Directors are not eligible to hold options over ordinary shares under the Executive Option Plan.

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

31. REMUNERATION AND EXECUTIVE DISCLOSURES – continued

(f) Equity Holdings of Directors and Specified Executives – continued

(ii) LTI Plan Rights

The movement during the period in the number of LTI Plan rights over ordinary shares in the Company held, directly, indirectly or beneficially, by each Director and Specified Executive, including their personally-related entities, is as follows:

	NUMBER OF LTI PLAN RIGHTS			
	BALANCE AT 26 JULY 2003	GRANTED AS REMUNERATION[1]	BALANCE AT 31 JULY 2004	TOTAL NOT VESTED AT 31 JULY 2004
Directors				
Robert Savage	–	–	–	–
John Coates	–	–	–	–
Mark McInnes	150,000	838,965	988,965	988,965
Stephen Goddard	187,500	528,995	716,495	716,495
Reginald Clairs	–	–	–	–
Paula Dwyer	–	–	–	–
John Harvey	–	–	–	–
Katie Lahey	–	–	–	–
Specified Executives				
Colette Garnsey	67,500	560,578	628,078	628,078
Patrick Robinson	67,500	560,578	628,078	628,078
Paul Zahra	32,300	560,578	592,878	592,878
Teresa Gallo	97,500	170,715	268,215	268,215
Peter Helson	60,000	103,138	163,138	163,138
Total	**662,300**	**3,323,547**	**3,985,847**	**3,985,847**

All LTI Plan rights expire on the earlier of their expiry date or termination of the individual's employment. Additional information including grant dates, exercise details, and performance hurdles, is disclosed in Note 32(b)(vi).

Non-Executive Directors are not eligible to hold LTI Plan rights over ordinary shares under the LTI Plan.

[1] The number of rights granted is based on the achievement of performance measures at a stretch level. In accordance with the LTI Plan rules the actual number of shares which may be allocated is dependent on Company and individual performance and can range from zero to the maximum number shown above.

31. REMUNERATION AND EXECUTIVE DISCLOSURES – continued

(f) Equity Holdings of Directors and Specified Executives – continued

(iii) Shareholdings

The movement during the reporting period in the number of ordinary shares (Ord) and reset preference shares (RPS) in the Company held, directly, indirectly or beneficially, by each Director and Specified Executive, including their personally-related entities, is as follows:

	BALANCE AT 26 JULY 2003		GRANTED AS REMUNERATION		OTHER CHANGES		BALANCE AT 31 JULY 2004	
	ORD	RPS	ORD[1]	RPS	ORD[2]	RPS	ORD	RPS
Directors								
Robert Savage	39,326	–	2,478	–	20,000	–	61,804	–
John Coates	38,589	–	–	–	–	–	38,589	–
Mark McInnes	–	–	–	–	–	–	–	–
Stephen Goddard	225	–	–	–	–	–	225	–
Reginald Clairs	138,711	–	9,910	–	–	–	148,621	–
Paula Dwyer	–	–		–	30,000	–	30,000	–
John Harvey	30,000	–	–	–	–	–	30,000	–
Katie Lahey	17,554	–	–	–	–	–	17,554	–
Specified Executives								
Colette Garnsey	–	–	–	–	–	–	–	–
Patrick Robinson	1,235	–	–	–	–	–	1,235	–
Paul Zahra	225	–	–	–	–	–	225	–
Teresa Gallo	–	–	–	–	–	–	–	–
Peter Helson	2,591	–	–	–	–	–	2,591	–
Total	**268,456**	**–**	**12,388**	**–**	**50,000**	**–**	**330,844**	**–**

[1] Includes shares acquired through the David Jones Limited Deferred Employee Share Plan
[2] Purchased on-market

All equity transactions with Directors and Specified Executives, other than those arising from the exercise of options granted as remuneration, have been entered into under terms and conditions no more favourable than those that would have been adopted if the Company was dealing on an arm's length basis.

(g) Loans to Directors and Specified Executives

There are no loans outstanding to Directors and Specified Executives.

(h) Other Transactions and Balances with Directors and Specified Executives

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

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	CONSOLIDATED		DAVID JONES LIMITED	
	2004	2003	**2004**	2003
32. EMPLOYEE ENTITLEMENTS				
The number of staff employed at balance date is:	**9,061**	9,205	**9,059**	9,203
(a) Provision for Employee Entitlements				
Current ($000)	**9,014**	8,196	**8,976**	8,163
Non-current ($000)	**18,787**	19,565	**18,787**	19,565
The present values of employee entitlements not expected to be settled within twelve months of balance date have been calculated using the following weighted average assumptions:				
Assumed increase in wage and salary rates	**4.0%**	4.0%	**4.0%**	4.0%
Discount rate	**5.7%**	5.3%	**5.7%**	5.3%
Settlement term (years)	**15**	15	**15**	15

(b) Employee Share Plans

The Company has four employee share ownership plans, an Executive Option Plan and Long Term Incentive Plan.

(i) The Employee Share Plan (ESP)

The ESP provides employees with an interest free loan to enable the purchase of ordinary shares in the Company. Shares under the ESP were acquired by a trustee on behalf of the employee. Dividends and other distributions on the shares are applied to repay the loan. Vesting to the employee in the ordinary course of business is three years after issue. Each shareholder loan is limited in recourse to the proceeds on sale of the shares acquired.

The ESP is divided into a General and Executive division.

General Division

This division was open to all full-time and permanent part-time employees with more than twelve months' continuous service and casual employees whose service was deemed by the Company to be more than five years' continuous service. The Company had discretion to offer shares to particular employees with lesser periods of service. In 1995 each eligible employee received between 500 and 5,000 shares, depending upon their position within the Company.

A total of 2,571,500 shares ($5,143,000) was issued under the initial offer to employees under this division of the ESP on 27 November 1995. Since that date, 1,912,500 shares have been either forfeited by employees and sold by the Trustee or the shares have been transferred to the employees on repayment of the loan, leaving a balance of 659,000 shares allocated to employees at balance date. No shares have been issued under the General Division since the initial offer.

Executive Division

Senior executives of the Company were offered ordinary shares under the Executive Division of the ESP. Shares were offered on the same basis as in the General Division except that two hurdle rates had to be achieved before an executive was eligible to exercise the right to repay the loan. These hurdle rates were:

- a three year vesting requirement; and
- the share price had to close at 30% above the issue price (adjusted for bonus, rights issues or capital reconstructions) on five consecutive trading days prior to the third anniversary of the issue.

No shares under the Executive Division remain on issue to executives as they have all been forfeited by executives and sold by the Trustee.

During the financial period the trustee sold 79,000 shares (2003: 77,500 shares) under the general division for $97,150 (2003: $84,553) resulting in a loss to the Company of $210 (2003: $18,634). The losses represent the difference between the share purchase price of $2.00 per share less any dividends and returns of capital received on those shares, and the sale price of the shares received by the Trustee. These losses together with the costs of administering the ESP have been charged to profit for the current period. In addition, 14,000 shares (2003: 2,000 shares) have been transferred to employees on repayment of loans of $15,964 (2003: $2,770).

The market value at balance date of each ordinary share in the Company issued to employees was $1.89 (2003: $1.45).

The average loan value per share at balance date to employees was $1.30 (2003: $1.36).

32. EMPLOYEE ENTITLEMENTS – continued

(b) Employee Share Plans – continued

(ii) The Employee Share Purchase Plan (ESPP)

The ESPP was established to enable employees to acquire ordinary shares in the Company on an annual basis at a discount to the prevailing market price, subject to certain conditions. The Company did not provide loans to assist employees to purchase shares under this plan. No shares (2003: nil) have been issued under this plan at balance date.

The ESP and ESPP employee share ownership plans are being phased out and have been replaced by the Exempt Employee Share Plan and Deferred Employee Share Plan, each of which was submitted to and approved by shareholders at the Annual General Meeting held on 23 November 1998.

(iii) Exempt Employee Share Plan (EESP)

The EESP provides eligible employees the opportunity to acquire an ownership interest in the Company. The EESP is designed to attract a tax concession provided 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 corporate objectives are met to the satisfaction of the Board. No ordinary shares were issued to eligible employees during the period and no shares were purchased by the Trustee on behalf of participants.

Shares acquired under the offer must remain in the EESP until the earlier of three years after allocation, or termination of employment of the participant.

The Plan Trustee will use funds it receives from the Company to either subscribe to a new issue of shares in the Company on behalf of the participating employees or purchase shares on the Australian Stock Exchange on behalf of the participating employees. These shares will be registered in the name of the Plan Trustee on behalf of the EESP participants.

No voting rights will be exercised in relation to the shares held in the EESP unless instructions are received from a participating employee to vote in respect of his or her shares.

Non-Executive Directors of the Company are not eligible to participate in the EESP.

(iv) Deferred Employee Share Plan (DESP)

The DESP enables Directors, Senior executives, management and any other employees invited by the Board to participate in the DESP to acquire ordinary shares in the Company.

The DESP is a voluntary plan to provide greater choice for eligible employees in the way they receive their remuneration.

The DESP is designed to access the available taxation deferral concession legislated by the Federal Government to encourage employees to become shareholders in employer companies.

The Plan Trustee will acquire shares in the Company in the ordinary course of trading on the Australian Stock Exchange on behalf of DESP participants, using funds allocated by the Company from its remuneration budget.

There is no additional cost to the Company as a result of the operation of the DESP (other than administrative and establishment costs) as the cost of the shares is funded from base pay and incentives payable within the Company's approved annual remuneration budget.

No voting rights will be exercised in relation to the shares held in the plans unless instructions are received from a participating employee to vote in respect of his or her shares.

Under the rules of the DESP, the Board may impose performance, vesting and any other conditions before shares can be withdrawn from the DESP by a participant.

When a participating employee's employment ends, he or she will receive the Company's shares held on his or her behalf except for:

- where Relevant Requirements have been imposed, these requirements have not been met; or
- where an employee has been dismissed as a result of that employee's fraud or wrongful conduct, in which case the Board has the discretion to require forfeiture of any shares under the DESP.

The Plan Trustee purchased 84,169 (2003: 158,437) shares on behalf of participants under the DESP during the period.

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

32. EMPLOYEE ENTITLEMENTS – continued
(b) Employee Share Plans – continued
(v) Options
Executive Option Plan (EOP)
The EOP provides to eligible employees an opportunity to acquire an ownership interest in the Company.

Under the EOP, eligible employees were offered options to acquire shares in the Company at a specified price. Such options will be exercisable on a specified date, at the greater of the market value of shares at the date of grant or 20 cents.

Unexercised options lapse no later than five years after the date of grant.

In the absence of special circumstances, each issue of options under the EOP must be held for at least twenty-four months before they can be considered for exercise. Then they can only be exercised if the Company's performance is equal to or greater than the performance hurdles described below:

- over the three-month period preceding the date of exercise of the options, the median DJL Accumulation Index is 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 is 15% or greater above the market value of the Company's shares at the date of grant.

"DJL Accumulation Index" means broadly the measurement of the performance of the Company's shares represented by the realised returns to shareholders of the Company in the form of share price growth and dividends paid and reinvested.

"Mid-Cap 50 Industrials Accumulation Index" means the measurement of the performance of shares of companies included in the Mid-Cap 50 Industrials Accumulation Index represented by the returns to shareholders of those companies in the form of share price growth and dividends paid and reinvested.

Options that lapsed during the year, and options issued and outstanding under the EOP are:

DATE OF GRANT	EXPIRY DATE	EXERCISE PRICE	LAPSED DURING THE YEAR	EXERCISED DURING THE YEAR	NUMBER OF OPTIONS OUTSTANDING		FAIR VALUE PER OPTION AT GRANT DATE	FAIR VALUE AGGREGATE
					2004	2003		**2004**
			000	000	**000**	000	$	**$000**
17/12/1998	17/12/2003	$1.5700	2,190	–	**–**	2,190	0.2700	**–**
16/12/1999	16/12/2004	$1.4047	120	200	**2,145**	2,465	0.2500	**536**
16/01/2001	16/01/2006	$1.3280	235	395	**2,070**	2,700	0.1900	**393**
					4,215	7,355		**929**

All options expire on the earlier of their expiry date or:

(a) the date which is six months after the occurrence of a special circumstance;

(b) the date of termination of employment of the eligible employee (other than due to the occurrence of a special circumstance, which includes retirement, redundancy, death or permanent disability of the eligible employee, or other such circumstances that the Board may determine to be a special circumstance).

The market value of shares under these options at balance date was $1.89 (2003: $1.45).

There were 200,000 options under the 16 December 1999 offer and 395,000 options under the 16 January 2001 offer that were exercised during the year ended 31 July 2004 (2003: nil).

An independent valuation of each tranche of options at their respective grant dates has been performed by PricewaterhouseCoopers (PwC) in accordance with AASB 1046.

In undertaking the valuation of the options, PwC have used the binomial option pricing model 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.

The value determined by PwC represents the indicative fair market value of each option at grant date on a non marketable controlling basis.

No further options are intended to be granted under the EOP as this plan has been replaced by the Long Term Incentive Plan.

32. EMPLOYEE ENTITLEMENTS – continued

(b) Employee Share Plans – continued

(vi) Long Term Incentive Plan

As advised at the Annual General Meeting in November 2001, the Company has a Long Term Incentive (LTI) Plan.

The LTI Plan provides a remuneration element designed to attract and retain key senior employees and ensure their interests are aligned with those of shareholders.

All offers are made subject to the terms of the LTI Plan Rules, which confer various powers on the Board, including without limitation the right to waive or reduce relevant requirements governing a participant's entitlements to shares, and to add to or vary any of the Plan Rules, or waive or vary their application to a participant, subject to the requirements of the Australian Stock Exchange.

An offer under the LTI Plan grants an individual the right to a certain number of ordinary shares in the Company which may vest and be convertible into shares, conditional on the achievement of performance measures covering a three year consecutive period and continued employment beyond this time. Under the terms of the LTI Plan, no shares were granted pursuant to the initial offer before 31 July 2004.

The actual number of shares, if any, finally provided to participants will depend on the extent to which a range of performance measures are met. It is possible for each nominated participant to be allocated either no shares (if none of the performance measures are met), or anywhere between 50% (threshold level) to 150% (stretch level) of their initial offered amount, depending on the level of achievement against performance measures.

An independent valuation of rights to shares granted to executives under the LTI Plan has been performed by PricewaterhouseCoopers (PwC).

In undertaking the valuation of the rights, PwC has used the modified binomial option model 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, zero exercise price and time to maturity. Vesting conditions have not been taken into account when estimating the fair value of the LTI Plan rights in accordance with AASB 1046 Directors and Executive Disclosures by Disclosing Entities. These conditions are accounted for by adjusting the number of equity instruments that are expected to vest.

PwC has assessed the indicative market value of the LTI Plan offers at grant date and have determined with the mid point fair values shown in the table below.

Movements in LTI Plan Rights are summarised below:

		NUMBER OF LTI PLAN RIGHTS[1]					
DATE OF GRANT	EXPIRY DATE	BALANCE AT 26 JULY 2003 000	GRANTED DURING PERIOD 2004 000	LAPSED DURING PERIOD 2004 000	BALANCE AT 31 JULY 2004 000	FAIR VALUE PER LTI PLAN RIGHT AT GRANT DATE (MID POINT) $	FAIR VALUE AGGREGATE 2004 $000
30/8/02	31/7/04	1,300	–	88	1,212	0.96	1,164
8/7/04	31/7/05	–	2,702	24	2,678	1.61	4,312
8/7/04	31/7/06	–	2,227	39	2,188	1.51	3,304

[1] Based on achievement of performance measures at stretch level

(c) Superannuation Plans

The Company and certain controlled entities contribute to several defined contribution superannuation plans. All superannuation contributions are made in accordance with the relevant trust deeds and the Superannuation Guarantee Charge.

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	Notes	CLASS OF SHARE	INTEREST HELD 2004 %	2003 %
33. PARTICULARS IN RELATION TO CONTROLLED ENTITIES				
Parent and Chief Entity:				
David Jones Limited				
Controlled Entities:				
Aherns Holdings Pty Ltd (investor)		Ord	**100**	100
Ahern's (Suburban) Pty Ltd (retailer)	(i)	Ord	**100**	100
Akitin Pty Limited (investor)		Ord	**100**	100
Helland Close Pty Limited (liquor licence holder)		Ord	**100**	100
299–307 Bourke Street Pty Limited (property owner)	(ii)	Ord	**100**	100
David Jones Credit Pty Limited (investor)		Ord	**100**	100
John Martin Retailers Pty Limited (non-operating)		Ord	**100**	100
David Jones Financial Services Limited (financial services)		Ord	**100**	100
David Jones Insurance Pty Limited (financial services)		Ord	**100**	100
David Jones Finance Pty Limited (finance company)		Ord	**100**	100
David Jones (Adelaide) Pty Limited (investor)	(iii)	Ord	**100**	100
Buckley & Nunn Pty Limited (investor)		Ord	**100**	100
David Jones Properties (South Australia) Pty Limited (investor)		Ord	**100**	100
David Jones Properties (Victoria) Pty Limited (property owner)		Ord	**100**	100
David Jones Properties (Queensland) Pty Limited (property owner)		Ord	**100**	100
Speertill Pty Limited (liquor licence holder)		Ord	**100**	100
David Jones Properties Pty Limited (property owner)		Ord	**100**	100
David Jones Employee Share Plan Pty Limited (corporate trustee)		Ord	**100**	40
David Jones Share Plans Pty Limited (corporate trustee)		Ord	**100**	–
David Jones Superannuation Fund Pty Limited (corporate trustee)	(iv)	Ord	**100**	100

(i) Issued capital is owned by Aherns Holdings Pty Ltd.
(ii) Issued capital is owned by David Jones Finance Pty Limited.
(iii) Issued capital of the entity is owned 50% by David Jones Limited and 50% by David Jones Properties (South Australia) Pty Limited.
(iv) Placed in Members' Voluntary Liquidation on 20 March 2003 following completion of transfer of members' balances to a Master Trust arrangement at the end of the previous year.

All controlled entities are incorporated in Australia and carry on business in their country of incorporation.

34. RELATED PARTY TRANSACTIONS

(a) Transactions between Directors and David Jones Limited

(i) From time to time Directors may purchase goods from the Company. These purchases are on the same terms and conditions as those entered into by senior management.
(ii) Details of indemnification and insurance of Directors and Officers are disclosed in the Directors' Report in the concise annual report 2004.

(b) Interest in Controlled Entities

Information relating to controlled entities is set out in Notes 2, 5, 9, 13, 20, 29, 33 and 34.

(c) Superannuation Plans

Information relating to superannuation plans is set out in Note 32(c).

(d) Other Related Party Transactions

(i) Interest on borrowings between entities is charged at commercial rates (refer Note 2).
(ii) Rent on properties owned by the Consolidated Entity is paid by the relevant operating retail company at commercial rates. Rentals for the 53 weeks ended 31 July 2004 amounted to $2,647,220 (2003: $2,534,404).

	CONSOLIDATED 2004 $000	CONSOLIDATED 2003 $000	DAVID JONES LIMITED 2004 $000	DAVID JONES LIMITED 2003 $000
35. NOTES TO STATEMENTS OF CASH FLOWS				
(a) Reconciliation of Cash				
Cash at bank and on hand	**8,844**	9,215	**8,844**	9,344
Short-term deposits	**89,000**	8,130	**–**	–
	97,844	17,345	**8,844**	9,344

	FACILITY 2004 $000	FACILITY 2003 $000	DRAWN 2004 $000	DRAWN 2003 $000	UNUSED 2004 $000	UNUSED 2003 $000
(b) Financing Facilities						
The Consolidated Entity had the following facilities available at period end. The facilities are unsecured and subject to borrowing covenants.						
Overdraft	**23,000**	23,000	**1,329**	–	**21,671**	23,000
Term loans	**150,000**	150,000	**–**	–	**150,000**	150,000
Letters of credit and guarantees	**5,343**	5,531	**2,062**	2,483	**3,281**	3,048
	178,343	178,531	**3,391**	2,483	**174,952**	176,048
The maturity dates of facilities are:						
Facility available subject to annual review	**27,500**	27,500				
Facility available to 3 November 2005	**843**	1,031				
Facility available to 3 November 2005	**150,000**	150,000				
	178,343	178,531				

The term loan facility of $150 million was reduced to $100 million on 1 August 2004, with an additional $50 million facility being available for the peak seasonal periods of 15 October 2004 to 15 December 2004 and 15 October 2005 to 3 November 2005.

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

	CONSOLIDATED		DAVID JONES LIMITED	
	2004 $000	2003 $000	**2004 $000**	2003 $000
35. NOTES TO STATEMENTS OF CASH FLOWS – continued				
(c) Reconciliation of Net Cash Provided by Operating Activities to Operating Profit after Income Tax				
Operating profit/(loss) after income tax	**65,329**	(25,466)	**44,029**	32,054
Net loss on disposal of assets	**145**	120	**145**	120
Loss on loans to employees under Employee Share Plan	**(7)**	22	**(7)**	22
Add/(less) non-cash items:				
– depreciation	**40,911**	45,457	**40,660**	42,418
– amortisation	**1,971**	1,967	**–**	–
– asset write-down to recoverable amount	**–**	41,830	**–**	41,385
Net cash provided by operating activities before changes in assets and liabilities	**108,349**	63,930	**84,827**	115,999
Changes in assets and liabilities:				
(Decrease) in employee entitlements	**(310)**	(1,721)	**(316)**	(1,707)
Increase/(decrease) in income tax payable	**22,101**	(7,886)	**25,198**	(5,992)
Increase/(decrease) in provision for deferred tax	**(63)**	1	**250**	–
(Increase) in future income tax benefit	**(5,680)**	(7,097)	**(10,009)**	(6,162)
(Increase) in inventories	**(16,650)**	(2,331)	**(16,576)**	(2,331)
(Increase)/decrease in sundry debtors and prepayments	**(968)**	5,187	**1,193**	6,937
Increase in deferred liabilities	**1,819**	1,789	**1,819**	1,789
Increase in trade creditors	**41,893**	5,925	**41,868**	5,987
Increase in sundry creditors and accruals	**16,494**	20,914	**15,866**	22,805
Net Cash Inflow Provided by Operating Activities	**166,985**	78,711	**144,120**	137,325

36. FINANCIAL INSTRUMENTS DISCLOSURE

(a) Interest Rate Risk

The Consolidated Entity generally enters into interest rate swaps, forward rate agreements and interest rate options to manage cash flow risks associated with the interest rates on borrowings that are floating.

As part of the sale and leaseback transaction, the Company also entered into thirty year opposite fixed interest rate swap contracts to enable the lessor to receive floating interest rates in respect of the operating lease rentals (refer Note 28).

Interest Rate Swaps and Forward Rate Agreements

Interest rate swaps allow the Consolidated Entity to swap floating rate borrowings into fixed rates, or swap fixed rate borrowings to floating rate. Maturities of swap contracts are principally between two and five years. Each contract involves monthly and/or quarterly payments or receipts of the net amount of interest, being the difference between fixed and floating interest rates.

At balance date the fixed rates varied from 4.73% to 4.90% (2003: 4.7% to 6.29%) and the floating rates were at bank bill rates plus the Consolidated Entity's credit margin. The weighted average effective floating interest rate (including credit margin) at balance date was nil % (2003: 4.29%) while the average effective rate of the fixed and floating components of the Consolidated Entity's borrowings was nil % (2003: 4.29%).

The Consolidated Entity, from time to time, also enters into forward rate agreements to offset changes in the rates paid on short-term floating rate debt. There were no forward rate agreements outstanding at balance date (2003: nil).

Interest Rate Options

From time to time, the Consolidated Entity also enters into interest rate options to reduce the impact of changes in interest rates on floating rate long-term debt. No interest rate options were outstanding at balance date (2003: nil).

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

36. FINANCIAL INSTRUMENTS DISCLOSURE – continued

Interest Rate Exposures

The Consolidated Entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities is set out below:

		FIXED INTEREST MATURING IN:					
	FLOATING INTEREST RATE	1 YEAR OR LESS	OVER 1 YEAR TO 5 YEARS	MORE THAN 5 YEARS	NON-INTEREST BEARING	TOTAL	AVERAGE INTEREST RATE
	$000	$000	$000	$000	$000	$000	%
2004							
Financial Assets							
Cash assets	**89,000**	**–**	**–**	**–**	**8,844**	**97,844**	**–**
Receivables	**–**	**–**	**–**	**–**	**48,708**	**48,708**	**–**
Other – prepayments	**–**	**–**	**–**	**–**	**12,261**	**12,261**	**–**
Interest rate swaps:							
– Sale and leaseback	**279,000**	**–**	**–**	**279,000**	**–**	**558,000**	**8.40**
– Other	**65,000**	**–**	**–**	**–**	**–**	**65,000**	**7.61**
	433,000	**–**	**–**	**279,000**	**69,813**	**781,813**	
Financial Liabilities							
Creditors payables	**255,691**	**–**	**–**	**–**	**–**	**255,691**	
Short term borrowings	**1,697**			**–**	**–**	**1,697**	
Lease liabilities	**–**	**–**	**–**	**–**	**–**	**–**	
Dividend Payable	**–**	**–**	**–**	**–**	**2,625**	**2,625**	**8.10**
Interest rate swaps							
– Interest bearing liabilities	**–**	**100,000**	**220,000**	**–**	**–**	**320,000**	**4.79**
– Sale and leaseback	**279,000**	**–**	**–**	**279,000**	**–**	**558,000**	**7.65**
	536,388	**100,000**	**220,000**	**279,000**	**2,625**	**1,138,013**	
2003							
Financial Assets							
Cash assets	8,130	–	–	–	9,215	17,345	–
Receivables	–	–	–	–	47,875	47,875	–
Other – prepayments	–	–	–	–	12,224	12,224	–
Interest rate swaps:							
– Sale and leaseback	279,000	–	–	279,000	–	558,000	8.40
– Other	65,000	–	–	–	–	65,000	6.72
	352,130	–	–	279,000	69,314	700,444	
Financial Liabilities							
Creditors payables	182,735	–	–	–	–	182,735	–
Interest bearing liabilities	122	–	–	–	–	122	4.92
Lease liabilities					2,611	2,611	8.10
Interest rate swaps:							
– Interest bearing liabilities	–	121,000	320,000	–	–	441,000	4.89
– Sale and leaseback	279,000	–	–	279,000	–	558,000	8.61
	461,857	121,000	320,000	279,000	2,611	1,184,468	

36. FINANCIAL INSTRUMENTS DISCLOSURE – continued

(b) Foreign Exchange Risks

The Consolidated Entity enters into forward foreign exchange contracts to hedge certain purchase commitments denominated in foreign currencies. The terms of these derivatives and commitments are less than one year.

The following table sets out the gross value to be paid under foreign currency contracts and the weighted average contracted exchange rates of contracts outstanding at balance date. All contracts expire within one year.

	EXCHANGE RATE		A$000	
	2004	2003	**2004**	2003
Buy United States Dollars	**0.6984**	0.6193	**6,206**	5,856
Buy British STG	**0.3901**	0.3920	**1,684**	1,607
Buy Hong Kong Dollars	**5.5891**	4.7833	**309**	50
Buy Euro	**0.5891**	0.5560	**10,346**	6,412
			18,545	13,925

As these contracts are hedging firm purchase commitments, any unrealised gains and losses on the contracts, together with the cost of the contracts, will be recognised in the financial statements at the time the underlying transaction occurs. The marked to market gain on the contracts at balance date was $347,038 (2003: $541,175 loss).

(c) Net Fair Values of Financial Assets and Liabilities

Financial Instruments in Statement of Financial Position

The carrying amounts of bank term deposits, prepayments, receivables, payables, borrowings and dividends payable approximate net fair value. These monetary financial assets and financial liabilities are included in assets and liabilities in the statement of financial position.

The loan to employees under the Employee Share Plan of $869,766 (2003: $1,024,250) is secured against the value of the Company's shares. At balance date the market value of the underlying shares was $1,249,290 (equivalent to $1.89 per share). (2003: $1,090,400, equivalent to $1.45 per share).

Financial Instruments not in Statement of Financial Position

The valuation of financial instruments not in the statement of financial position detailed below reflects the estimated amounts, which the Consolidated Entity expects to pay or receive to terminate the contracts (net of transaction costs) or replace the contracts at their current market rates as at balance date.

The net fair values of financial instruments not in the statement of financial position held as at balance date were:

	2004 $000	2003 $000
Net Receivables/(Payables)		
Interest rate swaps		
– interest bearing liabilities	**4,245**	357
– sale and leaseback	**(7,943)**	(8,250)
– reset preference shares	**384**	2,771
Forward foreign exchange contracts	**347**	(541)
	(2,967)	(5,663)
Securitisation (see Note 28)		
The Consolidated Entity has entered into an agreement to sell credit card receivables		
Credit card receivables securitised as at balance date	**395,226**	392,692
Less: Securitisation receivable	**(32,705)**	(38,689)
Total amount funded	**362,521**	354,003
Excess yield earned	**37,932**	31,125
Weighted average rates	**5.17%**	5.17%

For the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003
David Jones Limited and its controlled entities

36. FINANCIAL INSTRUMENTS DISCLOSURE – continued

(d) Credit Risk Exposures

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Credit card receivables are sold to an unrelated facility provider. The credit risk is limited to the over-collateralisation amount retained by the provider (refer Notes 28 and 36(c)).

Credit risk on derivative contracts not in the statement of financial position is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

Swap and foreign exchange contracts are subject to credit risk in relation to the relevant counterparties, which are principally large banks.

	CONSOLIDATED	
	2004 $000	2003 $000
37. DISCONTINUED OPERATIONS		
On 3 June 2003, the Consolidated Entity announced its intention to close all Foodchain stores and thereby discontinue its operations in this business segment. All four Foodchain stores ceased trading on or before 28 June 2003. The Consolidated Entity has no further contingent liabilities or obligations in respect of 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 3 – Segment Information		
Financial performance information for the 53 weeks ended 31 July 2004 and 52 weeks ended 26 July 2003		
Revenue from ordinary activities, excluding the sale of segment assets	**–**	36,643
Revenue from the sale of segment assets	**–**	–
Total revenue from ordinary activities	**–**	36,643
Expenses from ordinary activities, excluding the carrying amount of assets sold and written off	**–**	(63,256)
Carrying amount of assets written off	**–**	(19,313)
Total expenses from ordinary activities	**–**	(82,569)
Profit from ordinary activities before income tax	**–**	(45,926)
Income tax benefit	**–**	13,778
Net profit/(loss)	**–**	(32,148)
Financial position information as at 31 July 2004 and 26 July 2003		
Segment assets	**–**	58
Segment liabilities	**–**	(2,222)
Net assets	**–**	(2,164)
Cash flow information for the year ended 31 July 2004 and year ended 26 July 2003		
Net cash provided by operating activities	**–**	(32,221)
Net cash (used in) investing activities	**–**	(1,685)
Net cash provided by financing activities	**–**	33,884
Net increase in cash held	**–**	(22)
Asset disposals for the year ended 31 July 2004 and year ended 26 July 2003		
Carrying amount of assets	**–**	19,313
Pre-tax loss on disposal	**–**	(19,313)
Tax benefit	**–**	5,794
Loss on disposal after tax	**–**	(13,519)

38. EVENTS SUBSEQUENT TO REPORTING DATE

A final dividend on ordinary shares was declared on 28 September 2004 (refer Note 6). There have been no other events subsequent to 31 July 2004 requiring disclosure in this report.

39. ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

(a) Overview

The Consolidated Entity will be required to comply with the Australian equivalents of the International Financial Reporting Standards (IFRS), as issued by the Australian Accounting Standards Board, when it reports for the half-year ending 28 January 2006 and year ending 29 July 2006.

The transition rules for adoption of IFRS require the statement of comparative financial statements using Australian equivalents of IFRS, except for AASB 132 "Financial Instruments: Disclosure and Presentation" and AASB 139 "Financial Instruments: Recognition and Measurement".

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The key differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Consolidated Entity's financial performance and financial position are summarised in (c) below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS.

The potential impact on the Consolidated Entity's financial performance and financial position on the adoption of IFRS at the transition date of 1 August 2004 has not yet been quantified due to the short time period between finalisation of IFRS and the date of this report. The financial impact of adopting IFRS on future years will also depend on the particular circumstances prevailing in those years.

(b) Management of the Consolidated Entity's Transition to IFRS

In 2003, the Board established a formal project team, comprised of representatives from finance, other departments and third party advisers to manage the Consolidated Entity's convergence to IFRS. The team is chaired by the Finance Director and reports quarterly to the Audit Committee. The IFRS project team has developed a detailed plan for managing the adoption of IFRS (including the training of staff and changing systems and internal controls) and is currently on schedule.

The IFRS project team has completed its assessment of the impact of IFRS on the Consolidated Entity and has identified a number of accounting policy changes that will need to be made.

The project is now in the design phase, which involves the formulation of revised accounting policies and procedures, the design of systems and processes to support the transition to IFRS and the identification of the potential financial effect of adopting IFRS. Priority is being given to the preparation of an opening balance sheet in accordance with IFRS as at 1 August 2004.

The final phase of implementation will be completed by 30 July 2005 and includes implementation of identified changes to accounting and business procedures, processes and systems. On the completion of this phase of the project the Consolidated Entity will be able to generate fully IFRS compliant financial reports.

(c) Key differences

Set out below are the key areas where accounting policies will change and may have an impact on the financial report. At this stage, the Consolidated Entity has not been able to reliably quantify the impacts on the financial report.

(i) AASB 2: Shared Based Payment (AASB 2)

Under AASB 2, the fair value of equity instruments issued to employees as remuneration will be recognised as an expense in the income statement over the relevant vesting periods. This standard is not limited to options and also extends to other forms of equity based remuneration, such as rights issued under the Consolidated Entity's Long Term Incentive Plan. It applies to all share based payments issued after 7 November 2002, which have not vested as at 1 January 2005. A transitional adjustment to recognise the expense determined by reference to the fair value of all equity instruments issued, will be made retrospectively against opening retained earnings at transition date. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

(ii) AASB 112: Income Taxes (AASB 112)

On transition to AASB 112, a method of accounting for income taxes, known as the "balance sheet liability method" will be adopted, replacing the "tax effect income statement" approach currently used. Under the balance sheet method the Consolidated Entity will recognise deferred tax balances in the balance sheet when there is a difference between the carrying value of an asset or liability and its tax bases. It is expected that adoption of AASB 112 may require the Consolidated Entity to carry higher levels of deferred tax assets and liabilities, although at this stage the IFRS project has not identified a material transitional adjustment.

39. ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS – continued

(iii) AASB 117: Leasing (AASB 117)

Under AASB 117 there are no apparent substantial changes in accounting requirements for existing leases including the sale and leaseback transaction (refer Note 28(a)), however the Consolidated Entity's analysis is still being finalised.

(iv) AASB 136: Impairment of Assets (AASB 136)

Under AASB 136 the recoverable amount of assets will be assessed if there is an indication of impairment by comparing the carrying value of the group of assets identified for each "cash generating unit" (CGU) to the recoverable amount of the CGU. Recoverable amount will be determined on a discounted cash flow basis. Impairment losses determined at the transition date will be adjusted against opening retained earnings and future impairment losses will be recognised as an expense. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

(v) AASB 138: Intangible Assets (AASB 138)

The Consolidated Entity's current accounting policy is to amortise goodwill over the period of expected benefit. Under AASB 138 goodwill acquired in a business combination will no longer be amortised, but instead will be subject to impairment testing at each reporting date, or upon the occurrence of triggers that may indicate a potential impairment. If there is an impairment loss, it will be recognised immediately in the income statement. The prohibition of amortisation of goodwill will have the effect of reducing operating expenses and therefore improve reported profits of the Consolidated Entity, subject to any impairment charges that may be required from time to time.

(vi) AASB 132: Financial Instruments: Disclosure and Presentation (AASB 132) and
AASB 139: Financial Instruments: Recognition and Measurement (AASB 139).

Reset Preference Shares

IFRS has different recognition rules to Australian GAAP in relation to the classification of certain financial instruments. As the conversion option contained in the Consolidated Entity's Reset Preference Shares (RPS) does not expose the holders to any equity risks, the RPS will be classified as a debt instrument under AASB 139. This represents a change from the current classification of the RPS as equity under Australian GAAP. The RPS distributions will as a result of this debt classification, be treated as interest expense not dividends, leading to an increase in borrowing costs and a corresponding reduction in reported profit.

Securitisation

Under AASB 132 previously securitised credit card receivables will be brought back on balance sheet at transition and on an on-going basis. There will be no net income statement impact, however interest income and interest expense will be grossed up.

Derivative Instruments

Under AASB 139 the Consolidated Entity's accounting policy will change and all derivatives, whether used as hedging instruments or otherwise, will be recognised on-balance sheet at fair value at each reporting date. Changes in the value of the derivatives, including embedded derivatives that are not closely related to the host contract, will be recorded in the income statement unless hedge accounting requirements are satisfied. Hedge accounting requires strict documentation and "effectiveness testing" to be satisfied. Where hedge effectiveness tests are met, changes in fair value will be recognised directly in equity. Ineffectiveness outside the prescribed range precludes the use of hedge accounting, in which case the fair value changes will be recognised in the income statement. The financial effect of this change in accounting policy at transition and on an ongoing basis is subject to period end market valuations and has not yet been reliably estimated.

Financial Assets and Liabilities

IFRS introduces new measurement requirements for financial assets including the requirement for certain assets such as receivables to be measured at fair value. All receivables need to be assessed for impairment by reference to the recoverable amount or fair value which is determined by discounting the receivable over the period the amount is expected to be received. Impairment losses will be recognised as an expense leading to a reduction in reported profit. In addition revenue from sales on interest free terms will reduce due to the effect of discounting. This will be offset by increased interest income in subsequent periods as the effect of the discounting reverses. The future financial effect of this change in accounting policy and the classification of financial assets into the categories prescribed by AASB 139 has not yet been fully completed.

DIRECTORS' DECLARATION

David Jones Limited and its controlled entities

In the opinion of the Directors of David Jones Limited:

(1) (a) the financial statements and the Notes set out on pages 1 to 46 comply with the Accounting Standards and Urgent Issues Group Consensus Views;

(b) the financial statements and the Notes give a true and fair view of the financial position as at 31 July 2004 and performance of the Company and the Consolidated Entity for the 53 weeks then ended; and

(c) at the date of this declaration, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(2) the financial statements and the notes have been made out in accordance with the Corporations Act 2001 including sections 296 and 297.

Signed in accordance with a resolution of the Directors:

Robert Savage
Director

Sydney
8 October 2004

INDEPENDENT AUDIT REPORT

To members of David Jones Limited

SCOPE

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for David Jones Limited (the company) and the Consolidated Entity, for the 53 weeks ended 31 July 2004. The Consolidated Entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the Consolidated Entity, and that it complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the Consolidated Entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion, the financial report of David Jones Limited is in accordance with:

(a) the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of David Jones Limited and the Consolidated Entity at 31 July 2004 and of their performance for the 53 weeks ended on that date; and

  (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

S J Ferguson
Partner

Sydney
8 October 2004

CORPORATE DIRECTORY

PRINCIPAL REGISTERED OFFICE
86–108 Castlereagh Street, Sydney, NSW 2000

Telephone	(02) 9266 5544
Facsimile	(02) 9261 5717 – Corporate
	(02) 9267 3895 – General Retail
Telephone number for all Stores	133 DJS (133 357)

LOCATIONS OF ALL STORES
David Jones stores are located in New South Wales, Australian Capital Territory, Victoria, Queensland, South Australia and Western Australia. For details of individual stores, these are shown in the 'Stores' section of the David Jones website.

Website **www.davidjones.com.au**

COMPANY SECRETARY
John A. Simmonds FCIS ASIA

2004 DAVID JONES LIMITED ANNUAL REPORT
The concise annual report, the full financial report and the Notice of Meeting and general shareholder information can be accessed on our website under 'For Investors'. Announcements made to ASX during the year are put on the website.

Further financial information can be obtained from the 2004 concise annual report which is available, free of charge, on request from the Share Registry by calling 1800 652 207. Alternatively, both the concise annual report and the full financial report can be accessed from the 'For Investors' section at the David Jones website **www.davidjones.com.au**

Upon accessing the site, click on 'For Investors' at the bottom of the screen to go through to releases and reports.

SHARE REGISTRY
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street, Sydney, NSW 2000
GPO Box 7045, Sydney, NSW 1115

Telephone	1800 652 207 – Toll Free
Facsimile	(02) 8234 5050
Website	www.computershare.com

Shareholders can access from the David Jones website under 'For Investors' for information and services relevant to their holding, including dividend payment history details.

Anyone can visit the Share Registry website to access a range of information about David Jones Limited including the closing price of David Jones Limited shares, graphs showing market prices over a requested period and graphs showing volumes traded over a requested period. Shareholders can register their email address through the Share Registry website to receive shareholder communications electronically.

STOCK EXCHANGE
The Company is listed on the Australian Stock Exchange.
The Home Exchange is Sydney.

For Corporate and Customer information please visit us at **www.davidjones.com.au**