



## DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 1 of 14

For Immediate Distribution

27 September 2006

### RECORD PROFIT RESULT – UP 30.6%\*

### RECORD DIVIDEND – UP 23%

- **Highest Full Year Profit Result & Dividend** since listing in 1995
- **Strong track record of delivering Profit after Tax (PAT) & Dividend growth** throughout peaks & troughs of economic cycle
- **30.6%\* PAT growth** in FY06 – at upper end of guidance range (\$81.1 million in FY06 vs. \$62.1 million in FY05 on an underlying basis)
- **Proven Business Model** key driver for record PAT result:
  - **1H06:** Despite weak retail conditions in first 6 months, implementation of Financial Disciplines (tight management of Costs & Inventory) delivered a strong 1H06 PAT Result;
  - **2H06:** Strong Sales growth led to an outstanding 2H06 Result – PAT up 50.0%\*
- **Gross Profit Margins** above target range – 38.8%(FY06) vs. 38.4% (FY05)
- **Total Company 'EBIT to Sales Ratio' up 130 basis points** (6.6% FY06 vs. 5.3 % FY05)
- **Department Store EBIT up 41.5%**
- **Cost of Doing Business (CODB) reduced by 90 basis points** – 34.1% in FY06 vs. 35.0% in FY05
- **Sale & Leaseback Transaction approved by unitholders**, funding in place, completion to occur on 29 September 2006
- **Strategic benefits of Industry Restructure continue:**
  - New Department Store exclusive agreements with Witchery, Saba, FCUK & Sportscraft Footwear & Accessories;
  - Country Road rejoins David Jones.
- **FY06 Dividend up 23.1% (16 cents per share** in FY06 vs. 13 cents per share in FY05)

David Jones Limited (DJS) today reported **Profit after Tax\* (PAT) of \$81.1 million** for the financial year ended on 29 July 2006 (FY06). This represents **an increase of 30.6%** on PAT for FY05 (\$62.1 million) on an underlying basis.

*\* PAT is on an underlying basis and adjusts FY05 to reflect AASB 132 & 139 – refer to Pg 7 for details*

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

### ASX AND MEDIA RELEASE

Page 2 of 14

David Jones Chief Executive Officer Mr Mark McInnes said, "Our FY06 Profit result and dividend are new records for our Company. This is the strongest full year result that our Company has reported since listing in 1995 and the highest dividend we have ever declared and paid.

"This is the second consecutive year, since implementing the 2003 Strategic Review Plan, that our Company has delivered a record Profit result and dividend. Our track record demonstrates the strength of our business model and its ability to deliver attractive shareholder returns regardless of the peaks and troughs of the economic cycle.

"It is particularly pleasing to report our FY06 result given that throughout the first six months of FY06 we experienced a challenging retail environment and it has only been in the second half of the year that we have seen a strengthening in consumer spending.

"In 1H06 when we were experiencing a subdued consumer spending environment, our business model focused on the implementation of Financial Disciplines such as tight Inventory management and well planned Cost Efficiency Programs which delivered PAT growth.

"In 2H06, we experienced a strengthening in consumer spending and reported Sales growth of 4.4%. This enabled us to deliver a 50.0% increase in PAT in the second half of the financial year," Mr McInnes said.

Looking back over the past 12 months there have been two major opportunities for the Company:

1. To effectively reacquire its flagship Sydney and Melbourne CBD stores; and
2. The recent restructure of the Australian department store sector which has generated a number of strategic opportunities for the business in terms of expansion of both the Store and Brand portfolios.

Mr McInnes said, "These opportunities, coupled with the Company's strong business model give us confidence in being able to continue to deliver continued PAT growth in FY07 and FY08."

### FY06 FINANCIAL PERFORMANCE

#### SUMMARY OF KEY FINANCIALS

KEY ITEMS	FY06 \$mil	FY05 \$mil	% Change
Sales	1821.6	1800.8	1.2%
Total EBIT	119.6	95.2	25.7%
PAT* (underlying)	81.1	62.1	30.6%
Basic EPS	18.7	15.0	24.7%
Full Year Dividend per ordinary share (fully franked)	16cps	13cps	23.1%

As announced on 15 August 2006 David Jones' **Sales Revenue** grew by 1.2% in FY06 (from \$1800.8 million in FY05 to \$1821.6 million in FY06).

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

### ASX AND MEDIA RELEASE

Page 3 of 14

The Company's **Earnings before Interest and Tax (EBIT)** in FY06 was \$119.6 million up 25.7% on FY05 (\$95.2 million). The '**EBIT to Sales Ratio**' for FY06 was 6.6%, which represents an increase of 130 basis points on FY05 (5.3%).

The **Core Department Store business** was an outstanding contributor to the Company's FY06 Profit result, reporting a 41.5% **increase in EBIT** to \$85.5 million in FY06 from \$60.4 million in FY05. Core Department Store EBIT to Sales Ratio increased 130 basis points, from 3.4% in FY05 to 4.7% in FY06.

David Jones' **Credit Card business** continued its solid performance track record reporting **growth of 6.4% in EBIT** to \$34.1 million in FY06 from \$32.1 million in FY05.

The **Total Cost of Doing Business (CODB) percentage** for FY06 was 34.1%, an **improvement of 90 basis points** on the FY05 CODB percentage (35.0%).

Mr McInnes said, "The Company's **Cost Efficiency program** has been in place for over 3 years. As indicated at the time of the 1H06 Results our excellent track record of delivering sustainable cost savings reflects the outstanding progress the Company is making in implementation of its Strategic Review Financial Disciplines, in particular implementation of Cost Efficiency initiatives ahead of schedule.

"Looking forward we are targeting ongoing CODB reductions of 10 - 20bp per annum over the FY07 and FY08 periods," Mr McInnes said.

**Gross Profit Margin** for FY06 (under AIFRS) was **38.8%** compared to 38.4% in FY05. This is an improvement of 40bp over the past 12 months and is an especially pleasing result given the challenging economic conditions and the sluggish consumer spending in 1H06.

**Capital Expenditure** for the year was **\$32 million**, significantly less than the Company's stated Strategic Review target of \$50 million per annum. This represents a continued focus on core Capex spend with further productivity improvements.

The Company continued its track record of tight **Stock** management, with aged stock inventory levels for the Group again being maintained below 5% of total inventory. The total level of inventory was less than 1% higher than was the position at the end of FY05 despite strong sales growth of 4.4% in 2H06. This result demonstrates the tight inventory management measures implemented by the Company.

### DIVIDENDS

In keeping with the Company's Strategic Review commitment to return excess cash (not required in the business) to shareholders and as a sign of the confidence in the Company's ability to continue generating solid cashflows, the Board has declared a **fully franked dividend of 9 cents per ordinary share for 2H06 (versus 7 cps in 2H05)**, an increase of 28.6% over 2H05.

The **total dividend** per ordinary share for FY06 is **16 cents fully franked** and represents an increase of 23.1% on the Company's FY05 total dividend of 13 cents per share.

The record date for the final dividend will be 12 October 2006 and the dividend payment date will be 8 November 2006.

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 4 of 14

### UNWINDING OF SALE & LEASEBACK (S&L) TRANSACTION

On 25 September 2006 the Company announced that the last remaining precondition (namely IYS minority unitholder approval) had been satisfied. The unwinding of the S&L Transaction of David Jones' flagship Sydney and Melbourne CBD stores is now due for completion on 29 September 2006.

As announced on 20 July 2006 the Company will fund the unwinding of the S&L Transaction through a combination of:

- surplus cash (approximately \$63 million) built up over the FY04 - FY06 periods, as a result of the strong financial performance of the business; and
- a bridge loan of \$350 million provided by ABN Amro Bank NV and Mizuho Corporate Bank Ltd. The Bridge Loan has a 12 month term and will be refinanced with long term debt in the first half of calendar 2007.

Mr McInnes said, "We are delighted that we will, on 29 September 2006, be effectively reacquiring our flagship Sydney and Melbourne CBD stores. Ownership of these properties provides us with both long term strategic and financial benefits.

"From a strategic perspective the unwinding of the S&L Transaction provides us with the ability to control key core assets and to be the master of our own destiny. In particular, given the new ownership of Myer, it is inevitable that Melbourne's central retailing core will be redeveloped and the ownership of our three Bourke St properties will leverage the best outcome for our shareholders," Mr McInnes said.

The unwinding of the S&L Transaction will also result in the:

- **removal** of a complex and **confusing financing structure**;
- **simplification** of the Company's **Balance Sheet**;
- **removal** of the Company's long term **interest rate swap commitments**;
- **addition of tangible, valuable assets** to the Company's Balance Sheet of **\$413 million** (including heritage Floor Space and Development rights which is within the valuation range prepared by independent valuer CB Richard Ellis);
- **replacement of rental payments** that escalate at 2.5% in perpetuity **with interest payments on a reducing level of debt over time**; and
- **reversal of the AIFRS rent straight-line adjustment**.

From a financial perspective significant benefits will arise from the unwinding of the S&L Transaction, including:

**1. Ongoing Lift to PAT & Cash Flow**

PAT in FY07 will increase by approximately \$3 million, which is sustainable in future years, and is immediately EPS accretive by 3.6% as a result of reversing the AIFRS rent straight-line adjustment. The Company's PAT growth guidance of 5 -10% p.a. for FY07 is on top of the additional \$3 million that will be added to PAT as a result of the unwinding of the S&L Transaction. In addition, Cash Flow from FY07 onwards will increase by approximately \$4 million per annum.

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 5 of 14

### 2. Restores Balance Sheet to Secure Position

Upon transition to AIFRS in July 2004, significant adverse accounting adjustments to the Company's Balance Sheet were made to reflect the AIFRS required treatment of the original S&L Transaction. Upon unwinding of the S&L, these adjustments will be largely reversed, including the reversal of approximately \$56 million for deferred tax liability and \$25 million for the straight-line provision for rental.

This will restore the Group's retained earnings to a strong positive position (ie. from -\$23 million as at 29/7/06 to approximately \$60 million) providing considerable financial flexibility in the future. These and other related items will be reflected as an adjustment to Profit in FY07.

Further details of the financial impact of the S&L are set out in Appendix F.

Mr McInnes said, "It is our intention to continue to build strong cashflows and to return excess cash to shareholders over time. The unwinding of the S&L Transaction provides us with the ability to do this by increasing our PAT position and delivering additional cash, both of which will benefit all shareholders in the long term."

### FURTHER STRATEGIC OPPORTUNITIES RESULTING FROM THE INDUSTRY RESTRUCTURE

On 20 July 2006 David Jones announced the first tranche of strategic benefits that have resulted following the recent restructure of the Australian Department Store sector. These strategic benefits include:

- entering into agreements with Westfield Management Ltd to open new David Jones stores in their Burwood, Chermside and Doncaster shopping centres; and
- adding a number of department store exclusive brands (such as Tigerlily, Simone Perele, Sara, Luxaflex and Mambo) to the Company's Brand Portfolio.

At the time, the Company stated that it expected further opportunities to present themselves as the sector continues its restructure and that David Jones was well positioned to identify and capitalise on these opportunities as and when they arise.

Mr McInnes said, "We have taken advantage of the ongoing restructuring in the sector to sign long term Department Store Exclusivity agreements with Saba, FCUK, Witchery (including the expansion of Witchery Footwear & Accessories) and Sportscraft Accessories & Footwear."

"In addition to the agreements reached with each of the above brands, I am pleased to announce that our Company has also entered into an agreement with Country Road that will see this brand re-enter our entire store network in February/March 2007. Country Road has had a long association with David Jones and we are delighted to welcome this brand back into our portfolio," Mr McInnes said.

### OUTLOOK: FY07 & FY08

Looking forward management is confirming 5% - 10% PAT growth in FY07 (plus the additional \$3 million that will be added to PAT as a result of the unwinding of the S&L Transaction).

**DAVID JONES**

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

### ASX AND MEDIA RELEASE

Page 6 of 14

This translates to PAT guidance in the range of \$88 - \$92 million under AIFRS for FY07 or 8.5% - 13.5% over the FY06 base. Guidance for FY08 is also at 5% -10% on an underlying basis (adjusted for RPS conversion on 31/7/07).

Access Economics is forecasting a mild strengthening in retail spending and a solid outlook for FY07. This expected strengthening will coincide with the Company's:

- launch of its fully refurbished Ground Floor Cosmetics and Accessories hall in its flagship Bourke Street store (expected to be completed by late October 2006);
- launch of its refurbished Ground and First Floor Menswear Fashion in its flagship Market Street Sydney store (expected to be completed in April 2007 and November 2006 respectively);
- opening of its new Burwood store in April 2007; and
- completion of 450 new brand installations throughout the year.

The key components driving the PAT growth in FY07 are broadly in line with our long term targets provided at the time of the 2003 Strategic Review:

- Based on the latest forecast from Access Economics, our forecast is for LFL Sales growth of 2% - 4% in 1H07, followed by 0% - 1% in 2H07, given the impact of potential interest rate rises and the cycling of strong sales growth of 4.4% in 2H06. This equates to LFL Sales growth of 1.5% - 2.5% on a full year basis;
- Gross Profit Margin target range of 38.0% - 38.5% (adjusted for AIFRS from 37.5% - 37.9% under AGAAP);
- CODB to be reduced by 10 - 20bp per annum (excluding the S&L rent straight-line adjustment);
- The Credit Card business to deliver 5% - 10% EBIT growth per annum; and
- Capex target of \$50 million for base business in FY07 and FY08, with additional funding over and above the \$50 million target for the 3 new stores provided by the reintroduction of the Dividend Reinvestment Plan (as announced on 1/9/06).

Mr McInnes said, "Our Sales for the first seven weeks of 1H07 are tracking at the higher end of the 2% - 4% range of our guidance. It should be kept in mind, however, that we are cycling lower first quarter sales growth than was experienced in the second quarter last year, and we are yet to trade through the important Christmas period."

In FY08 Access Economics is forecasting a peak in the cycle with a return to strong retail spending. This will coincide with the Company's:

- launch of its new QueensPlaza store;
- the opening of its new Chermside store; and
- full first year benefit from our Burwood store

Mr McInnes said, "Based on Access Economics' expected stronger retail spending environment over the next two years, our proposed new store openings, the roll-out of our refurbishment program, the ongoing benefits from the unwinding of the S&L, our proven customer model and our proven "Home of Brands" strategy, together with ongoing opportunities arising from the industry restructure, we are confident as a management team of being able to deliver continued PAT growth and attractive dividends for shareholders in both FY07 and FY08."

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 7 of 14

### LONGER TERM GROWTH OPPORTUNITIES

At the time of the 1H06 Results announcement the Company stated that longer term it has significant growth opportunities available to it through:

- its core business by continuing to expand its brand Portfolio, ongoing reduction of its CODB and through its refurbishment program;
- expansion of its Store Portfolio; and
- development of its Financial Services business.

Mr McInnes said, "Our Company has demonstrated a strong track record of delivering value to shareholders since implementation of our 2003 Strategic Review. Looking forward to the longer term we believe that the growth opportunities available to us will enable us to continue our track record of delivering ongoing shareholder value and returns."

"We are currently formulating the Company's FY09-FY12 Strategy and will formally announce this to the market in mid 2007," Mr McInnes said.  
ENDS

#### FOR FURTHER INFORMATION CONTACT:

Helen Karlis  
General Manager Corporate Affairs and Investor Relations  
David Jones Limited  
02 9266 5960  
0404 045 325

#### NOTE:

\* **"Underlying Profit"**: PAT for FY06 reflects the full implementation of all AIFRS including AASB132 Financial Instruments: Disclosure & Presentation and AASB139 Financial Instruments: Recognition and Measurement which were adopted at the beginning of FY06 on 31 July 2005.

The financial impact of adopting AASB132 and AASB139 is not reflected in the PAT for FY05 due to the Company electing not to early adopt these standards in line with common practice (as allowed under AASB1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards).

Had the Company early adopted AASB132 and AASB139 in FY05, the PAT for FY05 would have reflected the following additional AIFRS adjustments:

<b>PAT FY05</b>	<b>\$000</b>
<b>Profit after Tax as reported under AIFRS</b>	<b>67,973</b>
<i>Underlying adjustments (after tax):</i>	
Amortisation of RPS borrowing costs	( 854)
RPS dividend	(4,792)
Property Swap Hedge Loss	( 231)
<b>Total Adjustments – AASB132 and AASB139</b>	<b>(5,877)</b>
<b>Underlying PAT FY05 (after AASB132 and AASB139 adjustments)</b>	<b>62,096</b>

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

**ASX AND MEDIA RELEASE**

**Page 8 of 14**

### **ATTACHMENTS**

**Appendix A** – Profit Summary under AIFRS

**Appendix B** – Profit Summary under AGAAP

**Appendix C** – Summary of AIFRS Impact on PAT

**Appendix D** – Profit Summary under AIFRS by Half

**Appendix E** – Profit Summary under AGAAP by Half

**Appendix F** – Financial Impact of Sale & Leaseback

**DAVID JONES**

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 9 of 14

APPENDIX A – PROFIT SUMMARY UNDER AIFRS

PROFIT SUMMARY	FY06 ACTUAL \$m	FY05 ACTUAL \$m	Change %
Sales - Department stores	1821.6	1800.8	+ 1.2%
<b>TOTAL SALES</b>	<b>1821.6</b>	<b>1800.8</b>	<b>+ 1.2%</b>
<b>Gross profit - Department stores</b> % to sales - department stores	<b>705.9</b> 38.8%	690.6 38.4%	+ 2.2%
<b>Cost of Doing Business</b> % to sales - department stores	<b>620.4</b> 34.1%	630.2 35.0%	- 1.6%
<b>EBIT - Department stores</b> % to sales - department stores	<b>85.5</b> 4.7%	60.4 3.4%	+ 41.5%
Credit	34.1	32.1	+ 6.4%
Property	-	2.7	n/a
<b>EBIT - Total</b> % to total sales	<b>119.6</b> 6.6%	95.2 5.3%	+ 25.7%
Net interest income / (expense)	1.9	2.9	- 36.7%
<b>Profit before tax</b>	<b>121.5</b>	98.1	+ 23.9%
Income tax expense	40.4	30.1	+ 34.0%
<b>Profit after tax</b>	<b>81.1</b>	68.0	+ 19.3%
Adjustment to apply AASB132/139	-	(5.9)	
<b>Underlying Profit under AIFRS</b>	<b>81.1</b>	62.1	+ 30.6%

DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 10 of 14

APPENDIX B – PROFIT SUMMARY UNDER AGAAP

PROFIT SUMMARY	FY06 ACTUAL \$m	FY05 ACTUAL \$m	Change %	
Sales - Department stores	1,819.9	1,799.1	+	1.2%
<b>TOTAL SALES</b>	<b>1,819.9</b>	<b>1,799.1</b>	+	<b>1.2%</b>
<b>Gross profit - Department stores</b>	<b>675.6</b>	662.8	+	1.9%
% to sales - department stores	37.1%	36.8%		
<b>Cost of Doing Business</b>	<b>579.4</b>	588.9	-	1.6%
% to sales - department stores	31.8%	32.7%		
<b>EBIT - Department stores</b>	<b>96.2</b>	73.9	+	30.2%
% to sales - department stores	5.3%	4.1%		
Credit	34.1	32.2	+	5.7%
Property	-	2.7		n/a
<b>EBIT - Total</b>	<b>130.3</b>	108.8	+	19.8%
% to total sales	7.2%	6.0%		
Net interest income / (expense)	6.3	2.9	+	115.8%
<b>Profit before tax</b>	<b>136.6</b>	111.7	+	22.3%
Income tax expense	42.8	33.9	+	26.4%
<b>Profit after tax</b>	<b>93.8</b>	77.9	+	20.5%

DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 11 of 14

### APPENDIX C – SUMMARY OF AIFRS IMPACT ON PAT

	1H06 \$m	1H05 \$m	2H06 \$m	2H05 \$m	FY06 \$m	FY05 \$m
<b>AGAAP</b>	<b>60,886</b>	<b>52,893</b>	<b>32,930</b>	<b>24,969</b>	<b>93,816</b>	<b>77,862</b>
<b>AIFRS Adjustments</b>						
Inventory valuation adjustments (markdowns, subsidies, settlement discount)	642	(1,324)	427	(427)	1,069	(1,751)
Share based payments	(3,247)	(2,720)	(4,046)	(2,719)	(7,293)	(5,439)
Rent straight line adjustment	(3,332)	(3,922)	(3,332)	(3,922)	(6,664)	(7,844)
Goodwill amortisation	936	936	937	937	1,873	1,873
RPS dividends and issue costs	(2,384)	n/a	(2,155)	n/a	(4,539)	n/a
Sale and leaseback hedge	(217)	n/a	358	n/a	141	n/a
Other small adjustments	(129)	(399)	427	(57)	298	(456)
Tax effect of above adjustments	1,334	2,050	1,085	1,678	2,419	3,728
<b>Net AIFRS impact</b>	<b>(6,397)</b>	<b>(5,379)</b>	<b>(6,299)</b>	<b>(4,510)</b>	<b>(12,696)</b>	<b>(9,889)</b>
<b>AIFRS</b>	<b>54,489</b>	<b>47,514</b>	<b>26,631</b>	<b>20,459</b>	<b>81,120</b>	<b>67,973</b>
Adjustment to apply AASB 132/139 to FY05	-	(3,168)	-	(2,709)	-	(5,877)
<b>Underlying Profit under AIFRS</b>	<b>54,489</b>	<b>44,346</b>	<b>26,631</b>	<b>17,750</b>	<b>81,120</b>	<b>62,096</b>

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 12 of 14

### APPENDIX D – PROFIT SUMMARY UNDER AIFRS BY HALF

PROFIT SUMMARY	1H06 ACTUAL \$m	1H05 ACTUAL \$m	Change %	2H06 ACTUAL \$m	2H05 ACTUAL \$m	Change %
Sales - Department stores	962.8	978.4	- 1.6%	858.8	822.4	+ 4.4%
<b>TOTAL SALES</b>	<b>962.8</b>	<b>978.4</b>	- 1.6%	<b>858.8</b>	<b>822.4</b>	+ 4.4%
<b>Gross profit - Department stores</b>	<b>375.4</b>	<b>378.7</b>	- 0.9%	<b>330.5</b>	<b>311.9</b>	+ 5.9%
% to sales - department stores	39.0%	38.7%		38.5%	37.9%	
<b>Cost of Doing Business</b>	<b>310.6</b>	<b>326.3</b>	- 4.8%	<b>309.8</b>	<b>303.9</b>	+ 1.9%
% to sales - department stores	32.3%	33.4%		36.1%	37.0%	
<b>EBIT - Department stores</b>	<b>64.8</b>	<b>52.4</b>	+ 23.7%	<b>20.7</b>	<b>8.0</b>	+ 157.6%
% to sales - department stores	6.7%	5.4%		2.4%	1.0%	
Credit	16.3	15.1	+ 7.9%	17.8	17.0	+ 5.1%
Property	-	1.6	n/a	-	1.1	n/a
<b>EBIT - Total</b>	<b>81.1</b>	<b>69.1</b>	+ 17.4%	<b>38.5</b>	<b>26.1</b>	+ 47.8%
% to total sales	8.4%	7.1%		4.5%	3.2%	
Net interest income / (expense)	(0.2)	0.8	- 119.9%	2.1	2.1	- 8.0%
<b>Profit before tax</b>	<b>80.9</b>	<b>69.9</b>	+ 15.9%	<b>40.6</b>	<b>28.2</b>	+ 43.6%
Income tax expense	26.4	22.3	+ 18.4%	14.0	7.8	+ 78.7%
<b>Profit after tax</b>	<b>54.5</b>	<b>47.5</b>	+ 14.7%	<b>26.6</b>	<b>20.5</b>	+ 30.2%
Adjustment to apply AASB132/139	-	(3.2)		-	(2.7)	
<b>Underlying Profit under AIFRS</b>	<b>54.5</b>	<b>44.3</b>	+ 22.9%	<b>26.6</b>	<b>17.8</b>	+ 50.0%

## DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 13 of 14

APPENDIX E – PROFIT SUMMARY UNDER AGAAP BY HALF

PROFIT SUMMARY	1H06 ACTUAL \$m	1H05 ACTUAL \$m	Change %		2H06 ACTUAL \$m	2H05 ACTUAL \$m	Change %	
Sales - Department stores	962.6	977.7	-	1.6%	857.3	821.4	+	4.4%
<b>TOTAL SALES</b>	<b>962.6</b>	<b>977.7</b>	-	<b>1.6%</b>	<b>857.3</b>	<b>821.4</b>	+	<b>4.4%</b>
<b>Gross profit - Department stores</b>	<b>359.5</b>	<b>363.4</b>	-	<b>1.1%</b>	<b>316.1</b>	<b>299.4</b>	+	<b>5.6%</b>
% to sales - department stores	37.4%	37.2%			36.9%	36.4%		
<b>Cost of Doing Business</b>	<b>289.6</b>	<b>303.8</b>	-	<b>4.7%</b>	<b>289.8</b>	<b>285.1</b>	+	<b>1.6%</b>
% to sales - department stores	30.1%	31.1%			33.8%	34.7%		
<b>EBIT - Department stores</b>	<b>69.9</b>	<b>59.6</b>	+	<b>17.2%</b>	<b>26.3</b>	<b>14.3</b>	+	<b>84.4%</b>
% to sales - department stores	7.3%	6.1%			3.1%	1.7%		
Credit	16.2	15.3	+	6.1%	17.9	16.9	+	5.4%
Property	-	1.6		n/a	-	1.1		n/a
<b>EBIT - Total</b>	<b>86.1</b>	<b>76.5</b>	+	<b>12.6%</b>	<b>44.2</b>	<b>32.3</b>	+	<b>36.9%</b>
% to total sales	8.9%	7.8%			5.2%	3.9%		
Net interest income / (expense)	2.5	0.8	+	236.8%	3.8	2.2	+	74.0%
<b>Profit before tax</b>	<b>88.7</b>	<b>77.3</b>	+	<b>14.7%</b>	<b>48.0</b>	<b>34.4</b>	+	<b>39.2%</b>
Income tax expense	27.8	24.4	+	14.0%	15.0	9.5	+	58.5%
<b>Profit after tax</b>	<b>60.9</b>	<b>52.9</b>	+	<b>15.1%</b>	<b>32.9</b>	<b>25.0</b>	+	<b>31.9%</b>

DAVID JONES

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573



## DAVID JONES LIMITED

ASX AND MEDIA RELEASE

Page 14 of 14

### APPENDIX F – FINANCIAL IMPACT OF SALE & LEASEBACK

#### 1. Financial Impact of S&L on Profit - 3 Year Outlook

- Reversal of AIFRS rent straight line adjustment adds \$3m to PAT p.a.
- Saving in Rent paid (of approx \$29m) is offset by interest on loan of \$350m & interest foregone on \$63m cash utilised - no impact on PAT
- Depreciation of buildings & plant offset by tax benefits relating to closure of swaps - no impact on PAT

**Summary - S&L adds \$3m to PAT p.a. & is immediately EPS accretive by 3.6%**

#### 2. Financial Impact of S&L on Cash - 3 Year Outlook

- No impact to cash from Reversal of AIFRS rent straight line adjustment (non-cash item)
- No impact to cash from saving in rent vs increase in interest (both cash items but offset each other)
- Increase in cash from tax benefits relating to deductions for closure of long-term interest rate swaps of \$2m p.a.
- No change to cash from increased depreciation, as depreciation is a non-cash item
- Further increase in cash from reversal of deferred tax liability of \$2m p.a. (no impact on PAT as this is a balance sheet item)

**Summary - S&L adds \$4m to cash flow p.a.**

#### 3. Financial Impact of S&L on Balance Sheet - 3 Year Outlook

- Reversal of major adverse accounting adjustments under AIFRS relating to deferred tax liability (\$56m) & rent straight line adjustment (\$25m)
- Restores retained earnings to strong positive position (from -\$23m to approx \$60m)

**Summary - Balance sheet restored to strong financial position, with positive retained earnings of \$60m**

#### 4. Implications of S&L on 3 Year Outlook

- PAT guidance increased by \$3m in F07 which is sustained over future years
- Increase in cash provides capacity for future dividend growth including allowance for conversion of RPS in July 2007
- Balance sheet restored to strong financial position, with approx \$60m retained earnings

#### 5. Financial Impact of S&L - Long Term Outlook (5-10 years)

- Rent straight line benefit reduces from \$3m p.a. to approx \$1-2m PAT by FY12 - FY15
- Interest cost reduces over time as debt paid down instead of rent increasing by minimum of 2.5% p.a. (approx \$800k p.a.) in perpetuity, more than offsetting change in rent straight-line
- Cash flows increase over long term as interest cost less than rent.

**DAVID JONES**

David Jones Limited A.C.N. 000 074 573  
A.B.N. 75 000 074 573