JB HI-FI

ANNUAL REPORT

2011

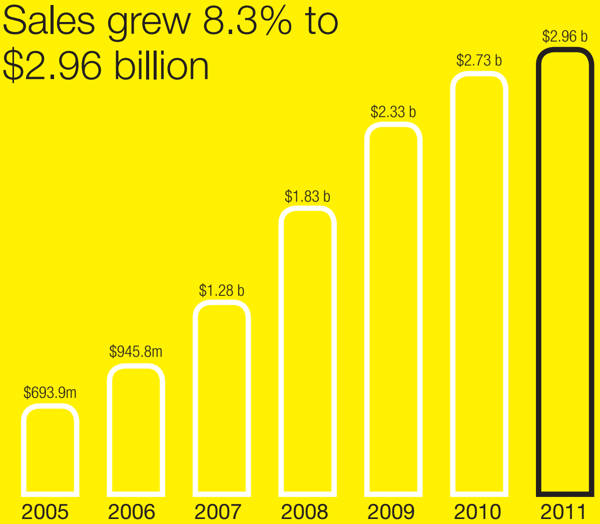
Financial Summary

FINANCIAL PERFORMANCE

	2007 Statutory	2008 Statutory	2009 Statutory	2010 Statutory	2011 Statutory	2011 Normalised(i)	Growth Normalised(i)
Sales	$1.28b	$1.83b	$2.33b	$2.73b	$2.96b	$2.96b	8.3%
EBIT	$65.5m	$102.3m	$142.0m	$175.1m	$162.6m	$196.0m	11.9%
NPAT	$40.4m	$65.1m	$94.4m	$118.7m	$109.7m	$134.4m	13.3%
Earnings per share	38.8 cps	61.8 cps	88.3 cps	109.7 cps	101.8 cps	124.7 cps	13.6%
Total dividend - fully franked	11.0 cps	26.0 cps	44.0 cps	66.0 cps	77.0 cps	77.0 cps	11.0 cps

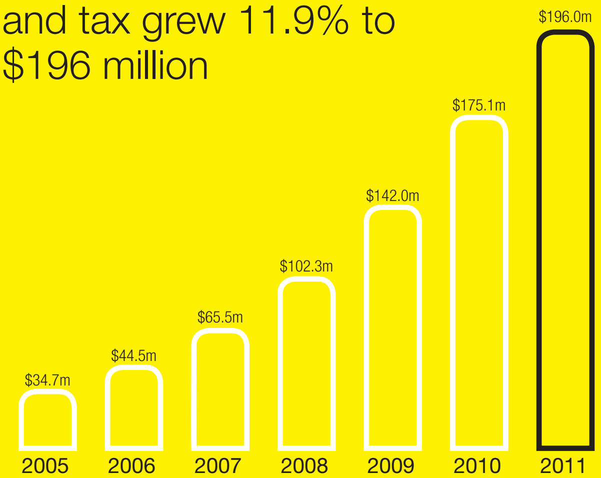
Sales +8.3%

Sales grew 8.3% to $2.96 billion



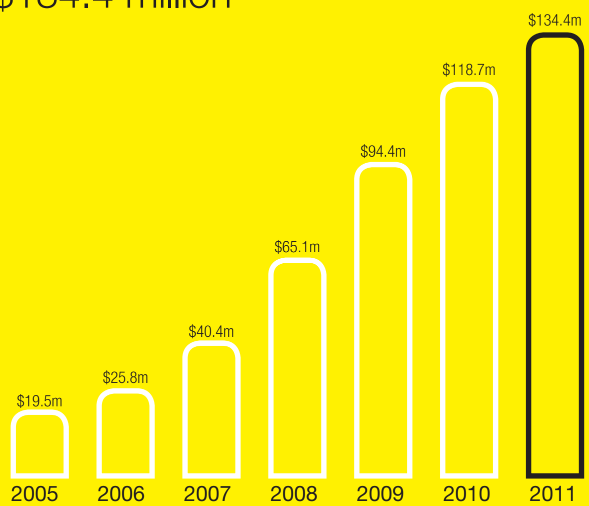
EBIT(i) +11.9%

Earnings before interest and tax grew 11.9% to $196 million



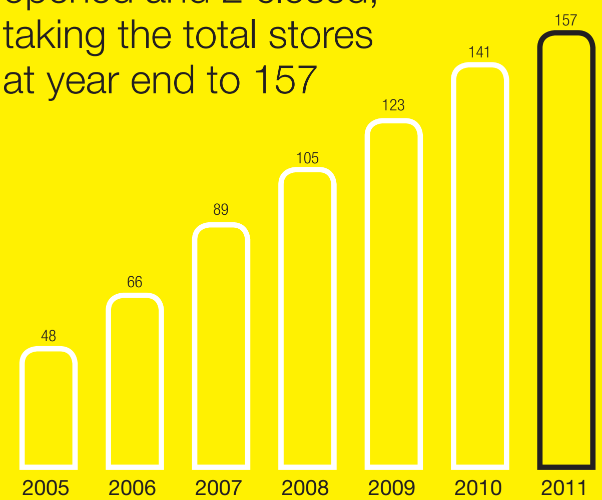
NPAT(i) +13.3%

NPAT grew 13.3% to $134.4 million



Stores

18 new stores were opened and 2 closed, taking the total stores at year end to 157



(i) Excludes the Clive Anthonys one-off restructing charge ($24.7m post tax) announced in March 2011.

Chairman's and Chief Executive Officer's Report

Dear fellow shareholder,

It is difficult to overstate the challenges impacting the global and local economies. Yet in this environment your Company has delivered an outstanding result.

JB Hi-Fi Limited (referred to below as JB Hi-Fi or the Company) achieved revenue growth of 8.3%, normalised EBIT growth of 11.9%[1] and normalised NPAT growth of 13.3%[1] for the year ended 30 June 2011. On a statutory basis, after allowing for the Clive Anthonys restructuring charge, NPAT declined 7.6% for the year ended 30 June 2011. Normalised earnings per share (EPS), however, grew 13.6%[1]. During the year 18 stores were opened and $261.7 million was returned to shareholders.

Overview

JB Hi-Fi has delivered another record year with sales up 8.3% on the prior year. This was achieved primarily through opening 18 new stores, continued expansion of our product offering and the maturing of the 42 stores opened during the last two years. Key product categories that drove sales growth included Computers and IT, Telecommunications and Accessories.

Gross margin at 22.0% was up on last year (21.8%), despite the growth of lower margin categories such as computers and a heavy discount environment. Our increased scale drove improved levels of supplier support, with the majority of the benefit returned to customers in the form of lower prices. New Zealand continues to operate at lower gross margins when compared to Australia, reflecting our recent market entry and relatively smaller scale of operations.

Our cost of doing business (CODB) was flat at 14.5%[1], which was a pleasing result given the 4.28% retail award wage increase in Australia on 1 July 2010 and further demonstrates the strength and dynamic nature of our model. Our systems allow us to flex with the changing market conditions whilst ensuring that customer service is maintained at the highest level.

The expansion of our gross margin and proactive management of our CODB both contributed to a 21 bps increase in EBIT margin to 6.6%[1] (FY10: 6.4%).

Cash flow from operations was $109.9 million, reflecting strong cash generation from established stores. Movement in working capital was impacted by the return to normal year end inventory levels, which were unusually low at the prior year end due to supplier stock shortages. Inventory management is a key focus for the Company and we continue to look for opportunities to improve this and drive inventory turnover. We invested $53.5 million in inventory for new stores. Creditor days were in line with expectations, down 1.3 days to 46.8 days. We anticipate working capital movements in FY12 will return to historic levels.

During the year the Company successfully completed a $173.3 million off-market share buy-back which resulted in the purchase of 10.8 million shares, representing 9.9% of shares on issue. In the last 12 months we have returned over $260 million to our shareholders, through dividends and our off-market share buy-back.

Debt has increased as a result of the share buy-back, with net debt increasing to $205.3 million (last year $17.9 million). Interest cover was 31.3 times[1] and the fixed charges cover ratio was 4.0 times[1]. Return on equity of 75.9%[1] was driven predominately by the share buy-back.

In March 2011 we announced a restructure of our Clive Anthonys business including a one-off charge of $24.7m post tax which has been treated as a significant item in our FY11 financial statements. We are pleased with the progress of our restructuring plans with four stores in Queensland now converted to JB Hi-Fi stores and two stores closed, with the cost of exit in line with our expectations.

At the end of the year we were operating 157 stores across Australia and New Zealand (152 branded JB Hi-Fi). Our rate of growth in part is determined by access to quality sites. We continue to secure around 13 to 15 sites annually and expect this to continue for at least the next four to five years. It is estimated that 16 stores will be opened in FY12.

The Board estimates that the market can sustain a total of 214 JB Hi-Fi branded stores before new store openings begin to have a material impact on existing store operations. A total of 164 Tier 1 (full size) stores have been identified along with approximately 50 Tier 2 stores. The Company anticipates a Tier 2 store will generate approximately 70% of the sales of a Tier 1 store. Five Tier 2 format stores were opened during the current year. The Board and management are pleased with the performance of the Tier 2 format stores opened to date in both regional and metropolitan areas.

JB Hi-Fi continues to be able to attract and retain a knowledgeable and enthusiastic workforce as the rapid growth of the business provides tangible career progression with increased responsibility and compensation prospects.
JB Hi-Fi believes a key component of its success is the strong relationship it has built with its employees, which continues to be an ongoing focus for the Board and management.

[1] Excludes the Clive Anthonys one-off restructuring charge ($24.7m post tax) announced in March 2011.

Online

JB Hi-Fi has continued to refine its online presence as part of its multichannel strategy. Online sales grew 51.6% over the full year and were up 68.1% in the second half. With a high number of unique visitations (average of 800,000 per week in July 2011), the online site is increasingly an important sales generator for both in store and online sales.

Our buying power and low CODB will ensure that we maintain our competitive online offer. We continue to enhance the customer online experience with the introduction of a mobile friendly website to browse, explore and transact online, combined with a new gift card module which enables our customers to activate and manage their JB Hi-Fi Gift Cards online. In August 2011 we enhanced our offer further with the additional convenience of being able to order online and pick-up in store.

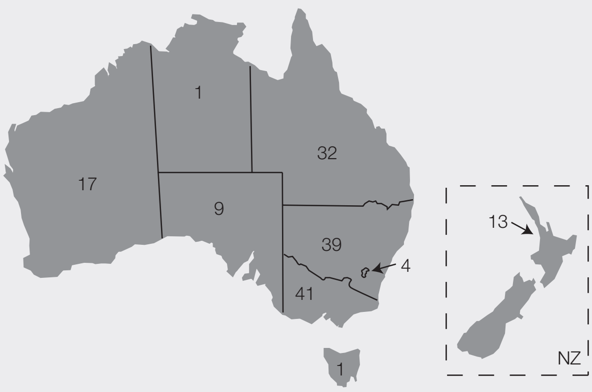
Digital

JB Hi-Fi anticipates launching "JB HI-FI NOW", a new music subscription streaming service, in the second quarter of FY12. This new service will leverage off the Company's strong music heritage and is a natural extension of its current physical music sales. A staged roll-out is anticipated over the quarter for Mac and PC, with a mobile solution to be added shortly after. We intend to have between 6 to 8 million tracks from 100,000 artists at launch and will continue to grow this number over time. The service will allow for unlimited access and listening to music from your Mac, PC or mobile device.

New Zealand Expansion

During the year we opened three new JB Hi-Fi stores in New Zealand. Since entering the New Zealand market in March 2007 we have opened a total of 13 JB Hi-Fi branded stores. We are confident that our customer proposition is resonating well in New Zealand and that we will continue to see good growth in sales and margin during FY12.

Total Stores: 157*
(JB Aust. 139, CA 5, JB NZ 13)



* As at 30 June 2011

Board, Corporate Governance and Management Approach

Two new non-executive directors were appointed to the Board during FY11. Mr Richard Uechtritz joined the Board in April 2011 and Ms Beth Laughton joined the Board in May 2011. Ms Laughton was also appointed to the Audit and Risk Management Committee in July 2011.

The Board has appointed Mr Uechtritz and Ms Laughton as additional appointees to the Board and therefore both will stand for election at the Annual General Meeting (AGM) to be held in October this year.

As indicated when Mr Uechtritz's resignation as CEO was announced in February 2010, it was intended that he would rejoin the Board as a Non-Executive Director early in 2011. With the transition of the CEO role to Terry Smart successfully completed, the Board welcomes Mr Uechtritz to the Board as a Non-Executive. Mr Uechtritz is highly regarded, has an outstanding record in retail and will add further depth to the Board.

Ms Laughton is a Chartered Accountant, with extensive experience across a range of sectors. Her executive career was in corporate finance. In the last 12 years her primary focus has been on IT Services and Software, Outsourcing, Communications and Speciality Retail companies, including online retailing. The Board believes Ms Laughton brings a breadth and depth of skills to JB Hi-Fi in both retail and the broader corporate sector.

Dr Will Fraser has advised the Board of his intention to retire in October 2011 post the AGM. Dr Fraser has made a significant contribution to the Board since he joined at the time of the IPO in 2003 and he has been a strong and consistent contributor throughout his tenure. The Board thanks Dr Fraser for his efforts and wishes him well for the future. His positive influence on the Board process will be a lasting legacy.

The relationship between the Board and management remains engaging and constructive. To date, management and staff have consistently exceeded the expectations set by the Board. The Board firmly believes that equity participation through JB Hi-Fi's employee option plan remains a critical tool in attracting new management, retaining existing management and rewarding performance whilst maintaining a strong alignment of interests with shareholders.

It remains the Board's strategy to encourage experimentation with new products, technology, merchandising formats, advertising and property locations in a controlled and responsible manner. This experimentation involves opportunities to increase revenue, margin and productivity. Innovation involves being prepared to make mistakes, recognising them early and allocating resources to the most promising initiatives. This willingness to innovate led the Company to branch out from destination stores into shopping centres, to expand beyond its heritage in Victoria to become a national operator, to change its product mix to be a market leader in new and emerging technologies and more recently to refine its online capabilities and develop a digital offering. Whilst not every initiative undertaken has achieved the expected results, we have a proud history of delivering on innovation and will continue to invest in people to remain a leader in our sector.

Dividend

JB Hi-Fi will pay a final dividend of 29 cents per share fully franked for the year ended 30 June 2011. This brings total dividends for the year to 77 cents per share, up 17% on last year. This represents a payout ratio of approximately 60%.

In determining the dividends for FY11, the Board has considered the current and forecast financial performance of the business and anticipated capital requirements in the short to medium term, including the new store rollout program, ongoing capital expenditure and current and expected performance against key financial ratios. It is the Board's current objective to grow dividends in line with earnings in order to maintain an efficient capital structure.

Outlook

A cornerstone of the JB Hi-Fi business model is having industry leading productivity. With a CODB of 14.5% of sales, the Company is well positioned to compete with both traditional and online retailers on its promise of everyday low prices. JB Hi-Fi's own online and digital offerings are expected to grow quickly during FY12 as these segments continue to grow faster than the overall market.

Assuming trading conditions are comparable with FY11, the Company expects sales in FY12 to grow by 8% to circa $3.2 billion.

Your Board and management remain focused on the key success drivers of the business – having the biggest range and the lowest prices, supported by talented and enthusiastic staff.

Patrick Elliott
Chairman

Terry Smart
Chief Executive Officer

Melbourne,
31 August 2011

Annual Report

for the financial year ended **30 June 2011**

GOVERNANCE, ENVIRONMENTAL AND SOCIAL STATEMENTS

JB Hi-Fi Limited ("the Company" or "JB Hi-Fi") recognises the importance of Governance, Environmental and Social matters to our shareholders, suppliers and customers. As one of Australia's leading retailers we are committed to investing in understanding how JB Hi-Fi can continually advance our policies in this regard.

GOVERNANCE STATEMENT

The directors and management of JB Hi-Fi are committed to ensuring that the Company's business is conducted ethically and in accordance with high standards of corporate governance.

The Board believes that JB Hi-Fi's policies and practices comply in all material respects with the ASX Corporate Governance Council Principles and Recommendations (the "ASX Recommendations"). The Board believes that it has been compliant with the spirit of the principles contained in the ASX Recommendations during the 2011 financial year.

The Board has determined having regard to the Company's current size, not to establish a Nominations Committee. The Board retained this responsibility. The Board continually reviews and monitors developments in corporate governance.

THE BOARD

Role

The primary role of the JB Hi-Fi Board is to protect and enhance long-term shareholder value. The Board is accountable to shareholders for the performance of the Company, it directs and monitors the business and affairs of the Company on behalf of shareholders and is responsible for the Company's overall corporate governance.

The Board responsibilities include the corporate governance of the Company, overseeing the business and affairs of the Company, communicating with the Company's shareholders and the community, evaluating the performance of senior executives, ensuring that appropriate procedures are in place so that Company business is conducted in an honest, open and ethical manner and the establishment of a formal and transparent procedure for the selection, appointment and review of Board directors.

The Chief Executive Officer, who is accountable to the Board, is responsible for managing, directing and promoting the profitable operation and development of JB Hi-Fi.

A copy of the Board Charter can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

Composition

The Board seeks to ensure that the combination of its members provides an appropriate range of experience, skills, knowledge and perspective to enable it to carry out its obligations and responsibilities. In reviewing the Board's composition and in assessing nominations for the appointment of non-executive directors, the Board uses its own internal resources to identify candidates for appointment as directors. External resources may also be used, if suitable candidates are not identified.

The Board considers that its current structure, size, focus, experience and use of committees enable it to add value to the Company and to operate effectively. The Board regularly reviews this balance.

JB Hi-Fi maintains a majority of non-executive directors on its Board. The Board currently comprises eight directors, comprising seven non-executive directors, including the Chairman, and one executive director, the Chief Executive Officer.

Details of the directors as at the date of this report, including their experience, expertise and term of office are set out in the Directors' Report.

Independence

The JB Hi-Fi Board regards directors as independent directors if they: do not have a material relationship with the Company other than solely as a result of being a director; are independent of management; and do not have any business or other relationship that could compromise their ability to act in the best interests of the Company.

JB Hi-Fi considers that each of the directors is independent with the exception of:

- Terry Smart: the Chief Executive Officer; and
- Richard Uechtritz: Mr Uechtritz was previously the Chief Executive Officer of the Company and resigned from this role on 28 May 2010. Mr Uechtritz is also a consultant to the Company.

If a conflict of interest arises, the director concerned does not receive the relevant Board papers and is not present at the meeting whilst the item is considered. Directors must keep the Board advised, on an ongoing basis, of any interests that could potentially conflict with those of the Company. Directors are required to promptly disclose to the Board interests in contracts, other directorships or offices held, possible related party transactions and sales or purchases of the Company's shares.

Selection and appointment of directors

In considering Board membership, the directors are conscious of the need to ensure that Board members possess the diversity of skill and experience required to fulfil the Board's obligations. The Board considers nominations for appointment to the Board. Apart from the Chief Executive Officer, directors are subject to shareholder re-election by rotation at least every three years.

A copy of the procedure for the selection and appointment of directors can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

Board meetings

The Board meets monthly for scheduled meetings. Dependent on business requirements, the Board may have such additional unscheduled meetings as the business of the Company may require. Prior to any meeting, the Directors receive all necessary Board papers. As well as holding regular Board meetings, the Board sets aside time to meet to comprehensively review business plans and Company strategy.

Access to information and independent advice

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the Chairman, may seek independent professional advice at the Company's expense.

Pursuant to a deed executed by each director and the Company, a director also has the right to have access to all documents which have been presented at Board meetings or made available in relation to their position as director for a term of 7 years after ceasing to be a director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

Code of Conduct

JB Hi-Fi acknowledges the need for directors, executives and employees to observe the highest ethical standards of corporate behaviour. JB Hi-Fi has adopted a Code of Conduct to provide an employee with guidance on what the Company deems is acceptable behaviour.

The key elements of the Code are:

As a company: (a) respecting every employee's dignity, rights, freedoms and individual needs; (b) providing a working environment that is safe, challenging and rewarding; (c) recognising the work of each of our employees; (d) respecting customers', suppliers' and employees' personal and sensitive information; (e) reinforcing JB Hi-Fi's commitment to the highest standards in business and professional ethics; and (f) obeying the law.

As employees: (a) treating customers, the public and fellow employees with honesty, courtesy and respect; (b) respecting and safeguarding the property of customers, JB Hi-Fi and fellow workers; (c) maintaining confidentiality of all customers', JB Hi-Fi's and other parties' information gained through our work; (d) performing our duties, as best we can, taking into account our skills, experience, qualifications and position; (e) doing our jobs in a safe, responsible and effective manner; (f) respecting personal and sensitive information in accordance with Privacy Legislation; (g) ensuring our personal business and financial interests do not conflict with our duty to JB Hi-Fi; (h) working within JB Hi-Fi's policies and rules; and (i) obeying the law.

The Company has developed appropriate policies and guidelines to assist employees in applying the Code in practice. A copy of the Code of Conduct can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

Diversity

The Company supports the recommendations contained in the ASX Recommendations concerning diversity and intends to comply with these recommendations.

The Company is in the process of finalising and adopting a Diversity Policy which will be available on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections. The Board intends to set measurable objectives in relation to gender diversity, adopt a strategy to achieve these objectives and report on progress towards achieving them in its 2012 Annual Report.

As at 30 June 2011 the proportion of women engaged by JB Hi-Fi was as follows:

- Board: 12.5%
- Senior Management/Executive: 5%
- Group: 40%

Shareholdings of directors and employees

Directors' current shareholdings are detailed in the Directors' Report and are updated by notification to the ASX as required. The Board has approved and adopted a Securities Trading Policy for dealing in securities.

Directors and key employees may only trade in JB Hi-Fi shares and any other JB Hi-Fi securities during designated Trading Windows. These four week Trading Windows will follow the release of JB Hi-Fi's Final Results (August/September), Interim Results (February/March) and the Annual General Meeting (October/November). Any transaction conducted by directors in shares of the Company is notified to the ASX.

A copy of the Securities Trading Policy can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

INTEGRITY OF REPORTING

The Company has put in place controls designed to safeguard the Company's interests and to ensure the integrity of its reporting. These controls aim to ensure that the Company complies with all regulatory requirements and community standards.

In accordance with the Corporations Act and the ASX Recommendations, the Chief Executive Officer and Chief Financial Officer have stated in writing to the Board that, in their opinion:

a. the financial records of the consolidated entity for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;

b. the financial statements for the financial year and the notes required by the accounting standards give a true and fair view of the consolidated entity's financial position and performance and comply with the accounting standards; and

c. the statements in (a) and (b) above are founded on a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.

The Company's financial statements are subject to an annual audit by an independent, professional auditor who also reviews the Company's half yearly financial statements. The Audit and Risk Management Committee oversees this process on behalf of the Board. The Company's external audit firm was most recently appointed in 2002. The audit engagement partner is rotated every five years in line with the agreement between the audit firm and JB Hi-Fi.

Information on procedures for the selection and appointment of the external auditor, and for the rotation of external audit engagement partners can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

Continuous disclosure

The Company seeks to provide relevant and timely information to its shareholders and is committed to fulfilling its obligations to the broader market for continuous disclosure. JB Hi-Fi aims to ensure timely provision of equal access to material information about the Company.

The Board has approved a continuous disclosure policy to ensure that the procedures for identifying and disclosing material and price sensitive information in accordance with the Corporations Act and ASX Listing Rules are clearly articulated. This policy sets out the obligations of employees relating to the type of information that must be disclosed. The Company Secretary, in consultation with the Chief Executive Officer and Chairman, is responsible for communication with the ASX.

A copy of the Continuous Disclosure Policy can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

Shareholder communications

The Company's website www.jbhifi.com.au ("Corporate" section) currently carries the following information for shareholders:

- all market announcements and related information which is posted immediately after release to the ASX;
- details relating to the Company's directors and senior management; and
- Board and Board committee charters and other corporate governance documents.

A copy of the Company's Shareholder Communication Policy can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

The Company will request that the external auditor attend its Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

RISK IDENTIFICATION AND MANAGEMENT

The Board has delegated to the Audit and Risk Management Committee responsibility for overseeing the implementation of policies and procedures aimed at ensuring that the Company conducts its operations in a manner that manages risk to protect its people, the environment, Company assets and reputation as well as to realise opportunities. Management has designed and implemented a risk management and internal control system to manage the Company's material risks. Management has reported to the Board that:

- the risk management and internal control systems designed to manage the material business risks of the consolidated entity (consisting of the Company and the entities it controlled for the financial year ended 30 June 2011) are operating effectively in all material respects based on the risk management framework adopted by the consolidated entity; and
- subsequent to 30 June 2011, no changes or other matters have arisen that would have a material effect on the operation of the risk management and internal control systems of the consolidated entity.

A copy of the Company's Risk Oversight and Management Policy can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

BOARD AND EXECUTIVE PERFORMANCE

JB Hi-Fi monitors and evaluates the performance of its Board, its Board Committees, individual directors, and key executives in order to fairly review and actively encourage enhanced Board and management effectiveness. A description of the process for the evaluation of the Board, its Committees, individual directors and key executives can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections. Evaluation of the Board, Board Committees, individual directors and key executives has been conducted during the 2011 financial year in accordance with this process.

DIRECTORS’ FEES AND EXECUTIVE REMUNERATION

Directors’ fees

In line with the JB Hi-Fi Constitution and the ASX Listing Rules, total remuneration for non-executive directors for their services as non-executive directors must not exceed $900,000 per annum being the amount determined by the Company in its Annual General Meeting on 14 October 2009. The Board, within the aggregate amount of $900,000, determines non-executive directors’ individual fees.

The details of remuneration paid to each non-executive director during the financial year are included in the Directors’ Report. Directors receive superannuation in accordance with statutory requirements. In determining fee levels, the Board reviews data on fees paid by comparable companies and where appropriate, may receive expert independent advice regarding remuneration levels required to attract and compensate directors of the appropriate calibre and for the nature of the directors’ work and responsibilities.

Except for the arrangements in respect of Richard Uechtritz’s consulting services, whereby he is able to retain options issued whilst he was CEO of the Group, non-executive directors do not participate in any incentive schemes and are not entitled to receive retirement allowances.

Executive remuneration

The Board believes that executive remuneration should be fair and reasonable, structured effectively to motivate and retain valued executives and designed to produce value for shareholders.

At JB Hi-Fi, remuneration of senior executives is evaluated against comparative positions in similar companies and industries and comprises (a) fixed remuneration and (b) variable remuneration consisting of (i) short-term incentives (annual bonus based on specified performance targets and measures as agreed with the executive) and (ii) long-term incentives (options under the JB Hi-Fi Executive Share Option Plans).

The Board is aware of the Executive Equity Plan Guidelines, issued by the Investment and Financial Services Association (IFSA) (now the Financial Services Council) in April 2007. The Board is satisfied that its executive remuneration policies, specifically as they relate to the executive share option plans (as detailed in the Directors’ Report), are consistent with the aims, objectives and outcomes detailed in IFSA guidance note no.12.

The amount of remuneration, both monetary and non-monetary, for the executives who are directly accountable and responsible for the strategic direction and operational management of the Company during the year are included in the Directors’ Report.

The Company’s share and option schemes, including the details of performance hurdles for options granted to the Chief Executive Officer and Group Executives, are summarised and included in the Directors’ Report.

BOARD COMMITTEES

The Board has established charters for the operation of its committees. The charters are reviewed annually and objectives are set for each committee. The minutes of these committees are circulated to the Board.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee that has a formal charter.

The committee is charged primarily with (a) assisting the Board in fulfilling its oversight of the reliability and integrity of financial management, accounting policies, asset management, financial reporting and disclosure practices; (b) advising the Board on matters of internal control; (c) establishing and maintaining processes to ensure that there is compliance with all applicable laws, regulations and Company policy; (d) establishing and maintaining adequate systems of internal control and risk management; and (e) overseeing the relationship, appointment, termination and work of the Company’s external auditors.

A copy of the Audit and Risk Management Committee Charter can be found on the Company’s website at www.jbhifi.com.au via the “Corporate” and “Governance” sections.

During the year ended 30 June 2011, the Audit and Risk Management Committee comprised the following three non-executive directors all of whom were independent with relevant financial, commercial and risk management experience, including an independent chairperson who is not the chairperson of the Board:

- Greg Richards: Ongoing member and chairman of Committee;
- James King: Ongoing member of Committee; and
- Gary Levin: Ongoing member of Committee.

With effect from 1 July 2011, an additional independent non-executive director, Beth Laughton, has joined the Committee.

Details of the qualifications of each of the non-executive directors are outlined in the Directors' Report.

The Audit and Risk Management Committee meets regularly. Details of the meetings held and members' attendance during the 2011 Financial Year are listed in the Directors' Report. Directors who are not members of the Audit and Risk Management Committee may attend any Audit and Risk Committee meeting.

Remuneration Committee

The Board has established a Remuneration Committee that has a formal charter.

The Remuneration Committee is charged primarily with reviewing and making recommendations to the Board regarding the remuneration and appointment of senior executive officers and non-executive directors, the policies for remuneration and compensation programs of the Company generally and the administration of remuneration and compensation programs.

A copy of the Remuneration Committee Charter can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

The Remuneration Committee comprises three directors:

- Patrick Elliott: Ongoing member and chairman of Committee;
- Will Fraser: Ongoing member of Committee; and
- Greg Richards: Ongoing member of Committee.

The Remuneration Committee meets as required. Details of the meetings held and members' attendance during the 2011 Financial Year are listed in the Directors' Report. Directors who are not members of the Remuneration Committee may attend a Remuneration Committee meeting at the invitation of the Chairman when considered appropriate.

Nominations Committee

The Board, having regard to the size of the Company, has not established a Nominations Committee.

The Board is charged with, in part, selecting, appointing and regularly evaluating the performance of, determining the remuneration of, and planning for the succession of the Chief Executive Officer; establishing formal and transparent procedures for the selection and appointment of new directors to the Board; regularly reviewing the succession plans in place for Board membership to ensure that an appropriate balance of skills, experience and expertise is maintained; and instituting internal procedures for evaluating Board performance and the performance of individual directors and Board Committees.

A copy of the Board Charter and the Board's policy for the appointment of directors can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

ENVIRONMENTAL STATEMENT

JB Hi-Fi promotes environmental sustainability within our company.

JB Hi-Fi's Code of Conduct, which can be found on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections, states:

"All employees are responsible for maintaining and protecting the environment. Employees should, therefore, always consider the impact of their activities on the environment and the local community, including the way in which waste is disposed, chemicals are used and stored and natural resources utilised".

There are currently no mandatory reporting requirements which the Company is required to comply with. We are committed to several voluntary initiatives that ensure we are striving towards operating our business with minimal impact on the Australian and New Zealand environments, as outlined below.

Carbon Disclosure Project

In 2011 JB Hi-Fi for the third year responded to the Carbon Disclosure Project (CDP). The CDP is a not for profit organisation that collates and reports company environmental actions to external users such as investors and other corporations. JB Hi-Fi has systems in place to ensure we are reporting and monitoring energy consumption and greenhouse gas emissions. In addition, JB Hi-Fi seeks to identify opportunities and implement solutions to reduce energy consumption and greenhouse gas emissions whilst maintaining our low cost of doing business.

Australian Packaging Covenant

JB Hi-Fi is a signatory to the Australian Packaging Covenant. This is a voluntary program involving both Government and industry to ensure the environmental impact from packaging is reduced, measured and understood. JB Hi-Fi is committed to the principles of the Australian Packaging Covenant and recently submitted a five year action plan designed to reduce the impact of packaging on the environment. Since joining the Australian Packaging Covenant in 2007, JB Hi-Fi has received positive assessments on all annual achievement targets.

Mobile Muster

Mobile Muster is an initiative of the Australian Mobile Telecommunications Association introduced to facilitate mobile phone recycling. JB Hi-Fi has implemented this voluntary initiative in all stores since 2010 where consumers can take postage-paid envelopes to return used mobile phones as they update to new models.

Cartridges 4 Planet Ark

JB Hi-Fi launched Cartridges 4 Planet Ark in stores in 2010. This program enables consumers to drop used printer cartridges at any JB Hi-Fi store, where they are collected and returned for recycling.

Product Efficiency

Minimum Energy Performance Standards require retailers to ensure all televisions have energy efficiency labels. JB Hi-Fi and our suppliers have worked together to meet these initiatives since their implementation in 2009.

Store recycling initiatives

JB Hi-Fi stores are equipped to recycle waste where possible. All stores have paper and cardboard recycling bins. Used printer toner cartridges are recycled on the delivery of replacement cartridges.

E-Waste

The Product Stewardship Bill 2011 was recently passed by the Federal Government which proposes a nationally consistent approach towards the collection and recycling of end of life televisions and computers. JB Hi-Fi supports the scheme and will provide our customers and employees with communication on the recycling procedures once they are established.

Support Office

The JB Hi-Fi Support Office is located in an environmentally friendly "five star energy rated" office building. In addition to the underlying efficiency of the building, the follow strategies have been put in place:

- co-mingled recycling facilities with substantial signage to encourage awareness and ensure compliance; and
- working with our centre management, contract cleaners and building management to ensure waste is disposed of correctly.

SOCIAL STATEMENT

JB Hi-Fi recognises the importance of social matters to our shareholders, suppliers and customers. As one of Australia's leading retailers we are committed to understanding how JB Hi-Fi can work with our staff, customers and suppliers to ensure we give back to the community.

Workplace Giving Program - "Helping Hands"

Established in 2008, "Helping Hands" is JB Hi-Fi's Workplace Giving program. JB Hi-Fi's Helping Hands program supports eight charities and matches dollar for dollar regular employee contributions through its payroll system. Workplace Giving programs have proven to be a very effective way for employers and employees to join together to support the community. JB Hi-Fi works with The Australian Charities Fund (ACF) to develop and maintain the program and in doing so contributes to ACF's vision of seeing significant social impact through employers and community organisations working together.

Since inception, program participation has grown to over 1,200 employees or 20% of total JB Hi-Fi staff, each making weekly contributions. Through this program, JB Hi-Fi directors, executives and employees are able to donate to eight registered charitable organisations. All donations are matched by the Company, effectively doubling the financial impact to our community partners. This year together we have contributed over $916,000 and since its inception, the Company and its employees are proud to have raised more than $2,000,000.

Our current charity partners are Bush Heritage Australia, Inspire Foundation, Medicins Sans Frontieres (Doctors without Borders), Sunrise Children's Village (Cambodia), The Song Room, RedKite, Fred Hollows Foundation and Oxfam.

Through the combined giving of the Company and its employees, we continue to make a real difference to the charities in the program.

Queensland Floods Donations

Our Helping Hands program has also been set up to assist charities with one off events and donations. This year, we raised $169,000 to assist those affected by the Queensland floods.

"Change for Change" – Donation Boxes in our Stores

The Helping Hands program has driven the placement of "Change for Change" boxes in all stores across Australia from September 2010. These boxes have been placed at point of sale locations to encourage donations from our customers. All donations collected are shared evenly amongst our eight charity partners. In the ten months to 30 June 2011, $120,000 has been collected, which shows the generosity of our customers and employees.

"Employer Leadership Initiative" – Founding Partner

Part of JB Hi-Fi's commitment to growing workplace giving in Australia is our belief that it is one of the most cost effective and efficient way for community organisations to grow sustainable revenue.

To further our support of the growth of workplace giving in Australia, we are a founding partner of the ACF's "Employer Leadership Initiative". Members of the Employer Leadership Initiative have demonstrated best practice in engaging with their employees around community issues and are committed to leading the growth of the sector with ACF. As a founding partner, JB Hi-Fi plays its part in encouraging a sustainable, diverse and robust not for profit sector.

JB Hi-Fi is one of ten major Australian organisations to help lead the way in growing social impact and community engagement through engaged employee giving. This initiative was launched in October 2010.

DIRECTORS' REPORT

The directors of JB Hi-Fi Limited (the Company) submit herewith the annual financial report of the consolidated entity consisting of the Company and the entities it controlled (the Group) for the financial year ended 30 June 2011. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the Company during or since the end of the financial year are:

Name	*Particulars*
Mr Patrick Elliott Chairman Non-Executive Director B.Comm, LLB, MBA (Hon)	Mr Elliott is an executive director of Next Capital Pty Limited, a private equity manager. He is also a non-executive director of Steelforce Holdings Pty Limited and RPG Holdings Pty Ltd. Prior to founding Next Capital Pty Limited, Mr Elliott was an executive director of Macquarie Direct Investment Limited, the private equity division of Macquarie Bank Limited.Mr Elliott was appointed to the Board in July 2000 and was Chairman from July 2000 to March 2006 and was reappointed Chairman in September 2007. Mr Elliott is also the Chairman of the Remuneration Committee.
Dr Will Fraser Non-Executive Director PhD	Dr Fraser retired in 1999 as Chairman and Managing Director of Kodak Australasia Pty Ltd, an appointment that followed two years in London as a Corporate Vice President of Eastman Kodak and Regional Business General Manager, Consumer Imaging of Europe, Africa, India and the Middle East region. He is currently a member of the Board of Trustees of the Baker Foundation. Dr Fraser was appointed to the Board in September 2003. Dr Fraser is currently a member of the Remuneration Committee.
Mr James King Non-Executive Director B.Comm, FAICD	Mr King has over 30 years Board and management experience with major companies in Australia and internationally. He was previously with Foster's Group Limited as Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Fosters, he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific). He is currently a non-executive director of Navitas Ltd, Trust Company Ltd and Pacific Brands Ltd. Mr King is also Chairman of Juvenile Diabetes Research Foundation (Victoria) and on the Council of Xavier College. Mr King is a Fellow of the Australian Institute of Company Directors.Mr King was appointed to the Board in October 2003 and was Chairman from March 2006 until September 2007. Mr King is currently a member of the Audit and Risk Management Committee.
Mr Gary Levin Non-Executive Director B.Comm, LLB	Mr Levin has over 25 years experience on the boards of public and private companies in the retail, investment and renewable energy fields in both executive and non-executive roles. He is currently on the board of a number of private investment companies. Mr Levin holds a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales and is a member of the New South Wales Bar Association and the Australian Institute of Company Directors. Mr Levin has been a director and member of the Audit and Risk Management Committee of JB Hi-Fi since November 2000.
Mr Greg Richards Non-Executive Director B.Ec (Hons)	Mr Richards has over 25 years experience in the investment banking industry. Most recently he was with Goldman Sachs JBWere for over 19 years where he was an equity partner for 17 years, working primarily in equity capital markets. He is also currently involved in a voluntary capacity with several not-for-profit entities. Mr Richards was appointed to the Board in December 2007. Mr Richards is currently the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee.
Mr Richard Uechtritz Non-Executive Director	Mr Uechtritz has over 20 years experience in retailing. He was co-founder of Australia's two leading photo chains, Rabbit Photo and Smiths Kodak Express. He was also a director of Kodak (Australasia) Pty Ltd. Mr Uechtritz led the management buy-in of JB Hi-Fi in July 2000 and was CEO and Managing Director until his resignation from these positions in May 2010. He currently acts as a consultant to the Group and is also a non-executive director of Seven Group Holdings Limited. Mr Uechtritz rejoined the JB Hi-Fi Board in April 2011.

Name	Particulars
Ms Beth Laughton Non-Executive Director B.Ec, FAICD, FCA	Ms Laughton, a Chartered Accountant, spent over 25 years in corporate finance, providing mergers and acquisition advice and arranging equity funding, with Ord Minnett Corporate Finance, HSBC Securities, TMT Partners and, most recently, with Wilson HTM Corporate Finance. In the last 12 years her primary focus has been on information technology, telecommunications, business process outsourcing, and speciality retail, including online retailing.She is a director of the Defence SA Advisory Board and is a member of its Audit & Risk Management Committee. She was a non-executive director and Chairman of the Audit Committee of Sydney Ferries from 2004 to 2010, and a non-executive director of Port Adelaide Maritime Corporation (2006 – 2007), which led to her appointment to the Defence SA Advisory Board. Ms Laughton was appointed to the Board in May 2011 and joined the Audit and Risk Management Committee in July 2011.
Mr Terry Smart Chief Executive Officer and Executive Director	Mr Smart has over 20 years experience in retailing and was a former director and General Manager of Kodak's retail operations. Mr Smart joined the management buy-in of JB Hi-Fi in July 2000 as Operations and Finance Director and was appointed CEO in May 2010.

The aforementioned directors held office for the whole financial year and since the end of the financial year except for:

- Mr Uechtritz – Appointed to the Board on 28 April 2011
- Ms Laughton – Appointed to the Board on 26 May 2011

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of Directorship
Mr James King	Navitas Limited	Since November 2004
	Trust Company Limited	Since February 2007
	Pacific Brands Limited	Since September 2009
Mr Richard Uechtritz	Seven Group Holdings Limited	Since June 2010

Company Secretary	Particulars
Mr Richard Murray B.Comm, Grad.Dip. Applied Finance & Investment, CA	Mr Murray is a Chartered Accountant with over 15 years experience in finance and accounting. Mr Murray joined JB Hi-Fi as Chief Financial Officer in 2003 and took the business through the IPO (Initial Public Offer) process.

Principal activity

The Group's principal activity in the course of the financial year was the retailing of home consumer products from stand alone destination sites and shopping centre locations, offering a wide range of leading brands with particular focus on consumer electronics, electrical goods and software including music, games and movies.

There have been no significant changes in the principal activity of the Group during the financial year.

Review of operations

The net profit after tax of the Group for the financial year was $109,695,000 (2010: $118,652,000).

During the financial year, the Group announced that it would pursue a restructuring of its Clive Anthonys business following a detailed review of that business. As part of this process, the Group booked a one-off consolidated post tax charge of $24,716,000 ($33,352,000 pre tax) relating to its Clive Anthonys business in its full year 2011 results. Excluding this one-off restructuring charge, the net profit after tax of the Group for the financial year was $134,411,000 (2010: $118,652,000) which is 13.3% greater than the consolidated profit after tax for the previous financial year.Subsequent references to the Group's performance in the review of operations are to normalised performance, which excludes this one-off restructuring charge.

Consolidated sales for the financial year were $2,959,253,000 (2010: $2,731,320,000), which is 8.3% greater than the consolidated sales for the previous financial year.

Certain information regarding the Group's business strategies and prospects for future financial years is set out in the review of operations below and elsewhere in this Annual Report. The directors have chosen to omit certain material that would otherwise have been included under s.299A(1)(c) concerning the Group's business strategies and prospects for future financial years, as they believe it is likely to result in unreasonable prejudice to the Group or any entity that is part of the Group.

a) Overview

Objectives of the Group are to create shareholder value through a roll out of the Group's branded retail stores across Australia and New Zealand, in both stand alone destination sites and shopping centre locations. The cornerstone of the Group's success has been, and will continue to be, its ability to consistently offer everyday low prices. The Group is able to do this through the scale of its operations, high stock turnover and low cost of doing business.

Management consider the following indicators in assessing the performance of the business:

- absolute and comparable store sales growth;
- gross margin by store and product category;
- cost of doing business;
- store earnings before interest and tax (EBIT) contribution;
- EBIT margin;
- earnings per share (EPS);
- financial covenants and measures including gearing, interest cover and fixed charges ratio;
- working capital measures including inventory and creditor turnover; and
- return on equity and return on invested capital.

Dynamics of the Group

The following factors are considered important in understanding the dynamics of the Group and the main opportunities and threats that may have a major effect on results regardless of whether they were significant in the period under review.

Opportunities:

- JB Hi-Fi offers one of Australia and New Zealand's largest ranges of home entertainment and electrical products at discounted prices, positioned to appeal to all customers, through its JB Hi-Fi and Clive Anthonys branded stores. The Group maintains a low cost operating model designed to underpin competitive pricing in its store network.
- JB Hi-Fi's strategic initiatives for growth include:
    - targeting high growth segments of the home entertainment market;
    - continued roll-out of JB Hi-Fi stores in Australia and New Zealand (the Group anticipates opening 16 new stores in the 2012 financial year and maintains its target of 214 JB Hi-Fi branded stores in Australia and New Zealand);
    - ensuring recently opened stores mature rapidly and profitably;
    - continuing to improve the efficiency and profitability of existing stores;
    - continued investigation of opportunities to expand our online offering and continued enhancement of our customer online experience (including pick-up in store); and
    - intended launch of "JB Hi-Fi Now" music subscription service enabling the Group to engage with customers however they choose to consume music.

Threats:

- There are a number of factors, both specific to JB Hi-Fi and of a general nature, which may threaten both the future operating and financial performance of the Group and the outcome of an investment in JB Hi-Fi. There can be no guarantee that JB Hi-Fi will achieve its stated objectives or that forward looking statements will be realised;

- The operating and financial performance of JB Hi-Fi is influenced by a variety of general economic and business conditions, levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets, and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, may have an adverse impact on the Group's business or financial condition;
- Competition – the markets in which JB Hi-Fi operates are fragmented and competitive. All categories are expected to remain competitive in the 2012 financial year;
- The Group's financial performance or operating margins could be adversely affected if the actions of competitors or potential competitors become more effective, or if new competitors enter the market, and JB Hi-Fi is unable to counter these actions;
- Leasing arrangements – the ability to identify suitable sites and negotiate suitable leasing terms is key to the Group's growth plans. Further, management's ability to renegotiate acceptable lease terms for existing stores where leases are due to expire is vital to ongoing profitability; and
- Operating costs – the Group's ability to consistently offer low prices and operate profitably is dependent on a combination of the scalability of its operations, relatively high stock turns and low cost operating structure. It is important that the Group maintain these drivers of profitability.

b) Review of performance

Sales and earnings performance:

- the Group recorded a full year normalised net profit after tax of $134,411,000 for the 12 months ending 30 June 2011, up 13.3% on the previous corresponding period of $118,652,000;
- total sales were up 8.3% to $2,959,253,000 and comparable store growth was -1.2% (Australia: -1.2%, New Zealand: 2.4%);
- gross margin was 22.0% for the period, up 28 bps from the previous period;
- normalised EBIT was $195,967,000, up from $175,110,000 last year and the resulting normalised EBIT margin was 6.6%, up from 6.4% for same period last year;
- cost of doing business was flat at 14.5% for the period; and
- the Group opened 18 new JB Hi-Fi stores (Aust: 15, NZ: 3), converted four Clive Anthonys stores to JB Hi-Fi stores and closed two Clive Anthonys stores during the financial year.

Material developments:

- In March 2011 the Group announced that it would pursue a restructuring of its Clive Anthonys business following a detailed review of that business. As part of this process, the Group booked a one-off consolidated post tax charge of $24,716,000 relating to its Clive Anthonys business in its full year 2011 results; and
- In May 2011 the Group completed a $173,333,000 off-market share buy-back which resulted in the purchase of 10.8 million shares, representing approximately 9.9% of the shares on issue. The buy-back was funded through the Group's term debt facility.

Overall returns to shareholders:

- Refer to details of dividends paid and declared by the Company on page 17.

c) Details of investments for future performance

- Investments of $45,063,000 were made during the financial year in capital expenditure projects. The majority of this capital expenditure related to the 18 new stores opened during the period. These stores are anticipated to contribute towards solid earnings growth in the 2012 financial year.

d) Review of financial condition

- In March 2011 the Group refinanced its term debt facilities for a further 3 years, with the term debt facility increasing to $250,000,000 from $145,000,000. The overdraft facility remained unchanged at $55,000,000 and NZ$10,000,000, renewable annually. The Group also has an additional seasonal bank overdraft facility of AU$25,000,000 in February to April.
- At the end of the financial year the Group had total interest bearing liabilities of $233,333,000.
- Net debt increased from $17,889,000 to $205,336,000 due primarily to a combination of the Group's $173,333,000 off-market share buy-back, which was funded through the Group's term debt facility, and the aligning of the Group's dividend payments to the Group's half year earnings split.
- The key financial covenants included in the Group's financing facilities are the gearing and fixed charges cover ratios.
- During the financial year 1,019,118 ordinary shares were issued to employees under the Employee Share Option Plan.

e) Risk management and corporate governance practices

The Board has delegated to the Audit and Risk Management Committee responsibility for overseeing the implementation of policies and procedures aimed at ensuring the Group conducts its operations in a manner that manages risk to protect its people, the environment, Group assets and its reputation as well as to realise opportunities. JB Hi-Fi's policy is to consider the balance of risk and reward, as far as practicable, in order to optimise the returns gained from its business activities and to meet the expectations of its shareholders.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Group.

Subsequent events

There have been no matters or circumstances occurring subsequent to the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Certain information regarding likely developments in the operations of the Group in future financial years is set out in the review of operations above and elsewhere in the Annual Report. The disclosure of certain information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, the directors have chosen not to disclose this information in this report.

Environmental regulations

The Group is not involved in any activities that have a marked influence on the environment within its area of operation. As such, the directors are not aware of any material issues affecting the Group or its compliance with the relevant environmental agencies or regulatory authorities.

Dividends

In respect of the financial year ended 30 June 2010, as detailed in the directors' report for that financial year, an interim dividend of 33.0 cents per share and a final dividend of 33.0 cents per share, both franked to 100% at the 30% corporate income tax rate, were paid to the holders of fully paid ordinary shares respectively on 5 March 2010 and 3 September 2010.

In respect of the financial year ended 30 June 2011, an interim dividend of 48.0 cents per share franked to 100% at the 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 4 March 2011.

In respect of the financial year ended 30 June 2011, the directors have declared the payment of a final dividend of 29.0 cents per share franked to 100% at the 30% corporate income tax rate, to be paid to the holders of fully paid ordinary shares on 2 September 2011. This represents a payout ratio of 60% of the full year earnings (excluding the one-off Clive Anthonys restructure charge).

In May 2011 the Group completed a $173,333,000 off-market share buy-back (10,833,342 shares were bought back). The buy-back comprised a capital component of $0.58 per share and a fully franked dividend component of $15.42 per share.

Indemnification of officers and auditors

As provided under the Constitution, the Company indemnifies directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer. During the financial year, the Company has paid a premium in respect of a contract insuring the directors and officers against any liability of this nature. In accordance with normal commercial practices, under the terms of the insurance contracts, the nature of the liabilities insured against and the amount of the premiums paid are confidential. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 14 Board meetings, 3 Remuneration Committee meetings and 8 Audit and Risk Management Committee meetings were held.

	Board of Directors		Remuneration Committee		Audit and Risk Management Committee	
Directors	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*
Mr P. Elliott(i)	14	14	3	3	–	–
Mr J. King	14	14	–	–	8	8
Mr G. Levin	14	14	–	–	8	8
Dr W. Fraser	14	14	3	3	–	–
Mr G. Richards(i)	14	14	3	3	8	8
Mr R. Uechtritz	4	3	–	–	–	–
Ms B. Laughton	2	2	–	–	–	–
Mr T. Smart(i)	14	14	–	–	–	–

(i) Mr Elliott, Mr Richards and Mr Smart also attended one meeting of a sub-committee of the Board in relation to the Company's off-market share buy-back.

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares – direct number	Fully paid ordinary shares – indirect number	Executive share options – direct number	Executive share options – indirect number
Mr P. Elliott	199,732	10,000	–	–
Mr J. King	–	32,538	–	–
Mr G. Levin	30,000	–	–	–
Dr W. Fraser	–	6,451	–	–
Mr G. Richards	–	23,000	–	–
Mr R. Uechtritz	–	–	401,882	–
Ms B. Laughton	–	–	–	–
Mr T. Smart(i)	1,500,000	–	472,573	–

(i) Excludes any options that may be approved by the Board in August 2011. The issue of any options to Mr Smart, an executive director of the Company, is also subject to shareholder approval at the Company's Annual General Meeting in October 2011.

REMUNERATION REPORT (audited)

Details of key management personnel

The following persons acted as directors of the Company during and since the end of the financial year:

Mr P. Elliott	Chairman, Board and Remuneration Committee and Non-executive Director
Mr G. Richards	Chairman, Audit and Risk Management Committee and Non-executive Director
Mr G. Levin	Non-executive Director
Dr W. Fraser	Non-executive Director
Mr J. King	Non-executive Director
Mr R. Uechtritz	Non-executive Director (appointed 28 April 2011)
Ms B. Laughton	Non-executive Director (appointed 26 May 2011)
Mr T. Smart	Chief Executive Officer and Executive Director

The highest remunerated Group executives for the 2011 financial year were:

Mr T. Smart	Chief Executive Officer and Executive Director
Mr R. Murray	Chief Financial Officer
Mr S. Browning	Marketing Director
Mr C. Trainor	Merchandise Director
Mr P. Green	Operations Director

Remuneration policy for directors and executives

The Remuneration Committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance, data on remuneration paid by comparable companies and where appropriate, the Remuneration Committee may receive expert independent advice regarding remuneration levels required to attract and compensate directors and executives, given the nature of their work and responsibilities.

Non-executive director remuneration

The overriding objective of the JB Hi-Fi Remuneration Policies with regard to non-executive directors is to ensure the Company is able to attract and retain non-executive directors with the skills and experience to ensure the Board is able to discharge its oversight and governance responsibilities in an effective and diligent manner.

With regard to the setting of non-executive director's remuneration, the Company seeks to ensure director fees are at or about the 50th percentile of its relevant peer group. The Remuneration Committee undertook its annual review of non-executive directors in October 2010. The Remuneration Committee obtained benchmark data of appropriate peers for non-executive directors in comparative companies.

The remuneration package for the 2011 financial year for non-executive directors was $120,000 per annum and $240,000 per annum for the Chairman.In addition, non-executive directors (excluding the Chairman) receive fees of $10,000 per annum, per Board committee to which they are appointed, except the Chairman of the Audit and Risk Management Committee who receives fees of $25,000 per annum for that role. The remuneration for the 2010 financial year, for non-executive directors was $105,000 per annum and $240,000 per annum for the Chairman, plus committee fees.

It is the policy of the Company not to pay lump sum retirement benefits to non-executive directors. Superannuation contributions are made by the Company on behalf of non-executive directors in line with statutory requirements and are included in the remuneration package amount. Some non-executive directors, as a result of their personal superannuation circumstances, have notified the Company that they would prefer that their superannuation contributions are received as increased Board fees. Directors also have the right to enter into salary packaging arrangements with the Company. The result of these arrangements is no net increase to the cost of directors' remuneration to the Company.

Except for the arrangements in respect of Richard Uechtritz's consulting services, whereby he is able to retain options issued whilst he was CEO of the Group, it is the policy of the Company to not have any elements of non-executive director remuneration at risk. That is, non-executive directors do not receive any bonus payments and are not entitled to participate in the Executive Share Option Plan.

Group director and executive remuneration

The Board believes that executive remuneration should be fair and reasonable, structured effectively to attract, motivate and retain valued executives and designed to produce value for shareholders.

With regard to the setting of Group executive remuneration, the Company seeks to ensure remuneration packages are set at or about the 75th percentile, inclusive of full performance related payments. The Remuneration Committee then considers current market conventions with regard to the splits between fixed, short-term and long-term incentive elements.

With regard to the structure of the Group executive remuneration packages and the splits between fixed, short term incentives and long term incentives, the Remuneration Committee considers the following target bands appropriate:

Elements of remuneration	Target proportion of maximum total remuneration package for the 2011 financial year	
Fixed	Chief Executive Officer	45%
	Group Executives	50% - 60%
Short-term incentives	Chief Executive Officer	30%
	Group Executives	20% - 30%
Long-term incentives	Chief Executive Officer	25%
	Group Executives	20% - 30%

There may be reasons why the structure of a Group executive's package may not align with the target bands. If this situation arose, it would be the Company's objective to adjust a particular executive's package to align with the target bands over time. The most likely explanation for any divergence from the target bands is where a new executive joins the Company or an executive is promoted during the period. Where the transition to a Group executive salary package results in the structure of the package falling outside the target bands, it is likely this divergence would not be significant in the overall context of the package.

The Board is aware of the Executive Equity Plan Guidelines, issued by the Investment and Financial Services Association (IFSA) (now the Financial Services Council) in April 2007. The Board is satisfied that its executive remuneration policies, specifically as they relate to the executive share option plans (as detailed in this Annual Report), are consistent with the aims, objectives and outcomes detailed in the IFSA guidance note no.12.

Elements of remuneration	Summary of performance condition
Fixed Remuneration • Base salary packages include base salary, motor vehicle allowances and superannuation	No elements are dependent on performance conditions.
Short-term Incentive • Cash bonus	Under the Group's short-term incentive program, the Group executive director and Group executives annual cash bonus payments are based on performance against: i. annual budgets; ii. business plans; and iii. other relevant qualitative objectives such as corporate governance, investor relations, succession planning and people management. The Group undertakes a rigorous and detailed annual planning and budgeting process. The Remuneration Committee, in considering the short-term performance of Group executive directors and executives, considers the most relevant short-term performance conditions to be performance against annual budgets, business plans and relevant qualitative objectives.

Elements of remuneration	Summary of performance condition
Short-term Incentive (continued) • Cash bonus (continued)	2011 short term incentive elements and the Group executives' performance against those elements are detailed in the following table:

		% of Maximum STI			
Element	*Criteria*	*Group executive director*	*Other executives*	*Target achieved*	*% paid*
Base ST incentive	Achievement of budgeted 2011 NPAT	43%	50%	Partial	70%[i]
Stretch Target 1	Exceeding budgeted NPAT by 7%	25%	30%	No	0%
Stretch Target 2	Exceeding budgeted NPAT by 10%	17%	20%	No	0%
Qualitative Bonus	Relevant qualitative objectives such as corporate governance, investor relations, succession planning and people management	15%	-	Yes	100%

(i) Mr P. Green received $50,000, being 92% of base STI. All other executives received 70% of base STI available.

Long-term Incentive

• Equity options

Options under the Executive Share Option Plan are issued to the Group executive director and Group executives as follows:

Group executive director and Group executives

All current options issued to the Group executive director and Group executives under the Group's long-term incentive program include a performance hurdle requiring compound annual EPS growth of between 10% and 20% per annum.The Remuneration Committee considers this equity performance linked remuneration structure is effective in aligning the long-term interests of Group executive directors, executives and shareholders. EPS hurdles are tested each year, to the extent a hurdle is not achieved in one year, the hurdle is reassessed in each subsequent year, until the earlier of the hurdle is achieved or the option expires. The Group executive director and Group executives have achieved all EPS hurdles in relation to options which vest in relation to the 2011 period[i].

It is anticipated that all long-term incentives issued to the Group executive director, and in subsequent financial periods, will continue to be subject to appropriate performance conditions that ensure an alignment with the long-term interests of shareholders.

(i) Compound annual EPS growth in 2011 has been measured on a normalised basis, excluding the impact of the one-off Clive Anthonys restructure charge ($24.7m post tax).

Board Policy with regard to Group executives limiting their exposure to risk in relation to equity options

The Company's Securities Trading Policy prohibits Group executives from altering the economic benefit or risk derived by the executives in relation to their unvested equity options. Group executives are annually required to sign a declaration that they are in compliance with all elements of the JB Hi-Fi Securities Trading Policy and have not entered into any arrangements to limit their exposure to the risk in relation to their unvested equity options in the Company. These declarations have been received in relation to the 2011 financial year from all Group Executives.

Key terms of employment agreements

All Group executives are employed under standard Company employment agreements. The employment agreements of the Chief Executive Officer, Marketing Director and Operations Director do not provide for termination conditions or payments.

The Chief Financial Officer's employment agreement provides for payment of a minimum six months' salary should there be a change in ownership or control that results in his position being terminated. The Merchandise Director's employment agreement provides for payment of a minimum nine month's salary should there be a change in ownership or control that results in his position being terminated.

Any termination entitlements payable to the Group's executives would be considered in light of the relevant circumstances and would be determined after consideration of entitlements of common law rights.

Key management personnel	Contract term Fixed	Contract term Rolling	Employee notice period	Company notice period and any contractual termination payments
Mr T. Smart	-	✓	4 weeks	No specific reference in employment letter
Mr R. Murray	-	✓	4 weeks	Minimum 6 months at current salary
Mr S. Browning	-	✓	4 weeks	No specific reference in employment letter
Mr C. Trainor	-	✓	4 months	Minimum 9 months at current salary
Mr P. Green	-	✓	4 weeks	No specific reference in employment letter

Relationship between financial performance and variable remuneration

The Group's executive remuneration is directly related to the performance of the Group through the linking of short and long-term incentives to certain financial measures as detailed previously.

The effectiveness of these measures in driving financial performance is highlighted in the following table:

							Movement				
		FY07	*FY08*	*FY09*	*FY10*	*FY11*	*FY07*	*FY08*	*FY09*	*FY10*	*FY11*
1.	Consolidated sales ($m)	1,281.8	1,828.6	2,327.3	2,731.3	2,959.3	36%	43%	27%	17%	8%
2.	Consolidated net profit ($m)	40.4	65.1	94.4	118.7	109.7	57%	61%	45%	26%	(8%)
	Basic earnings per share ("EPS") (cents)	38.8	61.8	88.3	109.7	101.8	55%	59%	43%	24%	(7%)
3.	Normalised[i] consolidated net profit ($m)	40.4	65.1	94.4	118.7	134.4	57%	61%	45%	26%	13%
	Normalised[i] basic EPS (cents)	38.8	61.8	88.3	109.7	124.7	55%	59%	43%	24%	14%
4.	Shareholder value created:										
	Company share price at the end of the reporting period ($)	10.82	10.46	15.40	19.07	17.07	113%	(3%)	47%	24%	(10%)
	Market capitalisation ($m)	1,132.1	1,107.6	1,651.6	2,066.1	1,682.0	115%	(2%)	49%	25%	(19%)
	Enterprise value[ii] ($m)	1,226.8	1,232.1	1,705.2	2,084.0	1,887.3	97%	0.4%	38%	22%	(9%)
	Movement in enterprise value during the financial year ($m)	605.1	5.3	473.1	378.8	(196.7)					
	Dividends paid to shareholders during the financial year ($m)	9.4	16.9	33.2	67.1	88.4					
	Off market share buy-back ($m)	-	-	-	-	173.3					
	Shareholder value created[iii]										
	- per annum ($m)	614.5	22.2	506.3	445.9	65.0					
	- cumulative ($m) since IPO[iv]	1,053.0	1,075.2	1,581.5	2,027.4	2,092.4	56%	43%	44%	41%	46%
	- rolling ($m) last five years[iv]	n/a	1,075.2	1,516.7	1,776.0	1,653.9	n/a	n/a	88%	57%	54%

(i) FY11 excludes the impact of the one-off Clive Anthonys restructuring charge ($24.7m post tax).

(ii) Enterprise value is measured as the sum of market capitalisation and net debt.

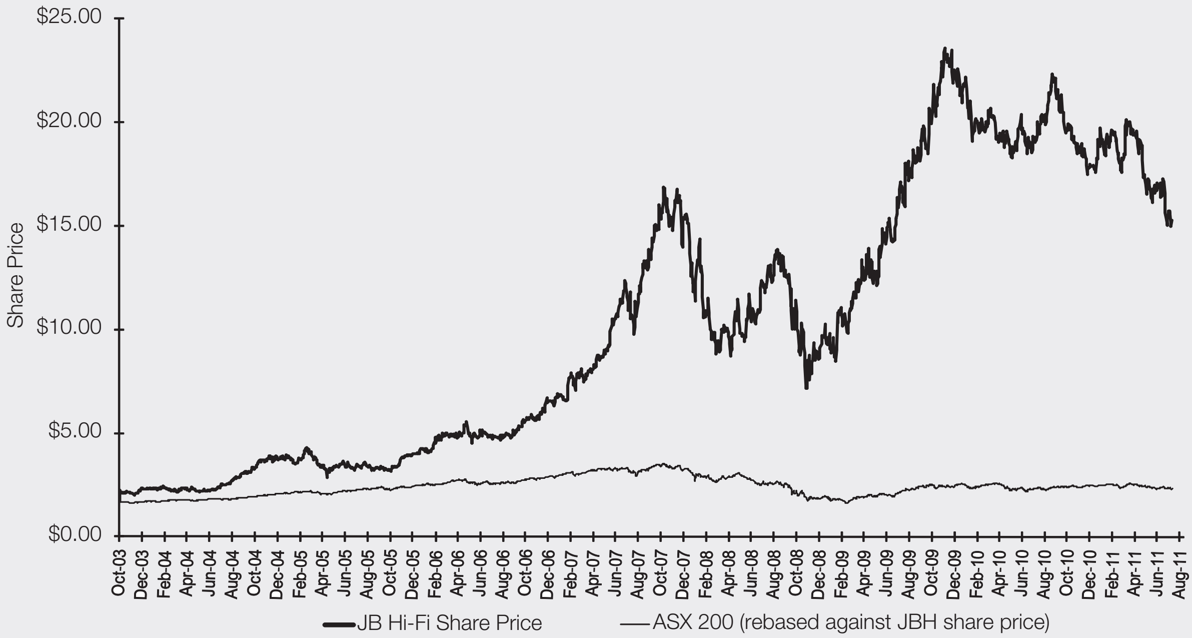
(iii) Shareholder value created is measured as the increase in the enterprise value, plus cash dividends paid during the financial year. Cumulative shareholder value is measured from the date of listing in October 2003 when opening shareholder value was $201.7m.

(iv) Percentage movement shown is the cumulative annual growth rate.

In May 2011 the Group completed a $173,333,000 off-market share buy-back which resulted in the purchase of 10.8 million shares, representing approximately 9.9% of the shares on issue, and the return of $6,283,000 of capital to shareholders.

Prior to this off-market share buy-back the Company had not returned any capital to shareholders since its listing in October 2003.

The following graph plots the JB Hi-Fi closing share price and the ASX 200 on a daily basis between listing on the ASX and 1 August 2011.



Key management personnel compensation

Key management personnel include the non-executive directors and the five identified Group personnel. The aggregate compensation of the key management personnel of the Group is set out below:

	Consolidated	
	2011 $	*2010* $
Short-term employee benefits	4,635,231	7,151,111
Post-employment benefits	210,733	286,819
Share-based payments	1,605,247	2,002,381
	6,451,211	9,440,311

The compensation of each member of the key management personnel of the Group is set out below:

	Short-term employee benefits			*Post-employment benefits*		*Share based payments*		*Performance based*	
	Salary & fees	*Bonus*[v]	*Other*	*Super-annuation*	*Other*	*Options*[v]	*Total*	*Yes*	*No*
2011	*$*	*$*	*$*	*$*	*$*	*$*	*$*	*%*	*%*
Non-executive directors									
Mr P. Elliott	215,000	–	–	25,000	–	–	240,000	–	100%
Mr J. King	119,267	–	–	10,733	–	–	130,000	–	100%
Mr G. Levin	80,000	–	–	50,000	–	–	130,000	–	100%
Dr W. Fraser	130,000	–	–	–	–	–	130,000	–	100%
Mr G. Richards	155,000	–	–	–	–	–	155,000	–	100%
Mr R. Uechtritz[vi]	21,058	–	–	–	–	100,227	121,285	83%	17%
Ms B. Laughton[vii]	11,836	–	–	–	–	–	11,836	–	100%
	732,161	–	–	85,733	–	100,227	918,121[viii]		
Group executives									
Mr T. Smart	1,151,816	360,456	33,711	25,000	–	552,520[i]	2,123,503	43%	57%
Mr R. Murray	570,497	130,974	28,187	25,000	–	253,738[ii]	1,008,396	38%	62%
Mr S. Browning	448,287	105,310	28,187	25,000	–	237,068[ii]	843,852	41%	59%
Mr C. Trainor	559,924	108,751	25,000	25,000	–	331,942[iii]	1,050,617	42%	58%
Mr P. Green	281,970	50,000	20,000	25,000	–	129,752[iv]	506,722	35%	65%
	3,012,494	755,491	135,085	125,000	–	1,505,020	5,533,090		
	3,744,655	755,491	135,085	210,733	–	1,605,247	6,451,211		

(i) Option series # 24, 25, 35, 36, 44, 45, 52, 53, 60, 61.

(ii) Option series # 21, 22, 33, 34, 42, 43, 48, 49, 60, 61.

(iii) Option series # 55, 56, 58, 59, 60, 61.

(iv) Options series # 20, 32, 41, 47, 58, 59, 60, 61.

(v) Performance based.

(vi) Mr Uechtritz continued to act as a consultant to the Group during the period and was appointed to the Board on 28 April 2011. The share based payment of $100,227 included in Mr Uechtritz's remuneration for the 2011 financial year relates to his role as a consultant to the Group (option series # 24, 25, 35, 36, 44, 45, 52, 53) for the period from 28 April 2011 to 30 June 2011. Mr Uechtritz received no other form of remuneration in relation to this role. No options were issued to Mr Uechtritz during the current financial year.

(vii) Ms Laughton was appointed to the Board on 26 May 2011.

(viii) Excluding the amount attributable to Mr Uechtritz's options ($100,227) which relates to his role as a consultant of the Company, the amount of fees paid to non-executive directors for services as non-executive directors during the period was $817,894. The Company's Constitution provides that the Directors' Fees pool ($900,000) applies to services provided as non-executive directors.

2011	Performance based							
	Short-term employee benefits				Share based payments			
	Maximum Potential STI		Actual STI		Maximum Potential LTI		Actual LTI	
	Bonus		*Bonus*		*Options*		*Options*	
	$	*% of total remuneration*	*$*	*% of total remuneration*	*$*	*% of total remuneration*	*$*	*% of total remuneration*
Non-executive directors								
Mr R. Uechtritz[i]	–	0%	–	0%	100,227	83%	100,227	83%
Group Executives								
Mr T. Smart	807,018	31%	360,456	17%	552,520	21%	552,520	26%
Mr R. Murray	374,210	30%	130,974	13%	253,738	20%	253,738	25%
Mr S. Browning	300,884	29%	105,310	12%	237,068	23%	237,068	28%
Mr C. Trainor	310,716	25%	108,751	10%	331,942	27%	331,942	32%
Mr P. Green	108,990	19%	50,000	10%	129,752	23%	129,752	26%
	1,901,818	28%	755,491	14%	1,505,020	23%	1,505,020	27%
	1,901,818	28%	755,491	14%	1,605,247	24%	1,605,247	28%

(i) Refer footnote (vi) on previous page.

2010	*Short-term employee benefits*			*Post-employment benefits*		*Share based payments*		*Performance based*	
	Salary & fees	*Bonus[viii]*	*Other*	*Super-annuation*	*Other*	*Options[viii]*	*Total*	*Yes*	*No*
	$	*$*	*$*	*$*	*$*	*$*	*$*	*%*	*%*
Non-executive directors									
Mr P. Elliott	203,750	–	–	25,000	–	–	228,750	–	100%
Mr J. King	102,064	–	–	9,186	–	–	111,250	–	100%
Mr G. Levin	60,000	–	–	50,000	–	–	110,000	–	100%
Mr W. Fraser	110,000	–	–	–	–	–	110,000	–	100%
Mr G. Richards	82,250	–	–	44,000	–	–	126,250	–	100%
	558,064	–	–	128,186	–	–	686,250		
Group executives									
Mr R. Uechtritz[v]	1,297,608	1,222,552	318,874	50,000	–	803,257[i]	3,692,291	55%	45%
Mr T. Smart	781,932	507,546	33,711	25,000	–	495,316[i]	1,843,505	54%	46%
Mr R. Murray	501,199	313,796	28,187	25,000	–	258,093[ii]	1,126,275	51%	49%
Mr S. Browning	363,054	277,083	28,187	25,000	–	256,943[ii]	950,267	56%	44%
Mr C. Trainor[vi]	308,212	288,012	19,673	14,904	–	112,143[iii]	742,944	54%	46%
Mr P. Green[vii]	208,421	75,000	20,000	18,729	–	76,629[iv]	398,779	38%	62%
	3,460,426	2,683,989	448,632	158,633	–	2,002,381	8,754,061		
	4,018,490	2,683,989	448,632	286,819	–	2,002,381	9,440,311		

(i) Option series #17, 24, 25, 35, 36, 44, 45, 52, 53.

(ii) Option series #14, 21, 22, 33, 34, 42, 43, 48, 49.

(iii) Option series #55, 56.

(iv) Option series #14, 20, 32, 41, 47.

(v) Mr Uechtritz resigned from his position as CEO and Executive Director on 28 May 2010. Mr Uechtritz rejoined the Board as a non-executive Director on 28 April 2011 and continues to act as a consultant to the Group.

(vi) Mr Trainor joined the Company in November 2009.

(vii) Mr Green was promoted to the Executive team effective 31 May 2010.

(viii) Performance based.

	Performance based							
	Short-term employee benefits				Share based payments			
	Maximum Potential STI		Actual STI		Maximum Potential LTI		Actual LTI	
	Bonus		*Bonus*		*Options*		*Options*	
2010	*$*	*% of total remuneration*	*$*	*% of total remuneration*	*$*	*% of total remuneration*	*$*	*% of total remuneration*
Group Executives								
Mr R. Uechtritz	1,399,694	36%	1,222,552	33%	803,257	21%	803,257	22%
Mr T. Smart	538,012	29%	507,546	28%	495,316	26%	495,316	27%
Mr R. Murray	332,632	29%	313,796	28%	258,093	23%	258,093	23%
Mr S. Browning	293,715	30%	277,083	29%	256,943	27%	256,943	27%
Mr C. Trainor	305,000	40%	288,012	39%	112,143	15%	112,143	15%
Mr P. Green	75,000	19%	75,000	19%	76,629	19%	76,629	19%
	2,944,053	33%	2,683,989	31%	2,002,381	22%	2,002,381	23%

Bonuses are paid in the year following the year that they relate to.

Share options

Executive and employee share option plans

The Group has ownership-based remuneration schemes for employees and executives (excluding non-executive directors). In accordance with the provisions of these schemes, employees and executives within the Group are granted options to purchase parcels of ordinary shares at various issue prices. The options vest a third each, on the second, third and fourth anniversary of issue providing that service, share price and performance conditions, where they exist, are met. The options generally expire five years after they are issued. Unvested options expire immediately upon termination of employment. Vested options either expire upon termination of employment, 30 days after termination or continue in force depending upon the circumstances of the employee's exit and the terms of issue.

Shares under option

Details of interests under option at the date of this report are:

Option series	Number of shares under option	Class of share	Grant date (GD)	Share Price at GD	Expiry date	Exercise price $	Expected volatility	Dividend yield at GD	Risk-free interest rate at GD	Fair value at GD $
20	13,334	Ordinary	15/08/06	4.79	15/08/11	4.81	29.5%	1.6%	6.0%	1.24
25	15,000	Ordinary	15/08/06	4.79	15/08/11	4.81	29.5%	1.6%	6.0%	1.24
29	10,000	Ordinary	07/05/07	8.75	07/05/12	8.47	29.4%	1.0%	6.0%	2.51
30	20,000	Ordinary	04/07/07	11.36	04/07/12	10.90	29.8%	1.1%	6.3%	3.37
31	10,000	Ordinary	01/08/07	11.20	01/08/12	11.25	30.0%	1.1%	6.2%	3.10
32	153,326	Ordinary	20/08/07	11.02	20/08/12	11.00	31.2%	1.1%	6.1%	3.15
33	39,584	Ordinary	20/08/07	11.02	20/08/12	11.00	31.2%	1.1%	6.1%	3.15
34	16,964	Ordinary	20/08/07	11.02	20/08/12	11.00	31.2%	1.1%	6.1%	3.15
35	129,888	Ordinary	20/08/07	11.02	20/08/12	11.00	31.2%	1.1%	6.1%	3.15
36	55,666	Ordinary	20/08/07	11.02	20/08/12	11.00	31.2%	1.1%	6.1%	3.15
37	10,000	Ordinary	19/02/08	10.64	19/02/13	10.90	34.8%	2.2%	6.7%	2.98
38	33,333	Ordinary	07/04/08	10.01	07/04/13	9.54	35.9%	2.3%	6.2%	3.05
40	53,333	Ordinary	23/07/08	12.16	23/07/13	11.76	37.6%	1.9%	6.5%	3.90
41	323,333	Ordinary	26/08/08	13.52	26/08/13	12.98	37.6%	2.0%	5.7%	3.86
42	73,524	Ordinary	26/08/08	13.52	26/08/13	12.98	37.6%	2.0%	5.7%	3.86
43	31,508	Ordinary	26/08/08	13.52	26/08/13	12.98	37.6%	2.0%	5.7%	3.86

Shares under option (cont.)

Option series	Number of shares under option	Class of share	Grant date (GD)	Share Price at GD	Expiry date	Exercise price $	Expected volatility	Dividend yield at GD	Risk-free interest rate at GD	Fair value at GD $
44	206,784	Ordinary	26/08/08	13.52	26/08/13	12.98	37.6%	2.0%	5.7%	3.86
45	88,622	Ordinary	26/08/08	13.52	26/08/13	12.98	37.6%	2.0%	5.7%	3.86
46	120,000	Ordinary	02/04/09	12.29	02/04/14	11.62	44.9%	2.7%	3.9%	3.57
47	384,500	Ordinary	29/06/09	15.06	29/06/14	14.92	46.5%	2.9%	5.2%	4.86
48	63,459	Ordinary	29/06/09	15.06	29/06/14	14.92	46.5%	2.9%	5.2%	4.86
49	27,196	Ordinary	29/06/09	15.06	29/06/14	14.92	46.5%	2.9%	5.2%	4.86
50	6,500	Ordinary	11/09/09	18.10	11/09/14	18.25	46.4%	2.4%	5.1%	6.10
51	25,000	Ordinary	29/09/09	19.58	29/09/14	19.27	46.4%	2.3%	5.1%	6.49
52	186,877	Ordinary	29/06/09	15.06	29/06/14	14.92	46.5%	2.9%	5.2%	4.86
53	80,090	Ordinary	29/06/09	15.06	29/06/14	14.92	46.5%	2.9%	5.2%	4.86
54	15,000	Ordinary	12/10/09	18.53	12/10/14	18.86	46.3%	2.3%	5.3%	6.37
55	55,191	Ordinary	23/12/09	22.35	23/12/14	22.26	45.8%	2.0%	5.2%	7.61
56	23,653	Ordinary	23/12/09	22.35	23/12/14	22.26	45.8%	2.0%	5.2%	7.61
57	20,761	Ordinary	03/06/10	18.80	03/06/15	18.80	45.8%	3.5%	5.1%	5.78
58	28,000	Ordinary	01/07/10	19.10	01/07/15	19.28	45.7%	3.4%	4.7%	5.88
59	12,000	Ordinary	01/07/10	19.10	01/07/15	19.28	45.7%	3.4%	4.7%	5.88
60	91,617	Ordinary	13/08/10	19.75	13/08/15	19.75	45.4%	3.3%	4.7%	6.03
61	39,264	Ordinary	13/08/10	19.75	13/08/15	19.75	45.4%	3.3%	4.7%	6.03
62	524,500	Ordinary	13/08/10	19.75	13/08/15	19.75	45.4%	3.3%	4.7%	6.03
63	78,070	Ordinary	13/08/10	19.75	13/08/15	19.75	45.4%	3.3%	4.7%	6.03
64	33,458	Ordinary	13/08/10	19.75	13/05/15	19.75	45.4%	3.3%	4.7%	6.03
65	26,455	Ordinary	01/12/10	18.75	01/12/15	18.75	44.9%	3.5%	5.1%	5.67
66	64,644	Ordinary	02/06/11	17.03	01/06/16	17.03	43.4%	4.4%	5.1%	4.71
	3,190,434									

The holders of these options do not have the right, under these options, to participate in any share issue or interest issue of JB Hi-Fi Limited or of any other body corporate or registered scheme. The weighted average fair value of the share options granted during the financial year is $5.93 (2010: $6.88). Options were valued using the Black-Scholes model.

Volatility is based on:

- series 20 to 29, expected volatility is based on the daily closing share price since listing.
- series 30 and onwards, expected volatility is based on the daily closing share price for the 3.44 years preceding the issues of the series.

All option series have an expiry of five years from grant date. However, from series 14, expected life was reduced to 3.44 years to allow for the effects of early exercise based on prior years' experience.

The following share options granted under the employee and executive share option plan were exercised during and since the end of the financial year. All shares were issued by JB Hi-Fi Limited.

2011

Option Series	Grant date	Exercise date	Number exercised	Number of shares issued	Class of shares	Amount paid per share $	Amount unpaid per share $	Share price at exercise date $
18	03/04/06	20/08/10	16,667	16,667	Ordinary	4.89	–	20.34
19	26/06/06	09/08/10	16,667	16,667	Ordinary	4.98	–	19.45
20	15/08/06	16/08/10	42,711	42,711	Ordinary	4.81	–	20.37
20	15/08/06	20/08/10	40,004	40,004	Ordinary	4.81	–	20.34
20	15/08/06	27/08/10	20,002	20,002	Ordinary	4.81	–	20.29
20	15/08/06	13/10/10	3,334	3,334	Ordinary	4.81	–	20.10
20	15/08/06	01/03/11	5,627	5,627	Ordinary	4.81	–	19.46
21	15/08/06	16/08/10	37,333	37,333	Ordinary	4.81	–	20.37
21	15/08/06	20/08/10	18,667	18,667	Ordinary	4.81	–	20.34
22	15/08/06	16/08/10	16,000	16,000	Ordinary	4.81	–	20.37
22	13/09/06	20/08/10	8,000	8,000	Ordinary	4.81	–	20.34
23	13/09/06	13/10/10	10,000	10,000	Ordinary	4.81	–	20.10
23	13/09/06	05/11/10	10,000	10,000	Ordinary	4.81	–	19.13
24	15/08/06	16/08/10	46,666	46,666	Ordinary	4.81	–	20.37
24	15/08/06	01/09/10	35,000	35,000	Ordinary	4.81	–	21.04
25	15/08/06	16/08/10	20,000	20,000	Ordinary	4.81	–	20.37
26	15/08/06	08/02/11	10,000	10,000	Ordinary	5.73	–	19.19
27	29/11/06	08/02/11	16,666	16,666	Ordinary	6.48	–	19.19
28	28/12/06	16/08/10	16,667	16,667	Ordinary	8.01	–	20.37
28	19/04/07	19/04/11	16,666	16,666	Ordinary	8.01	–	19.38
29	19/04/07	09/08/10	10,000	10,000	Ordinary	8.47	–	19.45
30	07/05/07	20/08/10	10,000	10,000	Ordinary	10.90	–	20.34
30	04/07/07	08/02/11	10,000	10,000	Ordinary	10.90	–	19.19
31	04/07/07	13/10/10	10,000	10,000	Ordinary	11.25	–	20.10
32	01/08/07	09/08/10	6,668	6,668	Ordinary	11.00	–	19.45
32	20/08/07	20/08/10	79,997	79,997	Ordinary	11.00	–	20.34
32	20/08/07	27/08/10	10,000	10,000	Ordinary	11.00	–	20.29
32	20/08/07	13/10/10	13,332	13,332	Ordinary	11.00	–	20.10
32	20/08/07	05/11/10	3,333	3,333	Ordinary	11.00	–	19.13
32	20/08/07	08/02/11	3,333	3,333	Ordinary	11.00	–	19.19
33	20/08/07	20/08/10	19,792	19,792	Ordinary	11.00	–	20.34
33	20/08/07	08/02/11	19,792	19,792	Ordinary	11.00	–	19.19
34	20/08/07	20/08/10	8,483	8,483	Ordinary	11.00	–	20.34
34	20/08/07	08/02/11	8,483	8,483	Ordinary	11.00	–	19.19
35	20/08/07	20/08/10	55,666	55,666	Ordinary	11.00	–	20.34
36	20/08/07	20/08/10	23,857	23,857	Ordinary	11.00	–	20.34
37	20/08/07	01/03/11	10,000	10,000	Ordinary	10.90	–	19.46
38	19/02/08	16/08/10	16,667	16,667	Ordinary	9.54	–	20.37
39	07/04/08	09/08/10	10,000	10,000	Ordinary	9.66	–	19.45
40	05/06/08	09/08/10	26,667	26,667	Ordinary	11.76	–	19.45

2011 (cont.)

Option Series	Grant date	Exercise date	Number exercised	Number of shares issued	Class of shares	Amount paid per share $	Amount unpaid per share $	Share price at exercise date $
41	23/07/08	27/08/10	90,000	90,000	Ordinary	12.98	–	20.29
41	26/08/08	13/10/10	16,667	16,667	Ordinary	12.98	–	20.10
41	23/07/08	05/11/10	3,333	3,333	Ordinary	12.98	–	19.13
41	26/08/08	15/11/10	6,667	6,667	Ordinary	12.98	–	19.00
41	26/08/08	08/02/11	6,667	6,667	Ordinary	12.98	–	19.19
41	26/08/08	19/04/11	6,667	6,667	Ordinary	12.98	–	19.38
42	26/08/08	27/08/10	18,381	18,381	Ordinary	12.98	–	20.29
42	26/08/08	08/02/11	18,381	18,381	Ordinary	12.98	–	19.19
43	26/08/08	27/08/10	7,878	7,878	Ordinary	12.98	–	20.29
43	26/08/08	08/02/11	7,878	7,878	Ordinary	12.98	–	19.19
44	26/08/08	27/08/10	51,696	51,696	Ordinary	12.98	–	20.29
45	26/08/08	27/08/10	22,156	22,156	Ordinary	12.98	–	20.29
47	29/09/09	06/07/11	5,000	5,000	Ordinary	14.92	–	16.59
			1,024,118	1,024,118				

2010

Option Series	Grant date	Exercise date	Number exercised	Number of shares issued	Class of shares	Amount paid per share $	Amount unpaid per share $	Share price at exercise date $
13	12-Apr-05	20-Aug-09	16,667	16,667	Ordinary	3.61	–	17.75
14	22-Jul-05	20-Aug-09	132,843	132,843	Ordinary	3.33	–	17.75
14	22-Jul-05	01-Sep-09	18,332	18,332	Ordinary	3.33	–	18.18
14	22-Jul-05	14-Oct-09	3,333	3,333	Ordinary	3.33	–	19.42
14	22-Jul-05	06-Nov-09	6,667	6,667	Ordinary	3.33	–	21.00
14	22-Jul-05	08-Feb-10	50,000	50,000	Ordinary	3.33	–	19.07
15	08-Aug-05	20-Aug-09	30,863	30,863	Ordinary	3.37	–	17.75
15	08-Aug-05	14-Oct-09	3,900	3,900	Ordinary	3.37	–	19.42
15	08-Aug-05	06-Nov-09	1,050	1,050	Ordinary	3.37	–	21.00
15	08-Aug-05	08-Feb-10	6,187	6,187	Ordinary	3.37	–	19.07
16	26-Sep-05	14-Oct-09	16,667	16,667	Ordinary	3.29	–	19.42
17	22-Jul-05	20-Aug-09	67,712	67,712	Ordinary	3.33	–	17.75
18	03-Apr-06	01-Sep-09	33,333	33,333	Ordinary	4.89	–	18.18
19	26-Jun-06	20-Aug-09	16,667	16,667	Ordinary	4.98	–	17.75
20	15-Aug-06	20-Aug-09	43,330	43,330	Ordinary	4.81	–	17.75
20	15-Aug-06	01-Sep-09	19,998	19,998	Ordinary	4.81	–	18.18
20	15-Aug-06	14-Oct-09	5,000	5,000	Ordinary	4.81	–	19.42
20	15-Aug-06	06-Nov-09	6,666	6,666	Ordinary	4.81	–	21.00
20	15-Aug-06	08-Feb-10	13,332	13,332	Ordinary	4.81	–	19.07
21	15-Aug-06	20-Aug-09	56,001	56,001	Ordinary	4.81	–	17.75
22	15-Aug-06	20-Aug-09	24,000	24,000	Ordinary	4.81	–	17.75
23	13-Sep-06	20-Aug-09	10,000	10,000	Ordinary	4.81	–	17.75
23	13-Sep-06	14-Oct-09	10,000	10,000	Ordinary	4.81	–	19.42

2010 (cont.)

Option Series	Grant date	Exercise date	Number exercised	Number of shares issued	Class of shares	Amount paid per share $	Amount unpaid per share $	Share price at exercise date $
23	13-Sep-06	06-Nov-09	10,000	10,000	Ordinary	4.81	–	21.00
24	15-Aug-06	20-Aug-09	81,667	81,667	Ordinary	4.81	–	17.75
25	15-Aug-06	20-Aug-09	35,000	35,000	Ordinary	4.81	–	17.75
26	29-Nov-06	08-Feb-10	10,000	10,000	Ordinary	5.73	–	19.07
27	28-Dec-06	20-Aug-09	16,667	16,667	Ordinary	6.48	–	17.75
27	28-Dec-06	08-Feb-10	16,667	16,667	Ordinary	6.48	–	19.07
28	19-Apr-07	20-Aug-09	16,667	16,667	Ordinary	8.01	–	17.75
29	07-May-07	20-Aug-09	10,000	10,000	Ordinary	8.47	–	17.75
30	04-Jul-07	20-Aug-09	20,000	20,000	Ordinary	10.90	–	17.75
31	01-Aug-07	20-Aug-09	10,000	10,000	Ordinary	11.25	–	17.75
32	20-Aug-07	20-Aug-09	46,672	46,672	Ordinary	11.00	–	17.75
32	20-Aug-07	01-Sep-09	10,002	10,002	Ordinary	11.00	–	18.18
32	20-Aug-07	14-Oct-09	10,002	10,002	Ordinary	11.00	–	19.42
32	20-Aug-07	06-Nov-09	10,002	10,002	Ordinary	11.00	–	21.00
32	20-Aug-07	08-Feb-10	3,334	3,334	Ordinary	11.00	–	19.07
33	20-Aug-07	20-Aug-09	19,793	19,793	Ordinary	11.00	–	17.75
33	20-Aug-07	14-Oct-09	19,793	19,793	Ordinary	11.00	–	19.42
34	20-Aug-07	20-Aug-09	8,483	8,483	Ordinary	11.00	–	17.75
34	20-Aug-07	14-Oct-09	8,483	8,483	Ordinary	11.00	–	19.42
35	20-Aug-07	20-Aug-09	92,778	92,778	Ordinary	11.00	–	17.75
36	20-Aug-07	20-Aug-09	39,763	39,763	Ordinary	11.00	–	17.75
37	19-Feb-08	26-Feb-10	10,000	10,000	Ordinary	10.90	–	19.48
			1,098,321	1,098,321				

Long-term incentives subject to performance conditions

Since July 2004, certain Group directors and executives have been issued with options under the employee share option plans as part of the Company's long-term incentive program. Vesting of the options issued is subject to a performance hurdle which requires compound annual earnings per share growth of between 10% and 20% per annum. If the performance hurdle is achieved, a third of the options will vest on each of the second, third and fourth anniversary of issue. The following table details the current options outstanding which feature performance hurdles:

Option Series	Grant Date	Performance Hurdle	Date for testing	Relevant Financial Year	Amount Paid per Share $	Expiry Date
Vested (time based service condition and performance hurdle achieved)						
25	15/08/06	15%	15/08/10	2010	4.81	15/08/11
35	20/08/07	15%	20/08/10	2010	11.00	20/08/12
36	20/08/07	20%	20/08/10	2010	11.00	20/08/12
44	20/08/08	15%	20/08/10	2010	12.98	20/08/13
45	20/08/08	20%	20/08/10	2010	12.98	20/08/13
48	29/06/09	10%(i)	15/08/10	2011	14.92	29/06/14
49	29/06/09	15%(i)	20/08/10	2011	14.92	29/06/14
52	29/06/09	10%(i)	20/08/10	2011	14.92	29/06/14
53	29/06/09	15%(i)	20/08/10	2011	14.92	29/06/14

(i) Compound annual earnings per share growth in 2011 has been measured on a normalised basis, excluding the impact of the one-off Clive Anthonys restructure charge ($24.7m post tax)

Option Series	Grant Date	Performance Hurdle	Date for testing	Relevant Financial Year	Amount Paid per Share $	Expiry Date
Not vested (time based service condition and performance hurdle not achieved)						
33	20/08/07	15%	20/08/11	2011	11.00	20/08/12
34	20/08/07	20%	20/08/11	2011	11.00	20/08/12
35	20/08/07	15%	20/08/11	2011	11.00	20/08/12
36	20/08/07	20%	20/08/11	2011	11.00	20/08/12
42	26/08/08	15%	26/08/11	2011	12.98	26/08/13
42	26/08/08	15%	26/08/12	2012	12.98	26/08/13
43	26/08/08	20%	26/08/11	2011	12.98	26/08/13
43	26/08/08	20%	26/08/12	2012	12.98	26/08/13
44	26/08/08	15%	26/08/11	2011	12.98	26/08/13
44	26/08/08	15%	26/08/12	2012	12.98	26/08/13
45	26/08/08	20%	26/08/11	2011	12.98	26/08/13
45	26/08/08	20%	26/08/12	2012	12.98	26/08/13
48	29/06/09	10%	29/06/12	2012	14.92	29/06/14
48	29/06/09	10%	29/06/13	2013	14.92	29/06/14
49	29/06/09	15%	29/06/12	2012	14.92	29/06/14
49	29/06/09	15%	29/06/13	2013	14.92	29/06/14
52	29/06/09	10%	29/06/12	2012	14.92	29/06/14
52	29/06/09	10%	29/06/13	2013	14.92	29/06/14
53	29/06/09	15%	29/06/12	2012	14.92	29/06/14
53	29/06/09	15%	29/06/13	2013	14.92	29/06/14
55	23/12/09	10%	23/12/11	2011	22.26	23/12/14
55	23/12/09	10%	23/12/12	2012	22.26	23/12/14
55	23/12/09	10%	23/12/13	2013	22.26	23/12/14
56	23/12/09	15%	23/12/11	2011	22.26	23/12/14
56	23/12/09	15%	23/12/12	2012	22.26	23/12/14
56	23/12/09	15%	23/12/13	2013	22.26	23/12/14
58	01/07/10	10%	01/07/12	2012	19.28	01/07/15
58	01/07/10	10%	01/07/13	2013	19.28	01/07/15
58	01/07/10	10%	01/07/14	2014	19.28	01/07/15
59	01/07/10	15%	01/07/12	2012	19.28	01/07/15
59	01/07/10	15%	01/07/13	2013	19.28	01/07/15
59	01/07/10	15%	01/07/14	2014	19.28	01/07/15
60	13/08/10	10%	13/08/12	2012	19.75	13/08/15
60	13/08/10	10%	13/08/13	2013	19.75	13/08/15
60	13/08/10	10%	13/08/14	2014	19.75	13/08/15
61	13/08/10	15%	13/08/12	2012	19.75	13/08/15
61	13/08/10	15%	13/08/13	2013	19.75	13/08/15
61	13/08/10	15%	13/08/14	2014	19.75	13/08/15
63	13/08/10	10%	13/08/12	2012	19.75	13/08/15
63	13/08/10	10%	13/08/13	2013	19.75	13/08/15
63	13/08/10	10%	13/08/14	2014	19.75	13/08/15
64	13/08/10	15%	13/08/12	2012	19.75	13/08/15
64	13/08/10	15%	13/08/13	2013	19.75	13/08/15
64	13/08/10	15%	13/08/14	2014	19.75	13/08/15

Key management personnel equity holdings

Fully paid ordinary shares of JB Hi-Fi Limited

2011	Balance at 1 July 2010 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2011 No.	Balance held nominally No.
Mr P. Elliott	209,732	–	–	–	209,732	10,000
Mr J. King	32,258	–	–	–	32,258	32,258
Mr G. Levin	30,000	–	–	–	30,000	–
Dr W. Fraser	6,451	–	–	–	6,451	6,451
Mr G. Richards	23,000	–	–	–	23,000	23,000
Mr R. Uechtritz(i)	n/a	–	–	–	–	–
Ms B. Laughton(ii)	n/a	–	–	–	–	–
Mr T. Smart	1,500,000	–	35,000	(35,000)	1,500,000	–
Mr R. Murray	124,223	–	81,201	(30,140)	175,284	750
Mr S. Browning	80,335	–	81,201	–	161,536	–
Mr C. Trainor	–	–	–	–	–	–
Mr P. Green	34	–	21,667	(21,200)	501	–
	2,006,033	–	219,069	(86,340)	2,138,762	72,459

(i) Mr Uechtritz was appointed a non-executive director on 28 April 2011. At the date of his appointment Mr Uechtritz held no ordinary shares in the Company.

(ii) Ms Laughton was appointed a non-executive director on 26 May 2011. At the date of her appointment Ms Laughton held no ordinary shares in the Company.

2010(i)	Balance at 1 July 2009 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2010 No.	Balance held nominally No.
Mr P. Elliott	249,732	–	–	(40,000)	209,732	10,000
Mr J. King	32,258	–	–	–	32,258	32,258
Mr G. Levin	30,000	–	–	–	30,000	–
Mr W. Fraser	6,451	–	–	–	6,451	6,451
Mr G. Richards	23,000	–	–	–	23,000	23,000
Mr T. Smart	1,531,157	–	136,872	(168,029)	1,500,000	–
Mr R. Murray	151,433	–	80,335	(107,545)	124,223	750
Mr S. Browning	188,683	–	80,335	(188,683)	80,335	–
Mr C. Trainor	–	–	–	–	–	–
Mr P. Green	2,234	–	18,333	(20,533)	34	–
	2,214,948	–	315,875	(524,790)	2,006,033	72,459

(i) Mr Uechtritz resigned from his position as CEO and Executive Director on 28 May 2010. During the period to 28 May 2010, Mr Uechtritz received 180,048 ordinary shares on exercise of options and disposed 1,180,048 ordinary shares. At the date of his resignation, Mr Uechtritz held 1,000,000 ordinary shares.

Share options of JB Hi-Fi Limited

2011	Balance at 1 July 2010 No.	Granted as compensation No.	Exercised No.	Net other change No.	Balance at 30 June 2011 No.	Balance vested at 30 June 2011 No.	Options vested during year No.
Mr R. Uechtritz(i)	n/a	–	–	401,882	401,882	58,219	58,219
Mr T. Smart(ii)	396,045	111,528	(35,000)	–	472,573	148,022	183,022
Mr R. Murray	207,646	41,372	(81,201)	–	167,817	15,219	96,420
Mr S. Browning	206,991	33,265	(81,201)	–	159,055	15,000	96,201
Mr C. Trainor	78,844	58,169	–	–	137,013	–	–
Mr P. Green	60,000	38,075	(21,667)	–	76,408	5,000	26,667
	949,526	282,409	(219,069)	401,882	1,414,748	241,460	460,529

(i) Mr Uechtritz was appointed a non-executive director on 28 April 2011. At the date of his appointment Mr Uechtritz held 401,882 options over ordinary shares. These options are held in respect of Mr Uechtritz's role as a consultant to the Group.

(ii) Excludes any options that may be approved by the Board in August 2011. The issue of any options to Mr Smart, an executive director of the Company, is also subject to shareholder approval at the Company's Annual General Meeting in October 2011.

2010(i)	Balance at 1 July 2009 No.	Granted as compensation No.	Exercised No.	Balance at 30 June 2010 No.	Balance vested at 30 June 2010 No.	Options vested during year No.
Mr T. Smart(ii)	532,917	–	(136,872)	396,045	–	136,872
Mr R. Murray	287,981	–	(80,335)	207,646	–	80,335
Mr S. Browning	287,326	–	(80,335)	206,991	–	80,335
Mr C. Trainor(iii)	–	78,844	–	78,844	–	–
Mr P. Green(iii)	78,333	–	(18,333)	60,000	–	18,333
	1,186,557	78,844	(315,875)	949,526	–	315,875

(i) Mr Uechtritz resigned from his position as CEO and Executive Director on 28 May 2010. During the period to 28 May 2010, Mr Uechtritz exercised 180,048 options. At the date of his resignation, Mr Uechtritz held 621,923 options.

(ii) Excludes options that were approved by the Board in August 2010. This issue of options to Mr Smart, an executive director of the Company, was also subject to shareholder approval at the Company's Annual General Meeting in October 2010.

(iii) Excludes any options issued post 30 June 2010.

All employee and executive share options issued to employees and executives during the financial year were made in accordance with the provisions of the employee and executive share option plans.

During the financial year 219,069 (2010: 495,523) options were exercised by key management personnel at a weighted average exercise price of $8.90 (2010: $6.93) per ordinary share in JB Hi-Fi Limited. No amounts remain unpaid on the options exercised during the financial year at year end.

Value of options issued to key management personnel

The following table summarises the value of options granted, exercised or lapsed during the reporting period to the key management personnel:

2011	Value of options granted – at the grant date(i) $	Value of options exercised – at the exercise date(ii) $	Value of options lapsed – at the date of lapse $
Mr T. Smart	672,514	568,050	–
Mr R. Murray	249,473	808,779	–
Mr S. Browning	200,588	870,980	–
Mr C. Trainor	347,759	–	–
Mr P. Green	226,592	219,936	–
	1,696,926	2,467,745	–

(i) The value of options granted during the period is recognised in remuneration over the vesting period of the grant, in accordance with Australian equivalents to International Financial Reporting Standards.

(ii) Only options granted in previous years were exercised during the current financial year.

During and since the end of the financial year, an aggregate of 282,409 share options over ordinary shares in JB Hi-Fi Limited were granted to the identified Group key management personnel:

	Series	Number of options granted	Grant date (GD)	Exercise price $	Fair value per option at GD $	Vesting date	Expiry date	Performance condition – cumulative EPS growth per annum
Mr T. Smart	60.1	26,023	13/08/10	19.75	6.03	13/08/12	13/08/15	10%
	60.2	26,023	13/08/10	19.75	6.03	13/08/13	13/08/15	10%
	60.3	26,024	13/08/10	19.75	6.03	13/08/14	13/08/15	10%
	61.1	11,153	13/08/10	19.75	6.03	13/08/12	13/08/15	15%
	61.2	11,153	13/08/10	19.75	6.03	13/08/13	13/08/15	15%
	61.3	11,152	13/08/10	19.75	6.03	13/08/14	13/08/15	15%
		111,528		19.75	6.03			
Mr R. Murray	60.1	9,654	13/08/10	19.75	6.03	13/08/12	13/08/15	10%
	60.2	9,653	13/08/10	19.75	6.03	13/08/13	13/08/15	10%
	60.3	9,653	13/08/10	19.75	6.03	13/08/14	13/08/15	10%
	61.1	4,138	13/08/10	19.75	6.03	13/08/12	13/08/15	15%
	61.2	4,137	13/08/10	19.75	6.03	13/08/13	13/08/15	15%
	61.3	4,137	13/08/10	19.75	6.03	13/08/14	13/08/15	15%
		41,372		19.75	6.03			
Mr S. Browning	60.1	7,762	13/08/10	19.75	6.03	13/08/12	13/08/15	10%
	60.2	7,762	13/08/10	19.75	6.03	13/08/13	13/08/15	10%
	60.3	7,762	13/08/10	19.75	6.03	13/08/14	13/08/15	10%
	61.1	3,327	13/08/10	19.75	6.03	13/08/12	13/08/15	15%
	61.2	3,326	13/08/10	19.75	6.03	13/08/13	13/08/15	15%
	61.3	3,326	13/08/10	19.75	6.03	13/08/14	13/08/15	15%
		33,265		19.75	6.03			
Mr C. Trainor	58.1	4,667	01/07/10	19.28	5.88	01/07/12	01/07/15	10%
	58.2	4,667	01/07/10	19.28	5.88	01/07/13	01/07/15	10%
	58.3	4,666	01/07/10	19.28	5.88	01/07/14	01/07/15	10%
	59.1	2,000	01/07/10	19.28	5.88	01/07/12	01/07/15	15%
	59.2	2,000	01/07/10	19.28	5.88	01/07/13	01/07/15	15%
	59.3	2,000	01/07/10	19.28	5.88	01/07/14	01/07/15	15%
	60.1	8,906	13/08/10	19.75	6.03	13/08/12	13/08/15	10%
	60.2	8,906	13/08/10	19.75	6.03	13/08/13	13/08/15	10%
	60.3	8,906	13/08/10	19.75	6.03	13/08/14	13/08/15	10%
	61.1	3,817	13/08/10	19.75	6.03	13/08/12	13/08/15	15%
	61.2	3,817	13/08/10	19.75	6.03	13/08/13	13/08/15	15%
	61.3	3,817	13/08/10	19.75	6.03	13/08/14	13/08/15	15%
		58,169		19.59	5.98			

	Series	Number of options granted	Grant date (GD)	Exercise price $	Fair value per option at GD $	Vesting date	Expiry date	Performance condition – cumulative EPS growth per annum
Mr P. Green	58.1	4,667	01/07/10	19.28	5.88	01/07/12	01/07/15	10%
	58.2	4,667	01/07/10	19.28	5.88	01/07/13	01/07/15	10%
	58.3	4,666	01/07/10	19.28	5.88	01/07/14	01/07/15	10%
	59.1	2,000	01/07/10	19.28	5.88	01/07/12	01/07/15	15%
	59.2	2,000	01/07/10	19.28	5.88	01/07/13	01/07/15	15%
	59.3	2,000	01/07/10	19.28	5.88	01/07/14	01/07/15	15%
	60.1	4,218	13/08/10	19.75	6.03	13/08/12	13/08/15	10%
	60.2	4,218	13/08/10	19.75	6.03	13/08/13	13/08/15	10%
	60.3	4,217	13/08/10	19.75	6.03	13/08/14	13/08/15	10%
	61.1	1,808	13/08/10	19.75	6.03	13/08/12	13/08/15	15%
	61.2	1,807	13/08/10	19.75	6.03	13/08/13	13/08/15	15%
	61.3	1,807	13/08/10	19.75	6.03	13/08/14	13/08/15	15%
		38,075		19.50	5.95			
		282,409		19.68	6.01			

The following table details the options exercised during the financial year by the identified Group key management personnel:

	Series	Number of options exercised	Exercise date	Number of shares issued	Exercise price $	Share price at Exercise Date $	Performance condition – cumulative EPS growth per annum	Performance condition – achieved
Mr T. Smart	24.3	35,000	01/09/10	35,000	4.81	21.04	10%	Yes
		35,000		35,000				
Mr R. Murray	21.3	18,667	20/08/10	18,667	4.81	20.34	10%	Yes
	22.3	8,000	20/08/10	8,000	4.81	20.34	15%	Yes
	33.2	19,792	08/02/11	19,792	11.00	19.19	15%	Yes
	34.2	8,483	08/02/11	8,483	11.00	19.19	20%	Yes
	42.1	18,381	08/02/11	18,381	12.98	19.19	15%	Yes
	43.1	7,878	08/02/11	7,878	12.98	19.19	20%	Yes
		81,201		81,201				
Mr S. Browning	21.3	18,667	16/08/10	18,667	4.81	20.37	10%	Yes
	22.3	8,000	16/08/10	8,000	4.81	20.37	15%	Yes
	33.2	19,792	20/08/10	19,792	11.00	20.34	15%	Yes
	34.2	8,483	20/08/10	8,483	11.00	20.34	20%	Yes
	42.1	18,381	27/08/10	18,381	12.98	20.29	15%	Yes
	43.1	7,878	27/08/10	7,878	12.98	20.29	20%	Yes
		81,201		81,201				
Mr P. Green	20.3	5,000	16/08/10	5,000	4.81	20.37	n/a	n/a
	32.2	10,000	20/08/10	10,000	11.00	20.34	n/a	n/a
	41.1	6,667	27/08/10	6,667	12.98	20.29	n/a	n/a
		21,667		21,667				
Mr C. Trainor		–		–				
		219,069		219,069				

In addition to the aforementioned, Mr Uechtritz exercised the following options prior to his appointment to the Board on 28 April 2011:

	Series	Number of options exercised	Exercise date	Number of shares issued	Exercise price $	Share price at Exercise Date $	Performance condition – cumulative EPS growth per annum	Performance condition – achieved
Mr R. Uechtritz	24.3	46,666	16/08/10	46,666	4.81	20.37	10%	Yes
	25.3	20,000	16/08/10	20,000	4.81	20.37	15%	Yes
	35.2	55,666	20/08/10	55,666	11.00	20.34	15%	Yes
	36.2	23,857	20/08/10	23,857	11.00	20.34	20%	Yes
	44.1	51,696	27/08/10	51,696	12.98	20.29	15%	Yes
	45.1	22,156	27/08/10	22,156	12.98	20.29	20%	Yes
		220,041		220,041				

No options lapsed during the annual reporting period in relation to the identified Group key management personnel.

Value of options – basis of calculation

Options exercised during the year by the identified Group key management personnel were granted between 15/08/2006 and 26/08/2008.

The value of options granted, exercised and lapsed during the year is calculated based on the following:

- fair value of the option at grant date multiplied by the number of options granted;
- fair value of the option at the time it is exercised multiplied by the number of options exercised; and
- fair value of the option at the time of lapse multiplied by the number of options lapsed.

The total value of options included in remuneration for the identified Group key management personnel for the financial year is calculated in accordance with Australian equivalents to International Financial Reporting Standards. This requires that the value of the option is determined at grant date and is included in remuneration on a proportionate basis from grant date to vesting date.

Proceedings on behalf of the Company

The directors are not aware of any persons applying for leave under s.237 of the Corporations Act 2001 to bring, or intervene in, proceedings on behalf of the Company.

Non-audit services

For a Group of the size and complexity of JB Hi-Fi, it can be in the interests of the Group to engage the services of its external auditor to assist in a range of related projects. The directors are aware of the issues relating to auditor independence and have in place policies and procedures to address actual, potential and perceived conflicts in relation to the provision of non-audit related services by its external auditor.

The directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 10 to the financial statements do not compromise the external auditor's independence based on advice received from the Audit and Risk Management Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Australian Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 10 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 38, of the Annual Report.

Rounding off of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars. Amounts in the directors' report have been rounded off to the nearest whole dollar, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors

Patrick Elliott	**Terry Smart**
Chairman	Chief Executive Officer

Melbourne,
5 August 2011

Deloitte.

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The Board of Directors
JB Hi-Fi Limited
Level 4, Office Tower 2
Chadstone Shopping Centre
1341 Dandenong Road
Chadstone VIC 3148

5 August 2011

Dear Board Members

JB Hi-Fi Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of JB Hi-Fi Limited.

As lead audit partner for the audit of the financial statements of JB Hi-Fi Limited for the year ended 30 June 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

TOM IMBESI
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Report to the members of JB Hi-Fi Limited

Report on the Financial Report

We have audited the accompanying financial report of JB Hi-Fi Limited (the company), which comprises the statement of financial position as at 30 June 2011, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 41 to 83.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of JB Hi-Fi Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of JB Hi-Fi Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 36 of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of JB Hi-Fi Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

TOM IMBESI
Partner
Chartered Accountants

Melbourne,
5 August 2011

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

At the date of this declaration, the Company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors' opinion, there are reasonable grounds to believe that the Company and the companies to which the ASIC Class Order applies, as detailed in note 35 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

P. Elliott

Patrick Elliott
Chairman

Terry Smart
Chief Executive Officer

Melbourne,
5 August 2011

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Revenue	3	2,959,253	2,731,320
Cost of sales		(2,307,224)	(2,137,146)
Gross profit		652,029	594,174
Other income	4	2,351	1,710
Sales and marketing expenses		(286,823)	(265,142)
Occupancy expenses		(114,800)	(101,067)
Administration expenses		(26,898)	(24,911)
Other expenses		(27,658)	(28,206)
Significant item	6	(33,352)	-
Finance costs	5	(6,268)	(6,957)
Profit before tax		158,581	169,601
Income tax expense	7	(48,886)	(50,949)
Profit for the year		109,695	118,652
Attributable to:			
Equity holders of the parent		109,695	118,652
		109,695	118,652
		Cents	Cents
Earnings per share			
Basic (cents per share)	31	101.76	109.74
Diluted (cents per share)	31	101.10	108.42

Key statistical data

for the financial year end 30 June 2011

	2011	2010
Gross margin percentage	22.03%	21.75%
Rent for trading stores as a percentage of sales(i)	2.10%	2.02%
Cost of doing business (CODB) as a percentage of sales	15.62%	14.49%
CODB as a percentage of sales excluding significant item	14.49%	14.49%
Earnings before interest and taxation (EBIT) margin	5.50%	6.41%
EBIT margin excluding significant item	6.62%	6.41%
Number of stores at end of the year	157	141

(i) Based on actual rent and outgoings for the financial year, excluding the impact of A-IFRS straight-line rent adjustment. Including the A-IFRS adjustment, rent as a percentage of sales would be 2.17% (2010: 2.10%).

The above income statement should be read in conjunction with the accompanying notes.

	Consolidated	
	2011 *$'000*	*2010* *$'000*
Profit for the year	109,695	118,652
Other comprehensive income		
Changes in the fair value of cash flow hedges (net of tax)	(390)	1,059
Exchange differences on translation of foreign operations	(2,082)	277
Other comprehensive income for the year	(2,472)	1,336
Total comprehensive income for the year	107,223	119,988
Total comprehensive income attributable to:		
Equity holders of the parent	107,223	119,988
	107,223	119,988

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2011 $'000	2010 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	27,246	51,735
Trade and other receivables	12	58,253	63,499
Inventories	13	406,939	334,754
Other	14	8,634	4,520
Total current assets		501,072	454,508
Non-current assets			
Other financial assets	15	3	3
Plant and equipment	16	169,590	163,982
Deferred tax assets	17	17,802	11,968
Intangible assets	18	78,672	83,861
Total non-current assets		266,067	259,814
Total assets		767,139	714,322
LIABILITIES			
Current liabilities			
Trade and other payables	19	301,602	289,505
Borrowings	20	-	35,000
Other financial liabilities	21	645	684
Current tax liabilities	22	12,064	10,011
Provisions	23	29,316	25,975
Other current liabilities	24	2,311	1,964
Total current liabilities		345,938	363,139
Non-current liabilities			
Borrowings	25	232,582	34,624
Provisions	26	14,466	4,421
Other non-current liabilities	27	21,548	18,763
Other financial liabilities	28	292	79
Total non-current liabilities		268,888	57,887
Total liabilities		614,826	421,026
Net assets		152,313	293,296
EQUITY			
Contributed equity	29	58,206	53,578
Reserves	30(a)	4,028	3,873
Retained earnings	30(b)	90,079	235,845
Total equity		152,313	293,296

The above balance sheet should be read in conjunction with the accompanying notes.

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2009		44,783	193	184,276	229,252
Profit for the year		-	-	118,652	118,652
Cash flow hedges (net of tax)	30	-	1,059	-	1,059
Exchange differences on translation of foreign operations	30	-	277	-	277
Total comprehensive income for the year		-	1,336	118,652	119,988
Issue of shares under share option plan	29	6,838	-	-	6,838
Transfer from equity settled benefits reserve	29	1,957	(1,957)	-	-
Dividends provided for or paid	32	-	-	(67,083)	(67,083)
Employee share options - value of employee services	30	-	4,301	-	4,301
		8,795	2,344	(67,083)	(55,944)
Balance at 30 June 2010		53,578	3,873	235,845	293,296
Balance at 1 July 2010		53,578	3,873	235,845	293,296
Profit for the year		-	-	109,695	109,695
Cash flow hedges (net of tax)	30	-	(390)	-	(390)
Exchange differences on translation of foreign operations	30	-	(2,082)	-	(2,082)
Total comprehensive income for the year		-	(2,472)	109,695	107,223
Issue of shares under share option plan	29	9,305	-	-	9,305
Transfer from equity settled benefits reserve	29	2,167	(2,167)	-	-
Share buy-back - capital component	29	(6,283)	-	-	(6,283)
Share buy-back - dividend component	32	-	-	(167,050)	(167,050)
Share buy-back costs (net of tax)	29	(561)	-	-	(561)
Dividends provided for or paid	32	-	-	(88,411)	(88,411)
Employee share options - value of employee services	30	-	4,519	-	4,519
Employee share options - income tax	30	-	275	-	275
		4,628	2,627	(255,461)	(248,206)
Balance at 30 June 2011		58,206	4,028	90,079	152,313

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2011 $'000	Consolidated 2010 $'000
Cash flows from operating activities			
Receipts from customers		3,267,490	2,965,823
Payments to suppliers and employees		(3,101,569)	(2,755,140)
Interest and bill discounts received		2,236	1,448
Interest and other costs of finance paid		(6,047)	(6,491)
Income taxes paid		(52,165)	(53,537)
Net cash inflow (outflow) from operating activities	40	109,945	152,103
Cash flows from investing activities			
Payments for property, plant and equipment		(45,063)	(54,460)
Proceeds from sale of plant and equipment		1,144	1,063
Payments for intangible assets		-	(2,388)
Net cash (outflow) inflow from investing activities		(43,919)	(55,785)
Cash flows from financing activities			
Proceeds / (repayment) of borrowings		163,334	(20,000)
Payments for debt issue costs		(955)	-
Proceeds from issues of equity securities		9,305	6,838
Dividends paid to members of the parent entity	32	(88,411)	(67,083)
Payments for shares bought back	32	(173,333)	-
Payments for share buy-back costs		(801)	-
Net cash (outflow) inflow from financing activities		(90,861)	(80,245)
Net increase (decrease) in cash and cash equivalents		(24,835)	16,073
Cash and cash equivalents at the beginning of the financial year		51,735	35,790
Effects of exchange rate changes on cash and cash equivalents		346	(128)
Cash and cash equivalents at end of year	11	27,246	51,735

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity consisting of JB Hi-Fi Limited and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001.*

The consolidated financial statements of JB Hi-Fi Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The financial statements were authorised for issue by the directors on 5 August 2011.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Rounding of amounts

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(c) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of JB Hi-Fi Limited (''Company" or ''parent entity") as at 30 June 2011 and the results of all subsidiaries for the year then ended. JB Hi-Fi Limited and its subsidiaries together are referred to in this financial report as the Company or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Company (refer to note 1(f)).

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

Investments in subsidiaries are accounted for at cost in the separate financial statements of JB Hi-Fi Limited.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) Principles of consolidation (cont.)

(ii) Employee Share Trust

The Company has formed a trust to administer the Company's employee option plans. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Company.

(d) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, and intends to do so.

(e) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(f) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Company's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(g) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(h) Contributed equity

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(i) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

The Company documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 41. Movements in the hedging reserve in shareholders' equity are shown in note 30.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified in profit or loss when the foreign operation is partially disposed of or sold.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(j) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(k) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Contributions to defined contribution superannuation plans are expensed when employees have rendered services entitling them to contributions.

(l) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(n) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(o) Income tax

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches and associates, and interest in joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary difference and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Income tax (cont.)

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group under Australian taxation law. JB Hi-Fi Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the tax-consolidated group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement. Further information about the tax funding arrangement is disclosed in note 7.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

(p) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

If the recoverable amount of the CGU (or groups of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets in the CGU (or groups of CGUs) pro-rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss and is not reversed in a subsequent period.

On disposal of an operation within a CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal of the operation.

(ii) Brand names and trademarks

Brand names recognised by the Group have an indefinite life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 1(n).

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(p) Intangible assets (cont.)

(iii) Rights to profit share

Management rights in relation to the profit share agreement of the Highpoint store have been recorded at the cost of acquisition. The directors gave due consideration to the technical and commercial life of the rights to determine their useful life and have assessed them to have an indefinite life. The profit share is not amortised and the carrying value is tested for impairment as part of the annual testing of cash generating units.

(iv) Location premiums

Location premiums represent the amounts paid to secure the rights to prime retail lease space. The location premiums recognised have an indefinite life and are not amortised. Each period, the useful lives of the assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets. Such assets are tested for impairment in accordance with the policy stated in note 1(n).

(q) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

(r) Investments and other financial assets

Loans and receivables are carried at amortised cost using the effective interest method.

Investments in subsidiaries are measured at cost in the Company financial statements. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the Company financial statements.

(s) Leases

Leases are classified as finance leases, whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Finance leases

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Finance leased assets are amortised on a straight-line basis over the estimated useful life of the asset.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease incentives

In the event that lease incentives (for example rent free periods and upfront capital contributions) are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases (note 33). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(t) Plant and equipment

Plant and equipment, leasehold improvements and equipment under finance leases are stated at cost less accumulated depreciation and impairment (if any). Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on plant and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements	1 to 15 years
- Plant and equipment	1.5 to 15 years

(u) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(v) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods - retail

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Risks and rewards are considered passed to the buyer at the point of sale if the goods are taken by the customer at that time, or on delivery of the goods to the customer.

(ii) Interest income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that assets net carrying amount.

(iii) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the Chief Executive Officer.

(x) Share-based payments

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at grant date. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with corresponding adjustment to equity-settled benefits reserve.

(y) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are stated at amortised cost. The amounts are unsecured and are usually settled within 45 days of recognition.

(z) Trade receivables

Trade receivables are recognised at amortised cost less provision for impairment.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(aa) New accounting standards and interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised in the financial statements of the Group, however they have impacted the disclosures presented in the financial statements.

At the date of authorisation of the financial report, the following relevant Standards and Interpretations were issued but not yet effective:

(i) Revised AASB 124 *Related Party Disclosures* and AASB 2009-12 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)

(ii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective for annual reporting periods beginning on or after 1 January 2013)

(iii) AASB 2009-14 *Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement* (effective for annual reporting periods beginning on or after 1 January 2011)

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(aa) New accounting standards and interpretations (cont.)

(iv) AASB 2010-5 *Amendments to Australian Accounting Standards* (effective for annual reporting periods beginning on or after 1 January 2011)

(v) AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets* (effective for annual reporting periods beginning on or after 1 July 2011)

(vi) AASB 2010-8 *Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets* (effective for annual reporting periods beginning on or after 1 January 2012)

(vii) IFRS 10 *Consolidated Financial Statements* (effective for annual reporting periods beginning on or after 1 January 2013)

(viii) IFRS 11 *Joint Arrangements* (effective for annual reporting periods beginning on or after 1 January 2013)

(ix) IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual reporting periods beginning on or after 1 January 2013)

(x) IFRS 13 *Fair Value Measurement* (effective for annual reporting periods beginning on or after 1 January 2013)

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the Group.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of goodwill and other intangible assets

The Company tests annually whether goodwill and other intangible assets has suffered any impairment, in accordance with the accounting policy stated in note 1(n). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 18 for details of these assumptions and the potential impact of changes to the assumptions.

(b) Critical judgements in applying the entity's accounting policies

Inventories

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs to sell. The key assumptions require the use of management judgement and are reviewed annually. These key assumptions are the variables affecting the expected selling price. Any reassessment of the selling price in a particular year will affect the cost of goods sold.

Employee entitlements

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries;
- future on-cost rates; and
- experience of employee departures and period of service.

	Consolidated 2011 $'000	Consolidated 2010 $'000
3 REVENUE		
Sale of goods	2,959,253	2,731,320
4 OTHER INCOME		
Interest received - banks	2,236	1,448
Other income	115	262
	2,351	1,710
5 EXPENSES		
Profit before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	17,398	14,550
Leasehold improvements	9,889	8,727
	27,287	23,277
Finance costs		
Interest on loans	5,389	5,157
Fair value loss on interest rate swaps designated as cash flow hedges - transfer from equity	300	1,535
Other interest expense	579	265
	6,268	6,957
Rental expense relating to operating leases		
Minimum lease payments	65,722	58,379
Employee benefits expense		
Defined contribution superannuation expense	19,957	18,107
Equity settled share-based payments	4,519	4,301
Other employee benefits	258,350	238,106
	282,826	260,514
Net foreign exchange (gains)/losses	(40)	(11)
Net loss on disposal of plant and equipment	725	2,313
Impairment of trade receivables	515	77
Inventory shrinkage[(i)]	7,617	8,429

(i) Shrinkage as a percentage of sales was 0.26% (2010: 0.31%)

6 SIGNIFICANT ITEM - CLIVE ANTHONYS RESTRUCTURE

As announced on the Australian Securities Exchange on 29 March 2011, during the period the Group undertook a strategic review of its Clive Anthonys business. The result of the review was a charge of $33,352 thousand to restate the carrying value of assets to their recoverable amount based on the revised strategy and record any related liabilities. The components of the charge are shown below:

	Consolidated 2011 $'000	Consolidated 2010 $'000
Goodwill write-off	4,564	-
Plant and equipment write-off	9,763	-
Stock net realisable value adjustment	2,600	-
Provision for onerous lease contracts	12,687	-
Other	3,738	-
	33,352	-

The impact of the above charge on Net Profit After Tax is $24,716 thousand.

	Consolidated 2011 $'000	Consolidated 2010 $'000
7 INCOME TAX EXPENSE		
(a) Income tax expense		
Current tax	54,720	44,923
Deferred tax	(5,834)	6,026
	48,886	50,949
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	158,581	169,601
Income tax expense calculated at 30% (2010 : 30%)	47,574	50,880
Effect of expenses that are not deductible in determining taxable profit	2,876	1,225
Effect of different tax rates of subsidiaries operating in other jurisdictions	24	-
Impact of changes in offshore tax rates	-	244
Other	(1,588)	(1,400)
	48,886	50,949
(c) Amounts recognised directly in equity		
The following current and deferred amounts were charged directly to equity during the period:		
Current tax		
Tax effect of employee share options in reserves	(275)	-
Deferred tax		
Tax effect of hedge gains/(losses) in reserves	(168)	356
Tax effect of share buy-back costs charged to issued capital	(240)	-
	(683)	356

7 INCOME TAX EXPENSE (cont.)

(d) Tax consolidation legislation

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is JB Hi-Fi Limited. The members of the tax-consolidated group are identified at note 34.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, JB Hi-Fi Limited and each of the entities in the tax-consolidated group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding agreement.

	Consolidated	
	2011 $'000	*2010 $'000*
8 KEY MANAGEMENT PERSONNEL DISCLOSURES		
(a) Key management personnel compensation		
The aggregate compensation of the key management personnel of the Group is set out below:		
Short-term employee benefits	4,635,231	7,151,111
Post-employment benefits	210,733	286,819
Share-based payments	1,605,247	2,002,381
	6,451,211	9,440,311

Detailed remuneration disclosures are provided in the remuneration report on pages 19 to 36.

(b) Equity instrument disclosures relating to key management personnel

Share options of JB Hi-Fi Limited

Details of key management personnel option holdings are as follows:

2011	*Balance at start of the year*	*Granted as compensation*	*Exercised*	*Other changes*	*Balance at end of the year*	*Vested and exercisable*	*Unvested*
Mr R. Uechtritz[i]	n/a	-	-	401,882	401,882	58,219	343,663
Mr T. Smart[ii]	396,045	111,528	(35,000)	-	472,573	148,022	324,551
Mr R. Murray	207,646	41,372	(81,201)	-	167,817	15,219	152,598
Mr S. Browning	206,991	33,265	(81,201)	-	159,055	15,000	144,055
Mr C. Trainor	78,844	58,169	-	-	137,013	-	137,013
Mr P. Green	60,000	38,075	(21,667)	-	76,408	5,000	71,408
	949,526	282,409	(219,069)	401,882	1,414,748	241,460	1,173,288

(i) Mr Uechtritz was appointed a non-executive director on 28 April 2011. At the date of his appointment Mr Uechtritz held 401,882 options over ordinary shares. These options are held in respect of Mr Uechtritz's role as a consultant to the Group.

(ii) Excludes any options that may be approved by the Board in August 2011. The issue of any options to Mr Smart, an executive director of the Company, is also subject to shareholder approval at the Company's Annual General Meeting in October 2011.

8 KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)

(b) Equity instrument disclosures relating to key management personnel (cont.)

2010 (i)	*Balance at start of the year*	*Granted as compen-sation*	*Exercised*	*Other changes*	*Balance at end of the year*	*Vested and exercisable*	*Unvested*
Mr T. Smart(ii)	532,917	-	(136,872)	-	396,045	-	396,045
Mr R. Murray	287,981	-	(80,335)	-	207,646	-	207,646
Mr S. Browning	287,326	-	(80,335)	-	206,991	-	206,991
Mr C. Trainor(iii)	-	78,844	-	-	78,844	-	78,844
Mr P. Green(iii)	78,333	-	(18,333)	-	60,000	-	60,000
	1,186,557	78,844	(315,875)	-	949,526	-	949,526

(i) Mr Uechtritz resigned from his position as CEO and Executive Director on 28 May 2010. During the period to 28 May 2010, Mr Uechtritz exercised 180,048 options. At the date of his resignation, Mr Uechtritz held 621,923 options.

(ii) Excludes options that were approved by the Board in August 2010. This issue of options to Mr Smart, an executive director of the Company, was also subject to shareholder approval at the Company's Annual General Meeting in October 2010.

(iii) Excludes any options issued post 30 June 2010.

All employee and executive share options issued to employees and executives during the financial year were made in accordance with the provisions of the employee and executive share option plan.

During the financial year 219,069 (2010: 495,923) options were exercised by key management personnel at a weighted average exercise price of $8.90 (2010: $6.93) per ordinary share in JB Hi-Fi Limited. No amounts remain unpaid on the options exercised during the financial year at year end.

Fully paid ordinary shares of JB Hi-Fi Limited

Details of key management personnel equity holdings are as follows:

2011	*Balance at the start of the year*	*Granted during reporting year as compensation*	*Received during the year on the exercise of options*	*Other changes during the year*	*Balance at the end of the year*	*Balance held nominally*
Mr P. Elliott	209,732	-	-	-	209,732	10,000
Mr J. King	32,258	-	-	-	32,258	32,258
Mr G. Levin	30,000	-	-	-	30,000	-
Mr W. Fraser	6,451	-	-	-	6,451	6,451
Mr G. Richards	23,000	-	-	-	23,000	23,000
Mr R. Uechtritz(i)	n/a	-	-	-	-	-
Ms B. Laughton(ii)	n/a	-	-	-	-	-
Mr T. Smart	1,500,000	-	35,000	(35,000)	1,500,000	-
Mr R. Murray	124,223	-	81,201	(30,140)	175,284	750
Mr S. Browning	80,335	-	81,201	-	161,536	-
Mr C. Trainor	-	-	-	-	-	-
Mr P. Green	34	-	21,667	(21,200)	501	-
	2,006,033	-	219,069	(86,340)	2,138,762	72,459

(i) Mr Uechtritz was appointed a non-executive director on 28 April 2011. At the date of his appointment, Mr Uechtritz held no ordinary shares in the Company.

(ii) Ms Laughton was appointed a non-executive director on 26 May 2011. At the date of her appointment, Ms Laughton held no ordinary shares in the Company.

8 KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)

(b) Equity instrument disclosures relating to key management personnel (cont.)

Fully paid ordinary shares of JB Hi-Fi Limited (cont.)

2010(i)	*Balance at the start of the year*	*Granted during reporting year as compensation*	*Received during the year on the exercise of options*	*Other changes during the year*	*Balance at the end of the year*	*Balance held nominally*
Mr P. Elliott	249,732	-	-	(40,000)	209,732	10,000
Mr J. King	32,258	-	-	-	32,258	32,258
Mr G. Levin	30,000	-	-	-	30,000	-
Mr W. Fraser	6,451	-	-	-	6,451	6,451
Mr G. Richards	23,000	-	-	-	23,000	23,000
Mr T. Smart	1,531,157	-	136,872	(168,029)	1,500,000	-
Mr R. Murray	151,433	-	80,335	(107,545)	124,223	750
Mr S. Browning	188,683	-	80,335	(188,683)	80,335	-
Mr C. Trainor	-	-	-	-	-	-
Mr P. Green	2,234	-	18,333	(20,533)	34	-
	2,214,948	-	315,875	(524,790)	2,006,033	72,459

(i) Mr Uechtritz resigned from his position as CEO and Executive Director on 28 May 2010. During the period to 28 May 2010, Mr Uechtritz received 180,048 ordinary shares on exercise of options and disposed 1,180,048 ordinary shares. At the date of his resignation, Mr Uechtritz held 1,000,000 ordinary shares.

9 SHARE-BASED PAYMENTS

(a) Executive and employee share option plans

The Group has an ownership-based remuneration scheme for employees and executives (excluding non-executive directors). In accordance with the provisions of the scheme, employees and executives within the Group are granted options to purchase parcels of ordinary shares at various issue prices. The options vest a third each, on the second, third and fourth anniversary of issue providing that performance and share price conditions, where they exist, are met. The options expire within five years of their issue, or one month after the executive's resignation, whichever is earlier.

Since July 2004, all options issued to Group directors and executives under the Group's long-term incentive program have included a performance hurdle requiring compound annual EPS growth of between 10% and 20%.

The following reconciles the outstanding share options granted under the employee and executive share option plan at the beginning and end of the financial year:

2011	*Balance at start of the year Number*	*Granted during the year Number*	*Exercised / lapsed during the year Number*	*Balance at end of the year Number*	*Vested and exercisable at end of the year Number*
Outstanding Share Options	3,461,709	960,008	(1,226,283)	3,195,434	536,296
Weighted average exercise price	$12.19	$19.52	$10.20	$15.16	$12.84

9 SHARE-BASED PAYMENTS (cont.)

(a) Executive and employee share option plans (cont.)

2010	Balance at start of the year Number	Granted during the year Number	Exercised / lapsed during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Outstanding Share Options	4,398,925	161,105	(1,098,321)	3,461,709	160,007
Weighted average exercise price	$10.40	$20.50	$6.23	$12.19	$7.74

The weighted average remaining contractual life of share options outstanding at the end of the period was 1,000 days (2010 - 1,041 days).

Fair value of options granted

The weighted average fair value at grant date of options granted during the year ended 30 June 2011 was $5.93 per option (2010 - $6.88). The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The expected price volatility is based on the daily closing share price for the 3.44 years preceeding the issue of the series.

All option series have an expiry of five years from grant date, however the expected life of options granted during the year ended 30 June 2011 was reduced to 3.44 years to allow for the effects of early exercise based on prior years' experience.

Detailed share option disclosures for all options series granted and exercised during the year are provided in the remuneration report on pages 19 to 36.

	Consolidated 2011 $	Consolidated 2010 $
10 REMUNERATION OF AUDITORS		
(a) Auditor of the parent entity		
Audit and review of financial reports	335,000	299,600
Other assurance services	24,500	-
Other services (inventory auto-replenishment analysis)	176,867	-
Total remuneration for audit and other services	536,367	299,600
(b) Other auditors		
Audit and review of financial reports	-	33,400
Other services	-	-
Total remuneration for audit and other assurance services	-	33,400
	536,367	333,000

The auditor of JB Hi-Fi Limited is Deloitte Touche Tohmatsu.

The auditor of JB Hi-Fi Group (NZ) Limited in 2010 was Deloitte Touche Tohmatsu (New Zealand). In 2011 JB Hi-Fi Group (NZ) Limited was audited by Deloitte Touche Tohmatsu.

	Consolidated 2011 $'000	Consolidated 2010 $'000
11 CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	27,246	51,735
12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Trade receivables	12,113	10,350
Allowance for doubtful debts	(403)	(281)
	11,710	10,069
Non-trade receivables	46,543	53,430
	58,253	63,499

(a) Terms and conditions

Trade receivables

The average credit period on account sales of goods is 30 days. No interest is charged on trade receivables.

An allowance has been made for estimated irrecoverable amounts arising from a review of individual debtors. Credit insurance is carried for commercial debtor accounts.

Non-trade receivables

Non-trade receivables principally represent rebates receivable from suppliers for purchases of inventories. No amount is considered irrecoverable from suppliers and therefore no allowance has been made.

	Consolidated 2011 $'000	Consolidated 2010 $'000
(b) Ageing of trade receivables		
Not past due	10,182	8,747
Past due but not impaired:		
0 - 30 days	1,380	1,180
31 - 60 days	148	142
61 - 90 days	-	-
91+ days	-	-
	11,710	10,069
(c) Movements in allowance for doubtful debts		
Balance at the beginning of the year	281	514
Provision for impairment recognised during the year	515	77
Receivables written off during the year as uncollectible	(371)	(113)
Amounts recovered	(22)	(197)
	403	281
(d) Ageing of allowance for doubtful debts		
0 - 30 days	-	-
31 - 60 days	-	-
61 - 90 days	30	45
91+ days	373	236
	403	281

The Group has not impaired all debts that are past due at the reporting date as the Group considers the majority of these amounts to be recoverable.

The Group does not hold any collateral over trade receivables.

	Consolidated 2011 $'000	2010 $'000
13 CURRENT ASSETS - INVENTORIES		
Finished goods	406,939	334,754
14 CURRENT ASSETS - OTHER		
Prepayments	4,191	3,136
Deposits	4,443	1,384
	8,634	4,520
15 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS		
Equity securities	3	3

	Plant and equipment $'000	*Leasehold improve-ments $'000*	*Total $'000*
16 NON-CURRENT ASSETS - PLANT AND EQUIPMENT			
At 1 July 2009			
Cost	125,548	67,841	193,389
Accumulated depreciation	(37,335)	(19,991)	(57,326)
Net book amount	88,213	47,850	136,063
Year ended 30 June 2010			
Opening net book amount	88,213	47,850	136,063
Exchange differences	63	48	111
Additions	34,919	19,542	54,461
Disposals	(2,085)	(1,291)	(3,376)
Depreciation charge	(14,550)	(8,727)	(23,277)
Closing net book amount	106,560	57,422	163,982
At 30 June 2010			
Cost	151,709	85,272	236,981
Accumulated depreciation	(45,149)	(27,850)	(72,999)
Net book amount	106,560	57,422	163,982
Year ended 30 June 2011			
Opening net book amount	106,560	57,422	163,982
Exchange differences	(290)	(246)	(536)
Additions	28,249	16,814	45,063
Disposals	(1,608)	(261)	(1,869)
Clive Anthonys write-off	(5,914)	(3,849)	(9,763)
Depreciation charge	(17,398)	(9,889)	(27,287)
Closing net book amount	109,599	59,991	169,590
At 30 June 2011			
Cost	166,330	94,672	261,002
Accumulated depreciation	(56,731)	(34,681)	(91,412)
Net book amount	109,599	59,991	169,590

	Consolidated 2011 $'000	Consolidated 2010 $'000
17 NON-CURRENT ASSETS - DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Tax losses	3,425	3,536
Provisions	18,109	11,914
Trade and other receivables	119	83
Inventories	2,148	2,993
Trade and other payables	2,421	1,988
Cash flow hedges	281	229
	26,503	20,743
Deferred tax liabilities		
Trade and other receivables	(1,493)	(1,296)
Plant and equipment	(7,208)	(7,479)
	(8,701)	(8,775)
Net deferred tax assets	17,802	11,968

Movements - Consolidated	*Tax losses $'000*	*Provisions $'000*	*Trade and other receivables $'000*	*Inventories $'000*	*Plant and equipment $'000*	*Trade and other payables $'000*	*Cash flow hedges $'000*	*Total $'000*
At 1 July 2009	3,791	12,056	(747)	2,796	(1,572)	1,027	643	17,994
Charged to income	(255)	(142)	(466)	197	(5,907)	961	(414)	(6,026)
At 30 June 2010	3,536	11,914	(1,213)	2,993	(7,479)	1,988	229	11,968
At 1 July 2010	3,536	11,914	(1,213)	2,993	(7,479)	1,988	229	11,968
Charged to income	(111)	6,195	(161)	(845)	271	433	52	5,834
At 30 June 2011	3,425	18,109	(1,374)	2,148	(7,208)	2,421	281	17,802

18 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Goodwill $'000	*Brandnames $'000*	*Location premiums $'000*	*Rights to profit share $'000*	*Total $'000*
Year ended 30 June 2010					
Opening net book amount	34,716	43,094	-	3,542	81,352
Exchange differences	121	-	-	-	121
Additions	-	-	2,388	-	2,388
Closing net book amount	34,837	43,094	2,388	3,542	83,861
Year ended 30 June 2011					
Opening net book amount	34,837	43,094	2,388	3,542	83,861
Exchange differences	(625)	-	-	-	(625)
Clive Anthonys write-off (refer next page)	(4,564)	-	-	-	(4,564)
Closing net book amount	29,648	43,094	2,388	3,542	78,672

18 NON-CURRENT ASSETS - INTANGIBLE ASSETS (cont.)

Brandnames, location premiums and rights to profit share are assessed as having indefinite useful lives and relate to the Australian cash generating unit. This assessment reflects management's intention to continue to utilise these intangible assets into the foreseeable future.

The recoverable amount of other intangible assets has been determined based on value in use calculations using the same methodology as detailed below.

(a) Impairment tests for goodwill

Goodwill is allocated to the following cash generating units (CGUs) or groups of CGUs for impairment testing purposes. The carrying amount of the goodwill allocated to CGUs (or groups of CGUs) is as follows:

	Consolidated 2011 $'000	Consolidated 2010 $'000
JB Hi-Fi Australia(i)	13,724	-
Clive Anthonys(i)	-	18,288
Impact Records	1,727	1,727
JB Hi-Fi New Zealand	11,918	12,543
Rocket Replacements	2,279	2,279
	29,648	34,837

(i) In the current year the, Group completed a restructure of its Clive Anthonys business, refer note 6. As a result of the restructure, four Clive Anthonys stores were rebranded to JB Hi-Fi stores and the goodwill attached to those stores ($13,724 thousand) was reallocated to the JB Hi-Fi Australia CGU using the relative value approach. The remaining goodwill within the Clive Anthonys CGU was written off ($4,564 thousand).

The recoverable amount of each CGU (or group of CGUs) has been determined based on value in use calculations which use cash flow projections from financial budgets approved by management covering a five year period, using a discount rate of 11.0% for JB Australia (2010: 11.0%) and 11.5% for JB New Zealand (2010: 11.5%). The cash flows beyond the budget period have been extrapolated using a steady 2% long-term growth rate (2010: 2%) which is consistent with the projected long-term average growth rate for the consumer products market.

The key assumptions used in the value in use calculations include sales growth, cost of doing business (CODB) efficiencies and the discount rate. The assumptions regarding sales growth and CODB efficiencies are based on past experience and the Company's forecast operating and financial performance for each CGU (or group of CGUs). The discount rate is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles.

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the CGU (or group of CGU's).

	Consolidated 2011 $'000	Consolidated 2010 $'000
19 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	264,580	257,081
Goods and services tax (GST) payable	8,324	5,803
Other creditors and accruals	8,284	8,655
Deferred income	20,414	17,966
	301,602	289,505
20 CURRENT LIABILITIES - BORROWINGS		
Secured		
Bank loans(i)	-	35,000

(i) Secured by a fixed and floating charge over the Group's assets, the current market value of which exceeds the value of the loan.

	Consolidated 2011 $'000	Consolidated 2010 $'000
21 CURRENT LIABILITIES - OTHER FINANCIAL LIABILITIES		
Interest rate swaps	645	684
22 CURRENT LIABILITIES - CURRENT TAX LIABILITIES		
Income tax	12,064	10,011
23 CURRENT LIABILITIES - PROVISIONS		
Employee benefits(i)	24,167	23,358
Lease provision(ii)	5,149	2,617
	29,316	25,975

(i) The current provision for employee benefits includes $3,341 thousand of annual leave accrued but not expected to be taken within 12 months (2010: $2,983 thousand).

(ii) The lease provision includes the Group's best estimate of the amount required to return the Group's leased premises to their original condition, taking into account due consideration of the Group's past history of vacating stores and the Group's best estimate of onerous lease obligations.

	Consolidated 2011 $'000	Consolidated 2010 $'000
24 CURRENT LIABILITIES - OTHER CURRENT LIABILITIES		
Lease accrual	560	411
Lease incentive	1,751	1,553
	2,311	1,964
25 NON-CURRENT LIABILITIES - BORROWINGS		
Secured		
Bank loans(i)	232,582	34,624

(i) Secured by a fixed and floating charge over the Group's assets, the current market value of which exceeds the value of the loan.

	Consolidated 2011 $'000	Consolidated 2010 $'000
26 NON-CURRENT LIABILITIES - PROVISIONS		
Employee benefits	2,670	2,275
Lease provision(i)	9,208	2,146
Other provisions	2,588	-
	14,466	4,421

(i) The lease provision includes the Group's best estimate of the amount required to return the Group's leased premises to their original condition, taking into account due consideration of the Group's past history of vacating stores and the Group's best estimate of onerous lease obligations.

26 NON-CURRENT LIABILITIES - PROVISIONS (cont.)

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

	Lease provision[i] $'000	Other provisions $'000	Total $'000
Consolidated - 2011			
Carrying amount at start of year	4,763	-	4,763
Additional provisions recognised	10,924	2,588	13,512
Amounts used during the year	(1,330)	-	(1,330)
Carrying amount at end of year	14,357	2,588	16,945

(i) Movement schedule is for the total lease provision, including the current provision (note 23) and the non-current provision (note 26).

	Consolidated 2011 $'000	Consolidated 2010 $'000
27 NON-CURRENT LIABILITIES - OTHER NON-CURRENT LIABILITIES		
Lease accrual	10,736	8,846
Lease incentive	10,812	9,917
	21,548	18,763
28 NON-CURRENT LIABILITIES - OTHER FINANCIAL LIABILITIES		
Interest rate swaps	292	79

29 CONTRIBUTED EQUITY

	Parent entity 2011 Shares	Parent entity 2010 Shares	Parent entity 2011 $'000	Parent entity 2010 $'000
Ordinary shares				
Fully paid	98,530,763	108,344,987	58,206	53,578

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

Movements in ordinary share capital:

Date	*Details*	*Number of shares*	*$'000*
1 July 2009	Opening balance	107,246,666	44,783
	Issue of shares under employee & executive share option plan	1,098,321	6,838
	Transfer from equity settled benefits reserve (note 30)	-	1,957
30 June 2010	Balance	108,344,987	53,578
1 July 2010	Opening balance	108,344,987	53,578
	Issue of shares under employee & executive share option plan	1,019,118	9,305
	Transfer from equity settled benefits reserve (note 30)	-	2,167
	Share buy-back	(10,833,342)	(6,283)
	Share buy-back costs	-	(801)
	Income tax relating to share buy-back costs	-	240
30 June 2011	Balance	98,530,763	58,206

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

29 CONTRIBUTED EQUITY (cont.)

(a) Share options

In accordance with the provisions of the employee and executive share option plan, as at 30 June 2011, employees and executives have options over 3,195,434 ordinary shares (of which 2,659,138 were unvested), in aggregate, with various expiry dates.

As at 30 June 2010, employees and executives had options over 3,461,709 ordinary shares (of which 3,301,702 were unvested), in aggregate, with various expiry dates.

Share options granted under the employee and executive share options plan carry no rights to dividends and no voting rights.

(b) Capital management

The Group's Audit and Risk Management Committee reviews the capital structure on an ongoing basis. The Group's policy is to maintain an optimal capital structure to reduce the cost of capital and to ensure the Group has access to adequate capital to sustain the future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the level of dividends paid to shareholders, return capital to shareholders, buy back shares, issue new shares or sell assets to reduce debt. In the current period, the Group completed a $173,333 thousand off-market share buy-back, refer note 32 for further details.

As part of its capital management program, the Group monitors the return on invested capital and the gearing ratio. The Group defines return on invested capital as earnings before interest and tax (EBIT) divided by the sum of total equity plus net debt and gearing as term debt excluding capitalised borrowing costs, plus bank overdrafts and hire purchase liabilities, divided by earnings before interest, taxation, depreciation and amortisation (EBITDA).

The Board has adopted a policy of monitoring the dividend payout ratio and targeting a payout ratio of 60% of net profit after tax as it seeks to strike a balance between shareholder returns and ensuring adequate capital is retained for the growth of the business so as to maximise long-term shareholder returns.

The Group's return on invested capital and gearing ratios as at 30 June 2011 and 30 June 2010 were as follows:

	Consolidated	
	2011 $'000	*2010 $'000*
Return on invested capital		
Profit before tax	158,581	169,601
Net finance costs	4,033	5,509
EBIT	162,614	175,110
Borrowings	232,582	69,624
Cash and cash equivalents	27,246	51,735
Net debt	205,336	17,889
Total equity	152,313	293,296
Invested capital	357,649	311,185
Return on invested capital	45.5%	56.3%
Gearing		
Term debt	233,333	70,000
EBIT	162,614	175,110
Depreciation and amortisation	27,287	23,277
EBITDA	189,901	198,387
Net loss on disposal of plant and equipment(i)	725	2,313
Fixed rent expense(i)	2,250	2,342
Share based payments expense(i)	4,519	4,301
Adjusted EBITDA	197,395	207,343
Gearing	1.18	0.34

(i) As required under the terms of the syndicated facilities agreement, for the purposes of calculating the gearing ratio the impact of loss/gain on disposal of plant and equipment, fixed rent expense and share based payments expense are excluded from the calculation.

There were no changes in the Group's approach to capital management during the year.

29 CONTRIBUTED EQUITY (cont.)

(b) Capital management (cont.)

The terms of certain financing arrangements of the Group contain financial covenants that require maintenance of the following ratios:

- fixed charge cover ratio (the sum of earnings before interest, tax, depreciation and amortisation plus operating lease expense plus rent expense divided by the sum of interest expense plus operating lease expense plus rent expense) - not less than 1.75:1; and
- gearing ratio (outstanding debt divided by earnings before interest, tax, depreciation and amortisation excluding any loss/gain on disposal of plant and equipment, fixed rent expense and share based payments expense) - not greater than 3.50:1.

The Group monitors compliance with its financial covenants on a monthly basis and reports compliance on a quarterly basis. The Group has complied with all such requirements during the current and previous year.

	Consolidated	
	2011 $'000	*2010 $'000*
30 RESERVES AND RETAINED EARNINGS		
(a) Reserves		
Hedging reserve - interest rate swaps	(624)	(234)
Equity-settled benefits	9,881	7,254
Hedging reserve - net investment	850	850
Foreign currency translation reserve	(4,854)	(2,772)
Other reserve	(1,225)	(1,225)
	4,028	3,873
Movements:		
Hedging reserve - interest rate swaps		
Balance 1 July	(234)	(1,293)
(Loss)/gain recognised	(858)	(21)
Deferred tax	258	6
Transferred to profit or loss	300	1,535
Deferred tax	(90)	(461)
Balance 30 June	(624)	(234)
Equity-settled benefits		
Balance 1 July	7,254	4,910
Option expense	4,519	4,301
Transfer to share capital (options exercised)	(2,167)	(1,957)
Employee share options - income tax	275	-
Balance 30 June	9,881	7,254
Foreign currency translation reserve		
Balance 1 July	(2,772)	(3,049)
Currency translation differences arising during the year	(2,082)	277
Balance 30 June	(4,854)	(2,772)
Hedging reserve - net investment		
Balance 1 July	850	850
Gain/(loss) recognised	-	-
Balance 30 June	850	850
Other reserve		
Balance 1 July	(1,225)	(1,225)
Gain/(loss) recognised	-	-
Balance 30 June	(1,225)	(1,225)

30 RESERVES AND RETAINED EARNINGS (cont.)

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated	
	2011 *\$'000*	*2010* *\$'000*
Balance 1 July	235,845	184,276
Net profit for the year	109,695	118,652
Dividends provided for or paid	(88,411)	(67,083)
Share buy-back - dividend component	(167,050)	-
Balance 30 June	90,079	235,845

(c) Nature and purpose of reserves

(i) Hedging reserve - interest rate swaps

The hedging reserve - interest rate swaps, represents hedging gains and losses recognised on the effective portion of cash flow hedges with respect to the Group's interest rate swaps, as described in note 1(i). The cumulative deferred gain or loss on the interest rate swaps is recognised in the profit or loss when the hedged transaction impacts the profit or loss.

(ii) Equity-settled benefits

The equity-settled benefits reserve arises on the grant of share options to employees and executives under the employee and executive share option plan. Further information about share-based payments to employees is made in note 9 to the financial statements.

(iii) Hedging reserve - net investment

The hedging reserve - net investment, represents hedging gains and losses recognised on the effective portion of foreign currency loans in previous periods designated as net investment hedges. The gains and losses deferred in the hedging reserve - net investment are recognised in the profit or loss when the foreign operation is disposed.

(iv) Foreign currency translation reserve

Exchange differences relating to the translation of the Group's foreign controlled entities from their functional currencies into Australian dollars are brought to account directly to the foreign currency translation reserve, as described in note 1(l)

(v) Other reserve

The other reserve represents the excess of the purchase consideration over the balance of the minority interest in Clive Anthonys Pty Ltd at the date of acquisition.

	Consolidated	
	2011 *Cents*	*2010* *Cents*
31 EARNINGS PER SHARE		
Basic earnings per share	101.76	109.74
Diluted earnings per share	101.10	108.42

31 EARNINGS PER SHARE (cont.)

(a) Reconciliations of earnings used in calculating earnings per share

	Consolidated 2011 $'000	Consolidated 2010 $'000
Basic earnings per share		
Profit for the year	109,695	118,652
Diluted earnings per share		
Profit for the year	109,695	118,652

(b) Weighted average number of shares used as the denominator

	Consolidated 2011 No. '000	Consolidated 2010 No. '000
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	107,800	108,118
Adjustments for calculation of diluted earnings per share:		
Options	696	1,315
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	108,496	109,433

(c) Information concerning the classification of securities

Options

Options granted to employees under the employee and executive share plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 9.

	Parent Entity 2011 $'000	Parent Entity 2010 $'000
32 DIVIDENDS		
(a) Ordinary shares		
Interim dividend of 48.0 cents (2010 - 33.0 cents) per share:		
Franked to 100% at 30% (2010: 100% at 30%)	52,476	35,751
Final dividend of 33.0 cents (2010 - 29.0 cents) per share:		
Franked to 100% at 30% (2010: 100% at 30%)	35,935	31,332
Total dividends provided for or paid	88,411	67,083

Share buy-back

In addition to the interim and final dividends above, JB Hi-Fi Limited completed a $173,333 thousand off-market share buy-back during the period (10,833,342 shares were bought back). The buy-back comprised a capital component of $0.58 per share ($6,283 thousand) and a fully franked dividend component of $15.42 per share ($167,050 thousand).

	Consolidated 2011 $'000	Consolidated 2010 $'000
32 DIVIDENDS (cont.)		
(b) Dividends not recognised at the end of the reporting period		
Final dividend for the year ended 30 June 2011 of 29.0 cents (2010 - 33.0 cents) per share:		
Franked to 100% at 30% (2010: 100% at 30%)	28,574	35,935

In respect of the financial year ended 30 June 2011, the directors have recommended the payment of a final dividend of 29.0 cents per share franked to 100% at 30% corporate income tax rate. The record date is 23 August 2011.

	Consolidated 2011 $'000	Consolidated 2010 $'000
(c) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30% (2010 - 30%)	60,180	119,406

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $12,246 thousand (2010 - $15,323 thousand).

33 COMMITMENTS

(i) Non-cancellable operating leases

Operating leases relate to stores with new lease terms of between two to thirteen years, with, in some cases an option to extend. All operating lease contracts contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

	Consolidated 2011 $'000	Consolidated 2010 $'000
Within one year	60,153	52,384
Later than one year but not later than five years	211,983	187,934
Later than five years	110,566	113,569
	382,702	353,887

34 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(c):

Name of entity	Country of incorporation	Class of shares	Equity holding 2011 %	Equity holding 2010 %
Parent entity				
JB Hi-Fi Limited(i)				
Subsidiaries				
JB Hi-Fi Group Pty Ltd(ii)	Australia	Ordinary	100	100
JB Hi-Fi (A) Pty Ltd(ii)	Australia	Ordinary	100	100
Clive Anthonys Pty Ltd(ii)	Australia	Ordinary	100	100
Rocket Replacements Pty Ltd(ii)	Australia	Ordinary	100	100
JB Hi-Fi Group (NZ) Limited	New Zealand	Ordinary	100	100
JB Hi-Fi NZ Limited	New Zealand	Ordinary	100	100

(i) JB Hi-Fi Limited is the head entity within the tax-consolidated group.

(ii) These wholly-owned subsidiaries are members of the tax-consolidated group.

In addition, JB Hi-Fi Limited has effective control over the JB Hi-Fi Limited Employee Share Trust, which administers shares issued through the Company's employee option plan. This entity is also consolidated.

35 DEED OF CROSS GUARANTEE

JB Hi-Fi Limited, JB Hi-Fi Group Pty Ltd, JB Hi-Fi (A) Pty Ltd and Clive Anthonys Pty Ltd are parties to a deed of cross guarantee under which each company guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. By entering into the deed, the subsidiaries who are party to the deed have been relieved from the requirement to prepare and lodge an audited financial report under ASIC Class Order 98/1418 (as amended).

The consolidated income statement and balance sheet of the entities party to the deed of cross guarantee are provided as follows:

(a) Consolidated income statement

	2011 $'000	*2010 $'000*
Revenue	2,814,627	2,598,048
Cost of sales	(2,187,583)	(2,024,622)
Gross profit	627,044	573,426
Other income	2,235	1,673
Sales and marketing expenses	(271,074)	(250,677)
Occupancy expenses	(107,361)	(94,202)
Administration expenses	(25,352)	(29,324)
Finance costs	(6,208)	(6,846)
Other expenses	(26,174)	(24,394)
Significant item	(33,352)	-
Profit before income tax	159,758	169,656
Income tax expense	(49,211)	(50,763)
Profit for the year	110,547	118,893

(b) Balance sheet

	2011 $'000	*2010 $'000*
Current assets		
Cash and cash equivalents	28,768	58,039
Trade and other receivables	56,115	60,577
Inventories	379,104	309,164
Other	8,602	4,502
Total current assets	472,589	432,282
Non-current assets		
Other financial assets	51,644	51,644
Plant and equipment	156,658	152,884
Deferred tax assets	14,119	8,315
Intangible assets	66,755	71,319
Total non-current assets	289,176	284,162
Total assets	761,765	716,444
Current liabilities		
Trade and other payables	285,253	278,572
Borrowings	-	35,000
Other financial liabilities	645	684
Current tax liabilities	12,064	10,011
Provisions	27,923	24,237
Other	2,240	1,899
Total current liabilities	328,125	350,403

35 DEED OF CROSS GUARANTEE (cont.)

(b) Balance sheet (cont.)

	2011 $'000	2010 $'000
Non-current liabilities		
Borrowings	232,582	34,624
Other financial liabilities	292	79
Provisions	14,465	4,421
Other	20,538	23,105
Total non-current liabilities	267,877	62,229
Total liabilities	596,002	412,632
Net assets	165,763	303,812
Equity		
Contributed equity	58,206	53,578
Reserves	8,882	6,645
Retained profits	98,675	243,589
Total equity	165,763	303,812

36 SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic and operating decisions.

The Chief Executive Officer considers the business primarily from a geographic perspective. On this basis management has identified two reportable segments, Australia and New Zealand. The Chief Executive Officer monitors the performance of these two geographic segments separately. The Group does not operate in any other geographic segment.

(b) Segment information provided to the Chief Executive Officer

The segment information provided to the Chief Executive Officer for the reportable segments for the year ended 30 June 2011 is as follows:

2011	Australia $'000	New Zealand $'000	Total $'000
Revenue from external customers	2,814,627	144,626	2,959,253
Operating EBITDA	222,672	580	223,252
Total segment assets	761,766	57,503	819,269
Additions to non-current assets	40,847	4,216	45,063
Total segment liabilities	596,002	19,313	615,315

2010	Australia $'000	New Zealand $'000	Total $'000
Revenue from external customers	2,598,048	133,272	2,731,320
Operating EBITDA	200,271	(1,884)	198,387
Total segment assets	716,444	54,826	771,270
Additions to non-current assets	51,050	3,411	54,461
Total segment liabilities	412,632	13,701	426,333

36 SEGMENT INFORMATION (cont.)

(b) Segment information provided to the Chief Executive Officer (cont.)

(i) Segment revenue

Segment revenue reconciles to total revenue from continuing operations as follows:

	Consolidated	
	2011 $'000	*2010 $'000*
Total segment revenue	2,959,253	2,731,320
Interest revenue	2,236	1,448
Other revenue	115	262
Total revenue	2,961,604	2,733,030

(ii) Operating EBITDA

The Chief Executive Officer assesses the performance of the operating segments based on a measure of Operating EBITDA. This measurement basis excludes the effects of interest revenue, finance costs, income tax, depreciation and amortisation, and non-operating intercompany charges.

A reconciliation of consolidated Operating EBITDA to profit before income tax is provided as follows:

	Consolidated	
	2011 $'000	*2010 $'000*
Operating EBITDA	223,252	198,387
Interest revenue	2,236	1,448
Finance costs	(6,268)	(6,957)
Depreciation and amortisation expense	(27,287)	(23,277)
Significant item	(33,352)	-
Profit before income tax	158,581	169,601

(iii) Segment assets

The amounts provided to the Chief Executive Officer with respect to total assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Reportable segments' assets are reconciled to total assets as follows:

	Consolidated	
	2011 $'000	*2010 $'000*
Segment assets	819,269	771,270
Intersegment eliminations	(52,130)	(56,948)
Total assets as per the balance sheet	767,139	714,322

36 SEGMENT INFORMATION (cont.)

(b) Segment information provided to the Chief Executive Officer (cont.)

(iv) Segment liabilities

The amounts provided to the Chief Executive Officer with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Reportable segments' liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2011 $'000	*2010 $'000*
Segment liabilities	615,315	426,333
Intersegment eliminations	(489)	(5,307)
Total liabilities as per the balance sheet	614,826	421,026

(c) Product information

The Group operates in one product and services segment, being the home consumer products retail industry including audiovisual equipment, computing equipment, whitegoods, kitchen appliances and other related equipment.

	Parent entity	
	2011 $'000	*2010 $'000*
37 PARENT ENTITY FINANCIAL INFORMATION		
Assets		
Current assets	1,426	4,740
Non-current assets	80,051	66,808
Total assets	81,477	71,548
Liabilities		
Current liabilities	12,091	10,011
Total liabilities	12,091	10,011
Shareholders' equity		
Contributed equity	58,206	53,578
Reserves	9,881	7,254
Retained earnings	1,299	705
	69,386	61,537
Profit or loss for the year	256,053	67,375
Total comprehensive income	256,053	67,375

38 RELATED PARTY TRANSACTIONS

(a) Parent entity

The parent entity of the Group is JB Hi-Fi Limited, a listed public company, incorporated in Australia.

(b) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 34.

38 RELATED PARTY TRANSACTIONS (cont.)

(c) Key management personnel

Mr Richard Uechtritz acted as a consultant to the Group throughout the period and was appointed a non-executive director on 28 April 2011. Mr Uechtritz's remuneration for his services as a consultant are in the form of the retention of his 621,923 share options which were previously issued when he was the CEO of the company. No additional options have been issued during the period. The share based payments expense relating to the share options incurred by the company for the period from 1 July 2010 to 28 April 2011 was $471,383 and for the period from 28 April 2011 to 30 June 2011 was $100,227. The options held and remuneration of Mr Uechtritz since he rejoined the Board has been included in the Key Management Personnel reporting disclosure in note 8 and the remuneration report on pages 19 to 36.

Disclosures relating to all key management personnel are set out in note 8.

(d) Terms and conditions of transactions with related parties other than key management personnel or entities related to them

Sales to and purchases from related parties for goods and services are made in arm's length transactions at normal prices and on normal commercial terms.

39 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no matters or circumstances occurring subsequent to the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

40 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	Consolidated	
	2011 $'000	*2010 $'000*
Cash and cash equivalents	27,246	51,735
Bank overdrafts	-	-
Balances per statement of cash flows	27,246	51,735
(b) Reconciliation of net cash inflow (outflow) from operating activities to profit (loss)		
Profit for the year	109,695	118,652
Depreciation and amortisation	27,287	23,277
Clive Anthonys goodwill write-off	4,564	-
Non-cash employee benefits expense - share-based payments	4,519	4,301
Net loss on sale of non-current assets	725	2,313
Clive Anthonys plant and equipment write-off	9,763	-
Fair value adjustment to derivatives	300	1,535
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
Decrease (increase) in inventories	(73,435)	(9,969)
Decrease (increase) in current receivables	5,100	(3,431)
Decrease (increase) in other current assets	(4,114)	1,137
Decrease (increase) in deferred tax balances	(5,499)	6,062
(Decrease) increase in current payables	12,601	15,674
(Decrease) increase in current provisions	3,429	(2,283)
(Decrease) increase in other current liabilities	311	(687)
(Decrease) increase in non-current provisions	10,044	592
(Decrease) increase in other non-current liabilities	2,602	3,123
(Decrease) increase in current tax liability	2,053	(8,193)
Net cash inflow (outflow) from operating activities	109,945	152,103

41 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including market risk (foreign currency and interest rate risk), liquidity risk and credit risk.

The Group seeks to minimise the effects of these risks, by using various financial instruments, including derivative financial instruments. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Audit and Risk Management Committee on a continuous basis.

There have been no changes to the Group's exposure to financial risks or the manner in which it manages and measures these risks from the previous period.

The Group and the Company hold the following financial assets and liabilities at reporting date:

	Consolidated	
	2011 $'000	*2010 $'000*
Financial assets		
Cash and cash equivalents	27,246	51,735
Trade and other receivables	58,253	63,499
	85,499	115,234
Financial liabilities		
Trade and other payables	281,188	271,539
Bank loans	232,582	69,624
Interest rate swaps (net settled)	937	763
	514,707	341,926

(a) Market risk

(i) Foreign currency risk management

The majority of the Group's operations are denominated in the functional currency of the country of operation and are therefore not exposed to foreign currency risk. That is, transactions and balances related to the Australian operations are denominated in Australian dollars and transactions and balances related to the New Zealand operations are denominated in New Zealand dollars.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk as it borrows funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring optimal hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract, as disclosed below. The average interest rate is based on the outstanding balances at the start of the financial year.

41 FINANCIAL RISK MANAGEMENT (cont.)

(a) Market risk (cont.)

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

	30 June 2011		30 June 2010	
Consolidated	*Weighted average interest rate %*	*Balance $'000*	*Weighted average interest rate %*	*Balance $'000*
Bank loans	7.51%	233,333	7.31%	70,000
Interest rate swaps (notional principal amount)	7.27%	(104,000)	7.31%	(70,000)
Net exposure to cash flow interest rate risk		129,333		-

The interest rate swaps settle on a monthly and quarterly basis and the Group settles the difference on a net basis. The interest rate swap contracts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swap and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period that the floating interest payments impact profit or loss.

(iii) Summarised sensitivity analysis

The following table summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

The Group is using a sensitivity of 50 basis points as management considers this to be reasonable having regard to historic movements in interest rates.

A positive number represents an increase in profit or equity and a negative number a decrease in profit or equity.

Consolidated		Interest rate risk			
		-50bps		*+50bps*	
30 June 2011	*Carrying amount $'000*	*Profit $'000*	*Equity $'000*	*Profit $'000*	*Equity $'000*
Financial liabilities					
Interest rate swaps	937	(163)	(619)	163	619
Borrowings	232,582	207	-	(207)	-
Total increase/ (decrease)		44	(619)	(44)	619

Consolidated		Interest rate risk			
		-50bps		*+50bps*	
30 June 2010	*Carrying amount $'000*	*Profit $'000*	*Equity $'000*	*Profit $'000*	*Equity $'000*
Financial liabilities					
Interest rate swaps	763	(245)	(588)	245	588
Borrowings	69,624	245	-	(245)	-
Total increase/ (decrease)		-	(588)	-	588

41 FINANCIAL RISK MANAGEMENT (cont.)

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the board of directors, who assess the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows.

Financing arrangements

The Group had access to the following borrowing facilities at the end of the reporting period:

	Consolidated	
	2011 $'000	*2010 $'000*
Secured bank overdraft facility:		
amount used	-	-
amount unused	62,666	63,125
	62,666	63,125
Secured indemnity guarantees:		
amount used	1,604	1,710
amount unused	70	211
	1,674	1,921
Secured bank loan facilities (term debt):		
amount used(i)	233,333	70,000
amount unused	16,667	75,000
	250,000	145,000
Headroom in total borrowing facilities (excluding security indemnity guarantees)	79,333	138,125

(i) Face value of term debt (excluding capitalised borrowing costs).

Maturities of financial assets and financial liabilities

The following tables detail the Group's remaining contractual maturity for its financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both principal and estimated interest cash flows.

Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

2011	*Less than 6 months $'000*	*6-12 months $'000*	*Between 1 and 2 years $'000*	*Between 2 and 5 years $'000*	*Over 5 years $'000*	*Total $'000*	*Weighted average effective interest rate %*
Financial assets							
Cash and cash equivalents	27,246	-	-	-	-	27,246	4.27%
Trade and other receivables	58,253	-	-	-	-	58,253	-
	85,499	-	-	-	-	85,499	
Financial liabilities							
Trade and other payables	281,188	-	-	-	-	281,188	-
Bank loans	7,828	7,828	15,657	244,424	-	275,737	7.51%
Interest rate swaps (net settled)	345	304	270	57	-	976	-
	289,361	8,132	15,927	244,481	-	557,901	

41 FINANCIAL RISK MANAGEMENT (cont.)

(b) Liquidity risk (cont.)

2010	Less than 6 months $'000	6-12 months $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Total $'000	Weighted average effective interest rate %
Financial assets							
Cash and cash equivalents	51,735	-	-	-	-	51,735	3.28%
Trade and other receivables	63,499	-	-	-	-	63,499	-
	115,234	-	-	-	-	115,234	
Financial liabilities							
Trade and other payables	271,539	-	-	-	-	271,539	-
Bank loans	36,303	1,117	36,024	-	-	73,444	7.31%
Interest rate swaps (net settled)	514	201	61	-	-	776	-
	308,356	1,318	36,085	-	-	345,759	

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has endeavoured to minimise its credit risk by dealing with creditworthy counterparties. The Group's exposure to its counterparties is regularly monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment, represents the Group's maximum exposure to credit risk.

(d) Fair value of financial instruments

The only financial liabilities or financial assets carried at fair value are the interest rate swaps. The directors consider the interest rate swaps to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices). The interest rate swaps fair value's have been calculated and supported by third party valuations.

The directors consider that the carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

42 DIRECTORY

Registered office / principal place of business
JB Hi-Fi Limited
Level 4, Office Tower 2
Chadstone Place
Chadstone Shopping Centre
1341 Dandenong Road
Chadstone VIC 3148
Phone: +61 3 8530 7333

The shareholder information set out below was applicable as at 1 August 2011.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares		
Holding			**Total Holders**	**Units**	**% Issued Capital**
1	-	1000	18,909	7,777,101	7.89
1,001	-	5,000	6,396	13,319,314	13.52
5,001	-	10,000	544	3,835,960	3.89
10,001	-	100,000	266	6,386,758	6.48
100,001	and over		39	67,216,630	68.22
			26,154	98,535,763	100.00

There were 560 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	*Number held*	*% of issued shares*
1. NATIONAL NOMINEES LIMITED	13,905,793	14.11
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,905,430	14.11
3. J P MORGAN NOMINEES AUSTRALIA LIMITED	12,843,678	13.03
4. CITICORP NOMINEES PTY LTD	3,995,330	4.05
5. COGENT NOMINEES PTY LIMITED	3,894,602	3.95
6. AUSTRALIAN REWARD INVESTMENT ALLIANCE	1,565,833	1.59
7. COGENT NOMINEES PTY LIMITED <SL NON CASH COLLATERAL A/C>	1,522,000	1.54
8. MR TERRY SMART	1,500,000	1.52
9. UBS NOMINEES PTY LTD	1,306,041	1.33
10. JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,267,234	1.29
11. UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	1,213,125	1.23
12. RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <GSAM A/C>	1,012,876	1.03
13. AMP LIFE LIMITED	1,004,704	1.02
14. SHAWVILLE PTY LTD	1,000,000	1.01
15. COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	851,849	0.86
16. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	715,213	0.73
17. INVIA CUSTODIAN PTY LIMITED <GSJBW MANAGED A/C>	539,596	0.55
18. BAINPRO NOMINEES PTY LIMITED	487,754	0.50
19. CS FOURTH NOMINEES PTY LTD	474,706	0.48
20. CITICORP NOMINEES PTY LTD <CWLTH BANK OFF SUPER A/C>	403,592	0.41
	63,409,356	64.34

C. Substantial holders

Substantial holders in the company are set out below:

	Number held	*Voting Power %*
Ordinary shares		
National Australia Bank Limited	12,464,884	12.65
Integrity Investment Management	8,063,913	8.18
Macquarie Group Limited	6,282,592	6.38
UBS AG	6,082,136	6.17
Hyperion Asset Management Limited	5,536,392	5.62
Westpac Banking Corporation Group	5,204,284	5.28

COMPANY SECRETARY

Richard Murray

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls 452 Johnston Street, Abbotsford, Victoria, 3067, Australia
Phone: 1300 302 417 (Australia)
Phone: +61 3 9415 4136

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Level 4, Office Tower 2,
Chadstone Place, Chadstone Shopping Centre
1341 Dandenong Road, Chadstone VIC 3148
Phone: +61 3 8530 7333

STORE LOCATIONS[i]

AUSTRALIA

VIC
Airport West
Ballarat
Bendigo
Brighton
Broadmeadows
Camberwell
Chadstone
Chadstone (Warrigal Rd)
Cranbourne
Dandenong
Doncaster
Epping
Epping Plaza
Essendon
Forest Hill
Frankston
Frankston - Bayside
Frankston (CA)
Geelong
Heidelberg
Highpoint
Keilor
Knox
Malvern
Maribyrnong
Melb City (Bourke Street)
Melb City (Elizabeth Street, Lonsdale Street, Elizabeth Street Cameras & Elizabeth Street Computers)
Mildura
Narre Warren
Nunawading
Plenty Valley
Prahran
Preston
Preston - Northland
Ringwood
Shepparton
South Wharf
Southland
Sunshine
Watergardens
Werribee

NSW
Albury
Artarmon
Belrose
Blacktown
Bondi
Castle Hill
Castle Hill (CA)
Charlestown
Chatswood
Eastgardens
Erina
Glendale
Hornsby
Kotara
Leichhardt
Liverpool
Macarthur Square
Macquarie
Merrylands
Miranda
Moore Park
Mt Druitt
Newcastle
Parramatta
Parramatta Centre
Penrith
Rouse Hill
Sydney City (Galleries Victoria)
Sydney City (Pitt Street Mall)
Sydney City (Strand Arcade)
Sydney City (Westfield)
Top Ryde
Tweed City
Tweed Heads (CA)
Tuggerah
Wagga Wagga
Warringah Mall
Warrawong
Wollongong

ACT
Belconnen
Canberra City
Fyshwick
Woden

QLD
Brisbane City (Adelaide Street)
Brisbane City (Albert Street)
Brisbane City (Queen Street)
Browns Plains
Bundall – Gold Coast
Cairns
Cairns Stockland
Capalaba
Capalaba (CA)
Carindale
Carseldine
Chermside
Helensvale
Indooroopilly
Ipswich
Kawana
Kedron
Kedron (CA)
Loganholme
Macgregor
Maroochydore
Mermaid Waters
Morayfield
Mt Gravatt
Mt Ommaney
Pacific Fair
Robina – Gold Coast
Rockhampton
Strathpine
Toowoomba
Townsville
Townsville Willows

SA
Adelaide City
Colonnades
Elizabeth
Gepps Cross
Marion
Melrose Park
Modbury
Munno Parra
West Lakes

WA
Booragon
Bunbury
Cannington
Carousel
Claremont
Cockburn
Joondalup
Malaga
Mandurah
Midland Central
Myaree
Osborne Park
Perth City (enex 100)
Perth City (Hay Street Mall)
Perth City (Piccadilly Arcade)
Rockingham
Whitford

TAS
Hobart

NT
Casuarina

NEW ZEALAND
Albany
Auckland (Queens St)
Bayfair
Botany
Dunedin
Hamilton
Manukau
New Lynn
Palmerston North
St Lukes
Sylvia Park
Wellington
Westgate

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