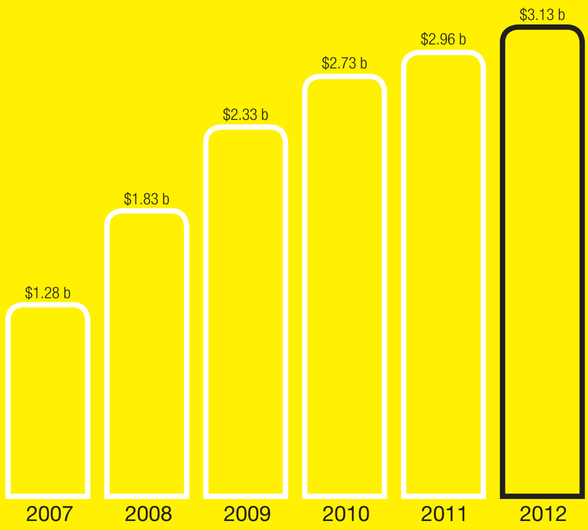
ANNUAL REPORT 2012

Financial Summary

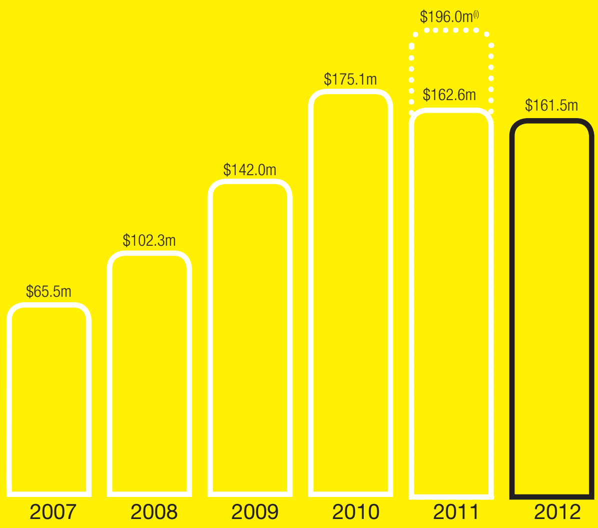
FINANCIAL PERFORMANCE

	2008 Statutory	2009 Statutory	2010 Statutory	2011 Normalised(i)	2011 Statutory	2012 Statutory
Sales	$1.83b	$2.33b	$2.73b	$2.96b	$2.96b	$3.13b
EBIT	$102.3m	$142.0m	$175.1m	$196.0m	$162.6m	$161.5m
NPAT	$65.1m	$94.4m	$118.7m	$134.4m	$109.7m	$104.6m
Earnings per share	61.8 cps	88.3 cps	109.7 cps	124.7 cps	101.8 cps	105.9 cps
Total dividend - fully franked	26.0 cps	44.0 cps	66.0 cps	77.0 cps	77.0 cps	65.0 cps

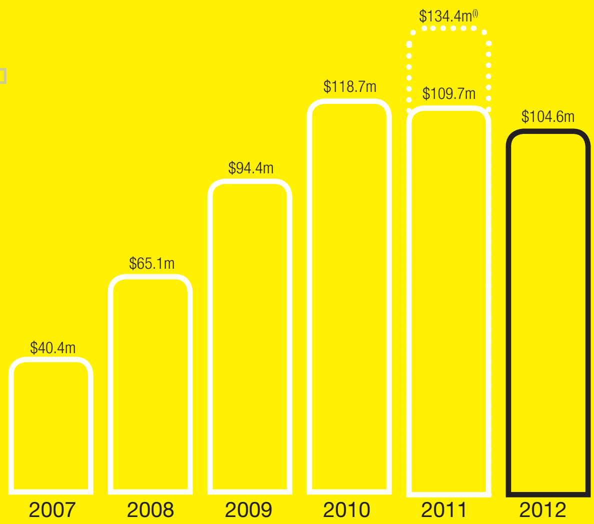
Sales $3.13b



EBIT $161.5m

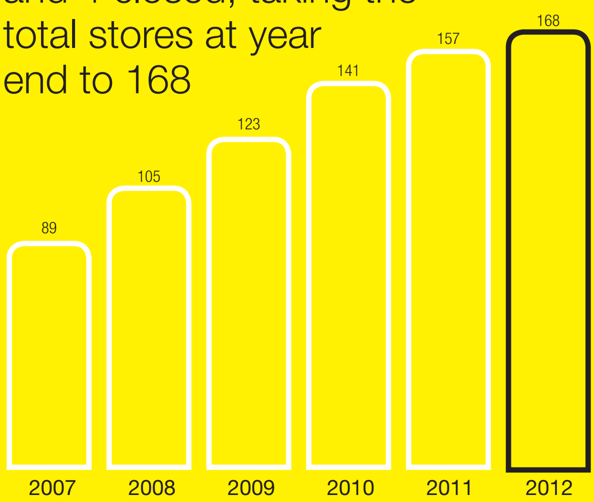


NPAT $104.6m



Stores

15 new stores were opened and 4 closed, taking the total stores at year end to 168



(i) Excludes the Clive Anthonys restructuring charge ($24.7m post tax) announced in March 2011

Chairman's and Chief Executive Officer's Report

Dear fellow shareholder,

During one of the most challenging periods for the retail industry in recent history, your Company (JB Hi-Fi Limited) has delivered a solid result. The Company achieved sales of $3.13 billion, EBIT of $161.5 million and NPAT of $104.6 million for the year ended 30 June 2012.

Overview

JB Hi-Fi achieved record sales of $3.13 billion in FY12, driven by sales growth for JB Hi-Fi branded stores in Australia and New Zealand of 7.0%. However, margins came under pressure and earnings were impacted.

Gross margin at 21.1% was down on the prior year (FY11: 22.0%). The movement in gross margin was driven by a combination of the challenging trading environment, higher and more aggressive levels of discounting by our competitors as they chased market share and increased shrinkage levels. Store closures by our competitors (i.e. WOW Sight & Sound, Dick Smith and Game) also impacted margins as they cleared stock.

We have maintained our high levels of service to ensure a continued positive customer experience. Our consolidated cost of doing business (CODB) at 14.9% was a pleasing result in an environment of negative comparable store sales and increasing wage costs (driven by the combined Fair Work award increases over the past three years of over 10%) in Australia. In New Zealand, CODB continued to decrease driven by our continued improvement in operating leverage as sales grew.

Our balance sheet remains strong. JB Hi-Fi has relatively low financial and operating leverage with solid fixed charges cover of 3.1 times and interest cover of 11.8 times. Cash flow from operations was $215.0 million, with strong underlying cash generation from established stores.

Inventory management remains a key focus for the Company and we continue to look for opportunities to improve this and drive inventory turnover. We invested $39.6 million in inventory for new stores in FY12.

In New Zealand, we are gaining good traction with the JB Hi-Fi brand resonating with consumers. We achieved sales growth in FY12 of 17.8% to NZ$222.2 million and our New Zealand operations recorded their first positive EBIT at NZ$3.6 million. This was driven by solid market share gains across most categories, improved gross margins and good operating cost leverage.

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 prospects of increased responsibility and compensation. Our staff remain highly motivated and, as always, we believe their knowledge, passion and commitment to customer service remains one of our most important assets.

The strength of the JB Hi-Fi model continues to prove itself at both the top and bottom of the retail cycle. The core of our success is a best in class cost base which has enabled us to manage abnormal levels of price deflation and competitor discounting whilst continuing to trade very profitably. Challenging trading conditions have driven competitors with higher cost bases out of the market, enabling JB Hi-Fi to continue to grow both its store network and market share. We are very well positioned for any rebound in consumer spending.

We continue to believe the future of retail is an integrated customer offer where our unique and high energy retail format, combined with our innovative online and digital platforms, will ensure JB Hi-Fi's customer proposition is one that our competitors are unable to match.

Stores

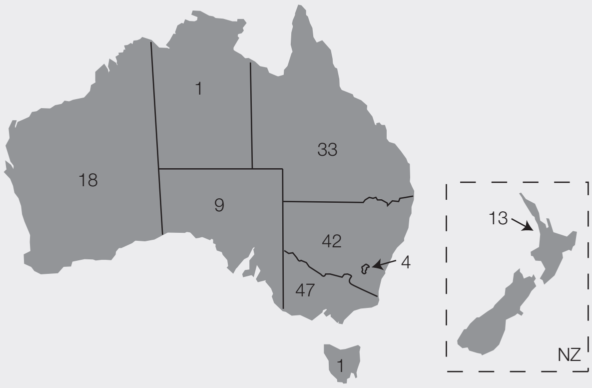
The Company opened 15 new JB Hi-Fi stores in FY12, all in Australia, closed three Clive Anthonys stores and closed one JB Hi-Fi store.

At 30 June 2012, the Company had 168 stores (Australia: 155, NZ: 13), of which 166 were JB Hi-Fi branded stores. The Company's stated target of 214 JB Hi-Fi branded stores should lead to solid growth in the coming years.

The Company continues to apply stringent store selection criteria with new sites offering JB Hi-Fi a high level of foot traffic and convenient access for customers. The Company's relatively low store numbers, combined with this considered approach to new store locations, means new stores should continue to deliver comfortably in excess of their cost of capital.

The Company expects to open 16 new JB Hi-Fi stores in FY13. As part of its proactive management of the store portfolio, three smaller sub-scale JB Hi-Fi stores will be closed at the end of their lease terms during the year.

Total Stores: 168*
(JB Aust: 153, CA: 2, JB NZ: 13)



* As at 30 June 2012

Out of Store Sales

The Company continues to improve its online service levels, offering new features such as pick up in store and "Factory Scoop". Online sales have been strong, up 77.3% in FY12, with the popularity of JB Hi-Fi's websites continuing to grow (unique visitors to the websites increasing 41.1% over the previous year to an average of 927,000 per week in FY12). While sales directly transacted through the online site are still relatively low at 1.6% of total sales, the site remains an important driver of both in store and online sales.

JB HI-FI NOW, the Company's digital content delivery platform, continues to grow with the launch in the June Quarter of FY12 of the JB HI-FI NOW mobile apps. JB Hi-Fi's ongoing evolution of the NOW platform will include expanding into new digital markets.

The Company's Commercial business continued to see good growth, with sales up 31.7% in FY12 driven by an expanded national footprint and continued market share gains.

As our innovation and investment in these areas continues, the Company expects to see significant upside in its out of store sales.

Board, Corporate Governance and Management Approach

Following nearly 12 years as a non-executive director, more than 10 of those years as Chairman, and having overseen the Company's transition from private to public ownership, Mr Patrick Elliott retired as both Chairman of the JB Hi-Fi Board and as a non-executive director on 31 May 2012. The Board and Executive team thank Mr Elliott for the excellent guiding role that he played since the listing of JB Hi-Fi on the ASX; his contribution has been a very positive influence on the growth and performance of the Company and we wish him all the best in his future endeavours. Mr Greg Richards replaced Mr Elliott as Chairman upon his retirement.

One new executive director joined the Board during FY12 with Mr Richard Murray, JB Hi-Fi's Chief Financial Officer, appointed to the Board with effect from 21 June 2012. Mr Murray is a Chartered Accountant with over 15 years experience in finance and accounting and joined JB Hi-Fi as Chief Financial Officer and Company Secretary in 2003. Mr Murray will stand for election at the Annual General Meeting to be held in October this year.

The relationship between the Board and management remains engaging and constructive. 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 innovation and diversification with new products, technology, merchandising formats, advertising and property locations in a controlled and responsible manner. This approach provides 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 16 cents per share fully franked; bringing total dividends for the year ended 30 June 2012 to 65 cents per share. This represents a payout ratio of approximately 60% of full year earnings and is in line with our dividend policy.

In determining the dividends for FY12, the Board has considered the current and forecast financial performance of the business, 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 and to maintain an efficient capital structure.

Outlook

FY13 holds great opportunities for the Company to continue to grow market share as it capitalises on the ongoing industry consolidation. The Company remains focused on improving gross margin while not compromising its low price promise to its customers. Innovation will continue as we plan to launch new digital services and a new improved JB Hi-Fi website. Our store rollout continues to deliver solid returns based on the success of our considered property selection criteria. Furthermore, we continue to actively manage the existing store portfolio to maximise returns.

The Company expects sales in FY13 to be circa $3.30 billion, a 5.5% increase on the prior year. This guidance implies JB Hi-Fi branded comparable store sales of circa negative 1% in FY13.

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.

Greg Richards
Chairman

Terry Smart
Chief Executive Officer

Melbourne,
31 August 2012

Annual Report

for the financial year ended **30 June 2012**

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. The Board continually reviews and monitors developments in corporate governance.

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 2012 financial year.

In view of the size of the Board, the Board has determined not to establish a Nominations Committee. The Board has retained this responsibility. Further detail is set out in the section of this Governance Statement entitled "Nominations Committee".

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 and it directs and monitors the business and affairs of the Company on behalf of shareholders.

The Board's 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 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, diversity, 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 believes that having a range of different skills, backgrounds, experience and gender ensures a diversity of viewpoints which facilitate effective governance and decision making. The Board considers that its current composition, together with that of its committees, enable it and those committees to add value to the Company and to operate effectively. The Board regularly reviews its composition.

JB Hi-Fi maintains a majority of non-executive directors on its Board. The Board currently comprises seven directors, comprising five non-executive directors, including the Chairman, and two executive directors, the Chief Executive Officer and the Chief Financial 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;
- Richard Murray: the Chief Financial Officer; and
- Richard Uechtritz: Mr Uechtritz was the Chief Executive Officer of the Company until 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 holds such additional meetings as the business of the Company requires. 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 the strategy of the Group (being the consolidated entity consisting of the Company and the entities it controls).

Access to information and independent advice

Each director has the right of access to all relevant Company information and to the Company's executives. Subject to prior consultation with the Chairman, each director 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 directors, executives and employees with guidance on what the Company deems to be acceptable behaviour. The key elements of the Code are:

As a company: (a) respecting every employee's dignity, rights and freedoms; (b) providing a working environment that is safe, challenging and rewarding; (c) recognising the achievements 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) ensuring our personal business and financial interests do not conflict with our duty to JB Hi-Fi; (g) working within JB Hi-Fi's policies and rules; and (h) 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

JB Hi-Fi recognises the importance of diversity and values the competitive advantage that is gained from a diverse workforce at all levels of the organisation. The Company adopted a Diversity Policy in October 2011 which is available on the Company's website at www.jbhifi.com.au via the "Corporate" and "Governance" sections.

The Diversity Policy states that JB Hi-Fi appreciates that the different perspectives arising from diversity encourage an innovative, responsive, productive and competitive business and create value for our customers and shareholders. JB Hi-Fi's objective is that Board appointments, employment and advancement decisions are based on merit, qualifications and competence, and that employment opportunities shall not be influenced, affected or limited by discrimination. JB Hi-Fi believes that no barrier should exist that prevents this from occurring.

Gender diversity

As at 30 June 2012 the proportion of women engaged by JB Hi-Fi was as follows:

- Board: 14% being 1 of 7 directors (2011: 12.5%)
- Senior management/executive (excluding executive directors): 9.5% being 2 of 21 employees (2011: 5%)
- Group: 40% being 2,663 of 6,683 employees (2011: 40%)

In March 2012 the Board set measurable objectives in relation to gender diversity and adopted a strategy to achieve these objectives. The Board's diversity objectives are:

- to improve the percentage of female to male commissioned sales staff over each of the next three years;
- to improve the percentage of female to male store managers over the next three years;
- to improve the percentage of female to male regional managers over the next three years; and
- to increase the percentage of female senior managers over the next three years.

One of the challenges faced by the Group in terms of diversity is the relatively low level of turnover in positions such as regional and senior management roles. The vast majority of these positions are occupied by male employees of the Group which is reflective of the fact that, in the past, consumer electronics tended to attract more male than female staff. Whilst this is no longer the case, and the Group has put in place initiatives to improve the position, the timescales set out above are considered realistic in terms of achieving the desired improvements.

The Board has established action plans for achieving the objectives set out above and identified and designated responsibility for each objective to executives and key stakeholders. The Board considers progress towards achieving these long term objectives is on track and in line with the targets identified. Actions taken to date include:

- development of systems to enable regular reporting and assessment of progress towards the adopted gender diversity objectives;
- a detailed review of employee pay to consider whether any gender based disparity exists. Based upon the results of this review the Company is satisfied that there is no disparity in pay between male and female staff;
- further development of part time and flexible work practices, with specific focus on return to work from maternity leave;
- appointment of females into roles traditionally filled by male staff, such as car sound sales, hi-fi sales, inventory planners, buyers, and IT;
- a reorganisation of the managerial structure within stores to achieve future strategic operational goals which JB Hi-Fi believes will also, in time, result in an increase in the number of female store managers and ultimately regional managers; and
- ensuring that female participation in leadership development programs is at least equivalent to the proportion of female employees at that level in the organisation.

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.

Subject to certain specific and limited exceptions, 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 (consisting of the Company and the entities it controlled for the financial year ended 30 June 2012) for the financial year have been properly maintained in accordance with s.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.

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.

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 in respect of that information. The Company Secretary, in consultation with the Chief Executive Officer, Chief Financial 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 are 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 requests that the external auditor attends its Annual General Meeting and is 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. Risk identification and management is a key focus of the executive and management teams but in order to ensure there is a systematic process and regular review, the Company also has a dedicated risk management team. 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 2012) are operating effectively in all material respects based on the risk management framework adopted by the consolidated entity; and
- subsequent to 30 June 2012, 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 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 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 executives has been conducted in respect of the 2012 financial year in accordance with this process.

DIRECTORS' FEES AND EXECUTIVE REMUNERATION

Directors' fees

The details of remuneration paid to each non-executive director during the financial year and the principles behind the setting of such remuneration are included in the Remuneration Report.

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

The amount of remuneration, both monetary and non-monetary, for the executives who had authority and responsibility for planning, directing and controlling the activities of the Company during the year are included in the Remuneration Report.

The Company's share option schemes, including the details of performance hurdles for share options granted to the Chief Executive Officer and executives, are summarised in the Remuneration Report. The Remuneration Report also briefly sets out some of the changes to its executive remuneration structure that JB Hi-Fi has made for the year ending 30 June 2013.

BOARD COMMITTEES

Details of the Committees established by the Board are set out below. The Board has charters for the operation of these Committees.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee.

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 2012, the Audit and Risk Management Committee comprised the following 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:

- Beth Laughton: Ongoing member and Chairman of Committee (appointed Chairman with effect from 1 June 2012);
- James King: Ongoing member of Committee;
- Gary Levin: Ongoing member of Committee; and
- Greg Richards: Member and Chairman of Committee until 31 May 2012.

Details of the background and experience 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 2012 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.

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 and the policies for remuneration and compensation programs of the Company generally.

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.

During the year ended 30 June 2012, the Remuneration Committee comprised the following directors:

- Greg Richards: Ongoing member and Chairman of Committee (appointed Chairman with effect from 1June 2012);
- Gary Levin: Ongoing member of Committee (appointed with effect from 21 March 2012);
- James King: Ongoing member of Committee (appointed with effect from 1 June 2012);
- Patrick Elliott: Member and Chairman of Committee until 31 May 2012; and
- Will Fraser: Member of Committee until 12 October 2011.

The Remuneration Committee meets as required. Details of the meetings held and members' attendance during the 2012 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

In view of its size, the Board has decided not to establish a Nominations Committee. The Board itself is responsible for the selection and appointment practices of the Company.

The Board is charged with, in part, selecting, appointing and regularly evaluating the performance 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.

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".

The Group is committed to reducing the impact its business has on the Australian and New Zealand environments, and has implemented several initiatives to help achieve this, as outlined below.

Carbon Disclosure Project

JB Hi-Fi responds annually 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 it is 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 its low cost of doing business.

Smarter Choice Program

In January 2012, JB Hi-Fi joined the Smart Choice program in conjunction with the Victorian State Government. This program is designed to educate our employees on how to best advise customers about the energy efficiency of televisions. This has been positively supported by Company employees with associated targets being exceeded.

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 in 2011 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 and remanufacturing, ensuring landfill is avoided.

Product Efficiency

Minimum Energy Performance Standards require retailers to ensure that products for sale in Australia and New Zealand have energy efficiency labels. JB Hi-Fi and its suppliers have worked together to meet these standards and ensure products have the labelling required to assist customers to make decisions about energy efficiency.

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 (Televisions and Computers) Regulations 2011 came into effect in November 2011. This regulation ensures that there is 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 customers and employees with communication on recycling options.

Support Office

The JB Hi-Fi Support Office is located in an environmentally friendly “five star energy rated” office building.

SOCIAL STATEMENT

JB Hi-Fi recognises the importance of social responsibility to our shareholders, employees, suppliers and customers. As one of Australia and New Zealand’s leading retailers JB Hi-Fi is committed to understanding how JB Hi-Fi can work with its staff, customers and suppliers to ensure that it gives back to the community.

JB Hi-Fi’s Workplace Giving Program - “Helping Hands”

Established in 2008, Helping Hands is JB Hi-Fi’s Workplace Giving program. Through this program, JB Hi-Fi directors, executives and employees are able to donate to registered charitable organisations. JB Hi-Fi matches dollar for dollar regular employee contributions through its payroll system, effectively doubling the financial benefit to our community partners. Workplace giving programs have proved 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) in Australia and the Payroll Giving Foundation in New Zealand to develop and maintain the program and in doing so contributes to the Company’s vision of seeing significant social impact through employers and community organisations working together.

Through the combined giving of the Company and its employees, JB Hi-Fi believes it makes a real difference to the charities in the program.

Helping Hands - Australia

Since inception, program participation has grown to over 1,950 employees or approximately 31% of total JB Hi-Fi Australia staff, each making weekly contributions. This year combined contributions exceeded $1,200,000 and since its inception, the Company and its employees are proud to have raised more than $3,200,000.

The 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, Oxfam and the Australian Animal Welfare League, which was added in 2012 and broadens the range of charities supported by the program.

Helping Hands – New Zealand

The Helping Hands program was launched in New Zealand in May 2012. The Company’s charity partners in New Zealand are ShelterBox, Kenzies Gift, Forest and Bird, Youthline and Plunket. Participation after two months has exceeded expectations, already achieving participation of over 9% of total JB Hi-Fi New Zealand staff.

Australian Charities Fund Award

JB Hi-Fi was awarded the Organisational Engagement Award by the Australian Charities Fund in 2012. This award recognises excellence in engagement strategies across all levels of an organisation with regard to workplace giving.

"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 and in New Zealand since May 2012. These boxes have been placed at point of sale locations to encourage donations from our customers. All donations collected are shared evenly amongst the Company's charity partners. This year over $90,000 has been collected, and since inception the program has raised over $210,000, showing the generosity of customers and employees.

"Employer Leadership Initiative" – Founding Partner

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

In Australia, the Company is a founding partner of the ACF's "Employer Leadership Initiative" (ELI) that was launched in October 2010. ELI is a group of ten major Australian Organisations that have a shared commitment to creating greater levels of social impact through 'engaged employee giving'. Members of the ELI 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 seeks to play its part in encouraging a sustainable, diverse and robust not for profit sector.

To further support the growth of workplace giving in New Zealand, JB Hi-Fi is working with the Payroll Giving Foundation to communicate the benefits of implementing such a program and grow workplace giving in New Zealand. This initiative has been communicated through local media and engaging with other corporate entities.

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 2012. 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 Greg Richards Chairman (appointed with effect from 1 June 2012) Non-Executive Director B.Ec (Hons)	Mr Richards was appointed to the Board in December 2007 and was appointed Chairman of the Board on 1 June 2012. Mr Richards is a member and Chairman of the Remuneration Committee (appointed Chairman 1 June 2012) and was Chairman of the Audit and Risk Management Committee from February 2010 until 31 May 2012. Prior to joining the Board, Mr Richards had 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. Mr Richards is also currently involved in a voluntary capacity with several not-for-profit entities.
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 past 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 a member of the Audit and Risk Management Committee and was appointed a member of the Remuneration Committee with effect from 1 June 2012.
Ms Beth Laughton Non-Executive Director B.Ec, FAICD, FCA	After qualifying as a Chartered Accountant, Ms Laughton spent over 25 years in corporate finance, providing mergers and acquisition advice and arranging equity funding. For 12 years her primary focus was on information technology, telecommunications, business process outsourcing, and speciality retail, including online retailing. She is also a non-executive director and member of the Audit Committee of the ASX listed Australand Property Group companies, Chair of the Audit Committee and Non-Executive Director of CRC Care Pty Ltd and a member of the Defence SA Advisory Board and its Audit & Risk Management Committee. She was a non-executive director and Chairman of the Audit Committee of Sydney Ferries from 2004 to 2010. Ms Laughton was appointed to the Board in May 2011 and became Chairman of the Audit & Risk Management Committee on 1 June 2012.
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 and was appointed a member of the Remuneration Committee with effect from 21 March 2012.

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. Mr Uechtritz rejoined the Board in April 2011 as a non-executive director. He currently acts as a consultant to the Group and is also a non-executive director of Seven Group Holdings Limited.

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.

Mr Richard Murray
Chief Financial Officer and Executive Director (appointed with effect from 21 June 2012)
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. Mr Murray was appointed to the Board with effect from 21 June 2012 and was also Company Secretary prior to this date.

Mr Patrick Elliott
Chairman and Non-Executive Director (retired with effect from 31 May 2012)
B.Comm, LLB, MBA (Hon)

Mr Elliott was appointed to the Board in July 2000 and retired from the Board with effect from 31 May 2012. Mr Elliott served as Chairman from July 2000 to March 2006 and September 2007 until his retirement. 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.

Dr Will Fraser
Non-Executive Director (retired with effect from 12 October 2011)
PhD

Dr Fraser was appointed to the Board in September 2003 and retired with effect from 12 October 2011. 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.

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

- Dr Will Fraser – Retired with effect from 12 October 2011;
- Mr Patrick Elliott – Retired with effect from 31 May 2012; and
- Mr Richard Murray – Appointed with effect from 21 June 2012.

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
Ms Beth Laughton	Australand Holdings Limited, Australand Property Limited, Australand Investments Pty Ltd	Since 7 May 2012
Mr Richard Uechtritz	Seven Group Holdings Limited	Since June 2010

Company Secretary	*Particulars*
Mr Doug Smith (appointed with effect from 21 June 2012) BA (Hons)	Mr Smith was appointed Company Secretary with effect from 21 June 2012. Mr Smith joined JB Hi-Fi as General Counsel in September 2010 and has more than 18 years' legal experience in-house and in private practice.

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, shopping centre locations and its online stores. The Group offers a wide range of leading brands with particular focus on consumer electronics 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 $104,641,000 (2011: $109,695,000).

During the previous financial year (ending 30 June 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 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. This charge was treated as a significant item in the Group's 30 June 2011 Annual Report, and has been treated consistently in the comparative information in this year's Annual Report, refer note 6 of the Financial Statements for full details of the charge. Excluding this restructuring charge, the net profit after tax of the Group for the 2011 financial year was $134,411,000. Subsequent references to the Group's 2011 performance in the review of operations are to normalised performance, which excludes this restructuring charge.

Consolidated sales for the financial year were $3,127,792,000 (2011: $2,959,253,000), which is 5.7% 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 other material that would otherwise have been included under s.299A(1)(c) of the Corporations Act 2001 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 an 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 together with its online stores. 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

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, including 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.

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.

The Company believes that it has the following fundamental competitive advantages:

- JB Hi-Fi offers one of Australia and New Zealand's largest ranges of home entertainment and consumer electrical products at discounted prices, positioned to appeal to all customers.
- The Group maintains a low cost operating model which is lower than many of its local and international competitors and which underpins competitive pricing in its store network. The Group is innovative in driving costs down and maintains the lowest cost of doing business of any major listed Australian retailer.
- JB Hi-Fi has a distinctive brand personality which is unlike most of our local or overseas peers.
- Motivated passionate and knowledgeable staff.
- Whilst JB Hi-Fi stores are a sought-after destination for customers, the Company also positions stores in high foot traffic locations, allowing it to maximise impulse traffic and providing convenience for customers.
- JB Hi-Fi stores are compact when compared to many local and international competitors and have relatively high sales per square metre.
- Established and successful online sales platform.
- JB HI-FI NOW digital music streaming service launched in December 2011.

The Company intends that growth will continue both in store and out of store:

- Continued roll-out of JB Hi-Fi stores in Australia and New Zealand. The Group anticipates opening 16 new stores in the 2013 financial year and, subject to ongoing review, maintains its stated target of 214 JB Hi-Fi branded stores in Australia and New Zealand. Shorter lease terms will be considered where appropriate to provide flexibility.
- New stores continue to deliver, in excess of their cost of capital.
- Proactive management of store portfolio.
- Continuing expansion and enhancement of existing hardware categories.
- Continued technological innovation will continue to drive new and replacement sales.
- Expected continuing industry consolidation over the next few years should assist comparable store growth.
- Computer category, in particular tablets, will continue to drive sales into the future.
- New JB Hi-Fi online site to be launched in the 2013 financial year which is intended to provide improved user experience across multiple platforms (e.g. computer, tablet & phone).
- Expansion of online product range and depth beyond that which practical in store.
- Expansion of the size and experience of the JB Hi-Fi Commercial team in order to further drive sales and allow expansion into new markets.

- JB HI-FI NOW digital content platform:
  - can be expanded to develop new content and services;
  - provides an opportunity to further leverage the Company's entertainment heritage;
  - assists in maintaining brand engagement with customers outside of the store environment; and
  - allows the Company to utilise its leading hardware position to add-on digital services.

The Company acknowledges that electrical retail faces some structural challenges. However, JB Hi-Fi believes that different models will be affected to varying degrees and that it is best positioned to face these challenges:

- Competition – the markets in which JB Hi-Fi operates are fragmented and competitive. The 2012 financial year saw high levels of discounting as competitors fought for market share, sought to clear excess and aged inventories and closed stores. The Company anticipates that this is likely to continue in the short term but does not believe that this is a long term structural change. With its core everyday low price (EDLP) message central to its customer proposition, the Company has maintained its market leading position.
- Lower discretionary spending – JB Hi-Fi intends to maintain its relevance in the face of lower discretionary spending using its market leadership in price and its everyday low price proposition. The Company's stores which are both in convenient locations and destinations themselves should maximise impulse sales. Industry consolidation should also drive a continued increase in market share in many categories.
- Global pricing – the Company believes that many of its categories are less exposed to this threat than some other retailers and that pricing for many categories is already internationally competitive. The Company's objective is to work with its suppliers to deliver lower retail pricing in affected categories.
- Online competition – JB Hi-Fi seeks to ensure the competitiveness and quality of its online offer, while leveraging the benefits of its physical stores. The Company continues to innovate both in-store and online in order to give customers the choice as to how to transact with JB Hi-Fi. The Company's market leadership drives significant buying power which enables the Company to compete successfully with online players as does its low cost of doing business. JB Hi-Fi also believes that the existence of its store network will continue to provide confidence in after-sales-service and support to its online customers.
- Digitisation of physical software – the Company will maintain a software presence in store while seeking to leverage upon its software heritage to maximise digital sales and will continue to develop its JB HI-FI NOW online digital content platform. JB Hi-Fi will maintain an in-store presence while the category is still providing solid returns.
- Price Deflation – this has always been a feature of electrical retailing but has mostly been mitigated by increased volumes.
- Excess store fronts – the Company believes that it will continue to maintain its relevance in view of its price proposition, range and service. The Company expects to benefit significantly in the long run from industry consolidation although there is potential for short term impact as competitors clear stock.
- Leasing arrangements – the ability to identify suitable sites and negotiate suitable leasing terms for new and existing stores is key to the Group's ongoing growth and profitability. The Company believes that it will continue to be able to do this as it has done successfully to date.

b) Review of performance

Sales and earnings performance:

- the Group recorded a full year net profit after tax of $104,641,000 for the 12 months ending 30 June 2012, down 22.1% on the previous financial year normalised net profit after tax of $134,411,000;
- total sales were up 5.7% to $3,127,792,000 and comparable store sales growth was -1.3% (Australia: -2.0%, New Zealand: 11.7%);
- gross margin was 21.1% for the period, down 93 bps from the previous financial year;
- EBIT was $161,459,000, down from normalised EBIT of $195,967,000 in the previous financial year (statutory EBIT last year $162,614,000) and the resulting EBIT margin was 5.2%, down from normalised EBIT margin of 6.6% in the previous financial year (statutory EBIT margin last year 5.5%);

- cost of doing business ("CODB") was 15.0% for the period; up from normalised cost of doing business of 14.5% in the previous financial year (statutory CODB last year 15.6%); and
- the Group opened 15 new JB Hi-Fi stores in Australia and closed 1 JB Hi-Fi store and 3 Clive Anthonys stores during the financial year.

Material developments:

- there were no material developments during the 2012 financial year.

Overall returns to shareholders:

- Refer to details of dividends paid and declared by the Company on page 20.

c) Details of investments for future performance

Investments of $46,078,000 were made during the financial year in capital expenditure projects, an increase of $1,015,000 from $45,063,000 during the previous financial year. Of this capital expenditure:

- $16,967,000 related to the 15 new stores opened during the 2012 financial year;
- $2,025,000 related to the completion of stores opened during the 2011 financial year;
- $23,353,000 related to store relocations and the upgrade/refurbishment of existing stores;
- $1,319,000 related to online and digital (JB HI-FI NOW); and
- the remainder related to support office and miscellaneous expenditure.

This capital expenditure is anticipated to contribute towards solid earnings growth in the 2013 financial year and beyond.

d) Review of financial condition

- The capital structure of the Group has remained stable during the period.
- The Group has a term debt facility of $250,000,000 expiring in March 2014 and overdraft facilities of $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 $150,000,000.
- Net debt decreased from $205,336,000 to $110,065,000 due primarily to the timing of year end creditor payments with the last day of June 2012 falling on a weekend. After adjusting for the year end timing differences, net debt would have been $192,678,000.
- The key financial covenants included in the Group's financing facilities are the gearing and fixed charges cover ratios.
- During the financial year 319,880 ordinary shares were issued to employees under the Executive and Employee Share Option Plans.

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. 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 other 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 or any entity that is part of 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 2011, as detailed in the directors' report for that financial year, an interim dividend of 48.0 cents per share and a final dividend of 29.0 cents per share, both franked to 100% at the 30% corporate income tax rate, were paid to the holders of fully paid ordinary shares on 4 March 2011 and 2 September 2011 respectively.

In respect of the financial year ended 30 June 2012, an interim dividend of 49.0 cents per share franked to 100% at the 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 9 March 2012.

In respect of the financial year ended 30 June 2012, the directors have declared the payment of a final dividend of 16.0 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 7 September 2012. This represents a payout ratio of 60% of the full year earnings.

Indemnification of officers and auditors

As provided under the Constitution, the Company indemnifies current and former 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 (subject to certain exclusions as required by law). During the financial year, the Company has paid premiums in respect of contracts 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 the members of the Board or the relevant committee. During the financial year, 15 Board meetings, 3 Remuneration Committee meetings and 9 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 G. Richards	15	15	3	3	9	9
Mr J. King	15	15	–	–	9	9
Ms B. Laughton	15	15	–	–	9	9
Mr G. Levin	15	15	2	2	9	9
Mr R. Uechtritz	15	14	–	–	–	–
Mr T. Smart	15	14	–	–	–	–
Mr R. Murray(i)	–	–	–	–	–	–
Mr P. Elliott	14	14	3	3	–	–
Dr W. Fraser	5	4	1	–	–	–

(i) Mr Murray was appointed as a director with effect from 21 June 2012. No meetings were held between Mr Murray's appointment and the end of the financial year.

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.

	Fully paid ordinary shares			Executive share options		
Directors	*Direct number*	*Indirect number*	*Total*	*Direct number*	*Indirect number*	*Total*
Mr G. Richards	–	23,000	23,000	–	–	–
Mr J. King	32,258	–	32,258	–	–	–
Ms B. Laughton	500	–	500	–	–	–
Mr G. Levin	30,000	–	30,000	–	–	–
Mr R. Uechtritz	–	–	–	328,030	–	328,030
Mr T. Smart(i)	981,031	–	981,031	509,956	–	509,956
Mr R. Murray(i)	117,500	750	118,250	241,340	–	241,340

(i) Excludes any options that may be granted by the Board in August 2012. The issue of any options to Mr Smart and Mr Murray, the executive directors of the Company, is also subject to shareholder approval at the Company's Annual General Meeting in October 2012.

Remuneration Report

The Remuneration Report, which forms part of this Directors' Report, is presented separately on pages 23 to 47.

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 have not engaged the auditor to provide any non-audit services in the 2012 financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 48, 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

Greg Richards
Chairman

Terry Smart
Chief Executive Officer

Melbourne,
13 August 2012

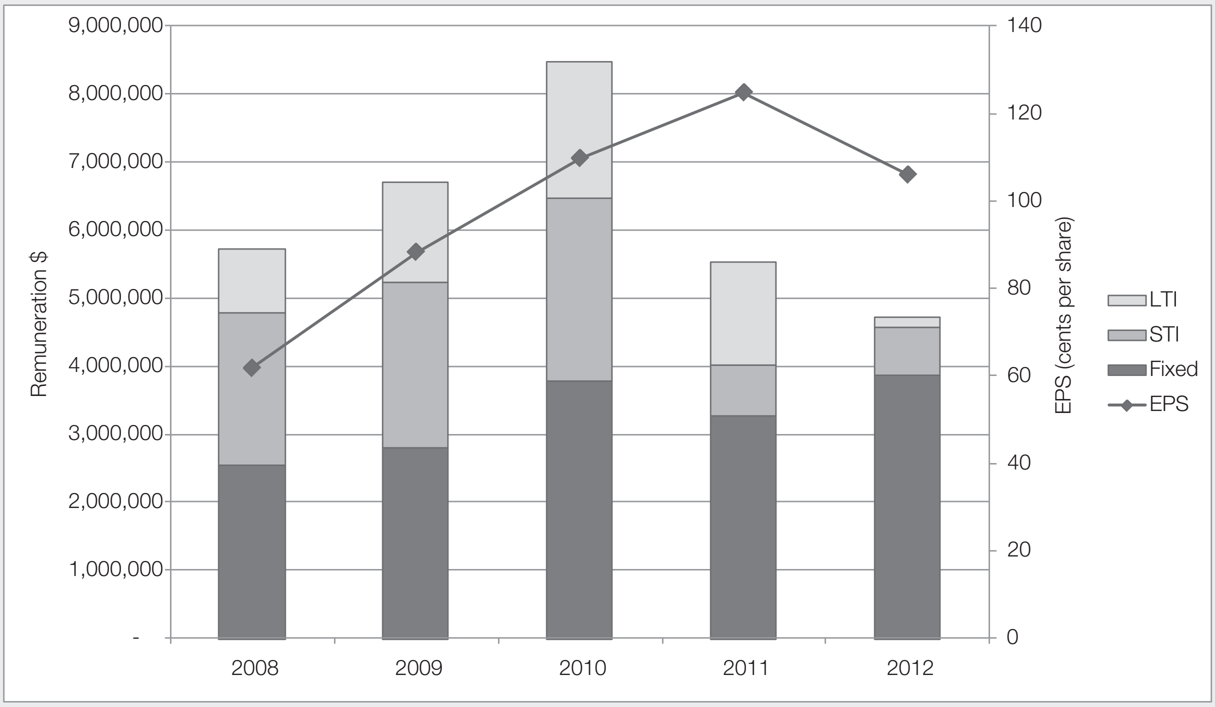
REMUNERATION REPORT (audited)

Remuneration Overview for the 2012 financial year

The Remuneration Committee recognises that the performance of the Group depends on the quality and motivation of its people, including both the executives and the 6,600 employees of the Group across Australia and New Zealand. The Company's remuneration strategy recognises the need to appropriately reward, incentivise and retain key employees. The Remuneration Committee aims to achieve this by setting competitive remuneration packages that include a mix of fixed remuneration and short and long term incentives ("packages").

The Remuneration Committee notes that the 2012 financial year has been a challenging year for the Group, driven primarily by extremely difficult market conditions and several factors beyond the control of the Group. These challenges have impacted significantly the areas against which executive short term incentives and long term incentives are measured (EBIT and EPS) with the consequence that members of the executive, whilst delivering record revenue and strong earnings relative to competitors, have received significantly less remuneration than in recent years, as demonstrated in the graph below.

Executive remuneration and EPS over the last 5 years:



(i) 2012 includes an additional executive, George Papadopoulos, who joined the executive team in December 2011.
(ii) 2011 EPS is normalised to exclude the impact of the Clive Anthonys restructuring charge.
(iii) LTI expense is the current period LTI expense only, excluding any prior period write-backs.
(iv) 2010 remuneration excludes the leave entitlement payouts of $277,696 to Richard Uechtritz upon his retirement as CEO.

The following paragraphs provide a summary of the key elements of executive remuneration for the 2012 financial year. Further detail is set out in the remainder of the Remuneration Report.

Short Term Incentive ("STI") Plan

- Five of the six executives received only 25% of available STIs for the financial year. The 25% received was due to the achievement of qualitative goals. As the Group's quantitative STI targets (EBIT performance compared to the 2011 financial year and 2012 financial year budget) were not achieved, the remaining 75% of available STIs were not paid. An exception applies to the Technology Director who joined the executive team at the start of the calendar year and who received 50% of his available STIs for the successful development of digital and online initiatives.

Remuneration Overview for the 2012 financial year (continued)

- The payment of STIs for the achievement of qualitative goals reflects the fact that each individual member of the executive team has achieved 100% of the qualitative goals set by the CEO (and, in the case of the CEO, set by the Remuneration Committee). The Board believes that, notwithstanding the fall in net profit each of the executives has done an outstanding job in extremely difficult trading conditions for retailers, having achieved the following which are critical to the long term success and earnings of the Group:
  - Record sales;
  - Significant growth of online sales;
  - Launch of JB HI-FI NOW digital music platform;
  - Maintaining a market leading low cost of doing business;
  - Continued improvement in customer service measures;
  - Opening of 15 new stores;
  - Maintenance of strong balance sheet, including solid financial and operational ratios; and
  - Significant improvement in JB Hi-Fi New Zealand profitability.

Long Term Incentive ("LTI") Plan

- The Remuneration Committee expects that the executives will receive no benefit from the LTIs (share options) granted in 2008, 2009 and 2010 which are due to vest subject to the achievement of 2012 performance targets. The earnings per share ("EPS") hurdles applicable to these options have not been satisfied.
- Share options granted to executives during the 2012 financial year require compound annual EPS growth of between 10% and 15% per annum off the normalised 2011 EPS base of 124.7 cents per share, rather than the statutory EPS of 101.8 (refer "2012 Remuneration Reviews" section below for discussion of 2011 normalisation). Accordingly, these options will only vest if the following EPS targets are achieved:

Year	FY2013	FY2014	FY2015
EPS hurdle - 10% compound growth	150.9	166.0	182.6
Required increase in EPS from FY2012 EPS	*42%*	*57%*	*72%*
EPS hurdle - 15% compound growth	164.9	189.6	218.1
Required increase in EPS from FY2012 EPS	*56%*	*79%*	*106%*

- The Company allows retesting of the EPS hurdles on share options and believes that this is appropriate as the retesting is done against a cumulative EPS figure. This means that if the target is missed in one period, it is compounded and retested in the next period. The table below provides an example of EPS compounding for the purpose of hurdle retesting based on an option granted in August 2011, due to vest in August 2013 and expire in August 2016 judged against an EPS hurdle of 15%.

Year	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
EPS	Grant Base EPS = 124.7	n/a	Test – Required EPS = 164.9	Retest – Required EPS = 189.6	Retest – Required EPS = 218.1	n/a

- During the financial year the Company wrote-back an amount of $1,884,096 which had previously been incurred as an expense from FY2009 to FY2011 relating to the issue of share options to executives at that time. This write-back is required by the Accounting Standards because the Company has taken the position that the EPS hurdles applicable to these share options are unlikely to be satisfied prior to expiry of the share options. The Accounting Standards provide that the write-back must be recorded against the remuneration of the relevant executives and directors, which is reflected in the Remuneration Report during this financial year. Footnotes have been used throughout the Remuneration Report to indicate where this write back has impacted upon the figures disclosed.

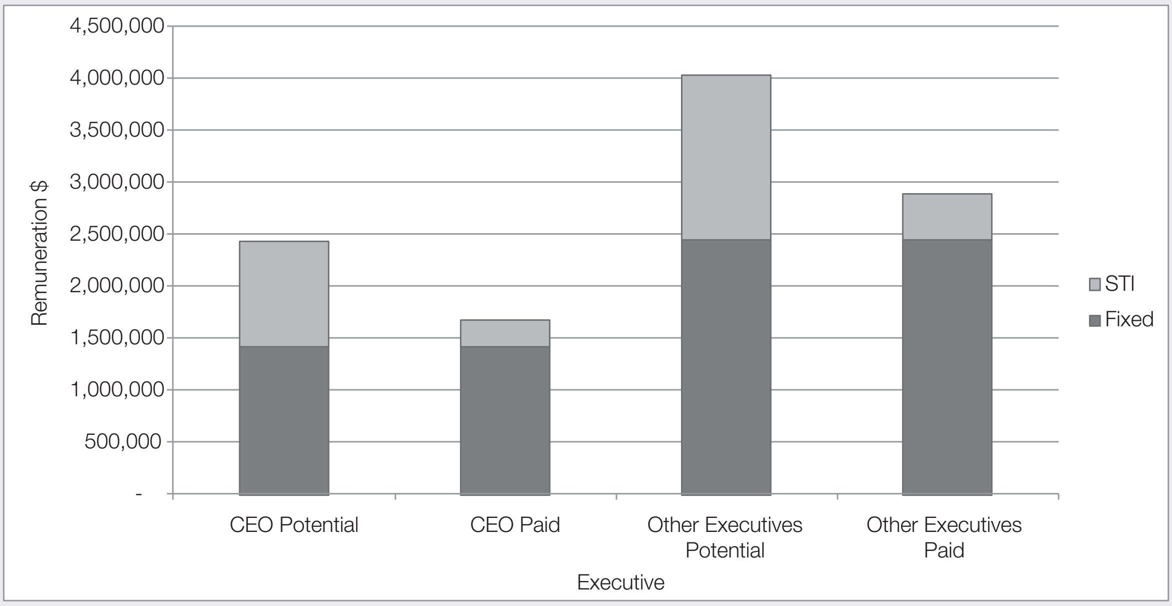
Remuneration Overview for the 2012 financial year (continued)

2012 Remuneration Reviews

- In setting the 2012 financial year remuneration packages, the Remuneration Committee considered a number of factors, including market capitalisation, sales, net profit and number of employees relative to a comparator group of companies. The Remuneration Committee acknowledges that these measures can fluctuate and believes that short term fluctuations should not alter executives' base remuneration. The Remuneration Committee believes that the STI and LTI benchmarks appropriately and adequately link executive remuneration to performance.

- Total executive remuneration packages (the packages available but not necessarily paid) increased by between 11% and 30.5%, with a significant proportion of the increases relating to potential STI payable upon achievement of specific EBIT targets. As shown in the graph below, the majority of 2012 STIs were not actually paid. Higher increases were given to executives who were relatively new to their role in order that their packages were equivalent to their peer group. The highest increase was awarded to Mr Green with the lowest awarded to Mr Smart, Mr Murray and Mr Browning. The Remuneration Committee also considered that, in general, prior to the 2012 financial year, certain members of the executive were paid at a level below their peer group. The Remuneration Committee has obtained independent benchmarking which confirms that, for the financial year, the packages for the CEO and CFO were set at or below the 75th percentile of its comparator group, in line with the Company's target. The packages of the remaining executives were set by reference to the packages for the CEO and CFO.

2012 maximum potential fixed remuneration and STI vs. 2012 actual fixed remuneration and STI paid:



- Executive base pay (not performance based) increased from 2011 to 2012. For executives who have been in the same role for a number of years (Mr Murray and Mr Browning) the increases were approximately 6%. Higher increases (of between 8%-18%) applied for Mr Smart, Mr Trainor and Mr Green on the basis that these individuals were relatively new to their respective roles and were starting from a relatively lower base compared to their peer groups in equivalent roles in comparable companies.

- In 2011 the Company undertook a major reorganisation of its Clive Anthonys business and incurred a significant restructuring charge of $24.7m post tax. This charge was excluded from the measurement of executive EBIT and EPS performance hurdles in the 2011 financial year, with these hurdles being judged against "normalised" EBIT and EPS. In accordance with the Board's intention at that time, the base EBIT and EPS figures that have been used for the measurement of EBIT and EPS percentage growth in the 2012 financial year are the normalised (higher) 2011 EBIT and EPS figures. This is consistent with 2011 and ensures that executives will not benefit from one method of testing in 2011 and a different, more favourable, treatment in 2012.

Remuneration Overview for the 2012 financial year (continued)

2013 Remuneration Packages

In setting executive remuneration packages for the 2013 financial year, the Company has decided to make certain changes to the executive remuneration structure used for the 2012 financial year. These changes include:

- the use of performance rights as well as share options as LTIs;
- LTIs for executives will vest a third each on the third, fourth and fifth anniversary of grant provided that all other vesting conditions are satisfied (rather than on the second, third and fourth anniversaries). For the rest of the management team, LTIs will continue to vest on the second, third and fourth anniversaries; and
- The inclusion of individual quantitative targets against which a proportion of STIs (15%) will be achievable for all executives other than the CEO. These will focus on the achievement of certain specific quantifiable objectives which are within the control of one or more particular executives and which the Board considers to be important to the performance of the business and earnings. The quantitative element of the CEO's STIs will, however, continue to be measured in full against the Group's 2013 financial year EBIT performance.

Non-executive directors' fees

- Non-executive directors' fees have not increased since October 2010 and, following a review in May 2012, will remain at the current level for financial year ending on 30 June 2013.

Details of key management personnel

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

Mr G. Richards	Chairman, Board and Remuneration Committee (appointed as Chairman with effect from 1 June 2012) Non-executive Director
Mr J. King	Chairman, Audit and Risk Management Committee (resigned with effect from 31 May 2012) Non-executive Director
Ms B. Laughton	Chairman, Audit and Risk Management Committee (appointed as Chairman with effect from 1 June 2012) Non-executive Director
Mr G. Levin	Non-executive Director
Mr R. Uechtritz	Non-executive Director
Mr T. Smart	Chief Executive Officer and Executive Director
Mr R. Murray	Chief Financial Officer and Executive Director (appointed with effect from 21 June 2012)
Mr P. Elliott	Chairman, Board and Remuneration Committee and Non-executive Director (retired with effect from 31 May 2012)
Dr W. Fraser	Non-executive Director (retired with effect from 12 October 2011)

The following executives are also considered to be key management personnel:

Mr T. Smart	Chief Executive Officer and Executive Director
Mr R. Murray	Chief Financial Officer and Executive Director
Mr S. Browning	Marketing Director
Mr C. Trainor	Merchandise Director
Mr P. Green	Operations Director
Mr G. Papadopoulos	Technology Director (appointed 22 December 2011, previously General Manager - Digital & Media)

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. 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.

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 $1,250,000 per annum being the amount determined by the Company in its Annual General Meeting on 12 October 2011. The Board, within the aggregate amount of $1,250,000, determines non-executive directors' individual fees.

The current remuneration packages for non-executive directors were set in October 2010 and remain unchanged for the 2013 financial year following the Remuneration Committee's annual review in May 2012. The remuneration package for the 2012 financial year for non-executive directors is set out below:

Role	Fees 2012 $	Fees 2011 $
Chairman	$240,000	$240,000
Non-executive director	$120,000	$120,000
Additional Committee Fees		
Audit & Risk Management Committee Chairman	$25,000	$25,000
Audit & Risk Management Committee member	$10,000	$10,000
Remuneration Committee member	$10,000	$10,000

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. Directors 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. Specifically, non-executive directors do not receive any bonus payments and are not entitled to participate in any Group Share Option Plan.

Group 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 executive remuneration, the Company seeks to ensure remuneration packages for the CEO and CFO are set at or below the 75th percentile of a comparator group, inclusive of full performance related payments. The Remuneration Committee also considers current market conventions with regard to the splits between fixed, short-term and long-term incentive elements. Remuneration packages for the remaining four executives are then set by reference to the packages for the CEO and CFO. The Company has obtained independent benchmarking which confirms that, for the financial year, the packages for the CEO and CFO were set at or below the 75th percentile.

With regard to the structure of the 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	
Fixed	Chief Executive Officer	45% - 50%
	Executives	45% - 55%
Short-term incentives (STIs)	Chief Executive Officer	30% - 35%
	Executives	25% - 35%
Long-term incentives (LTIs)	Chief Executive Officer	15% - 20%
	Executives	15% - 25%

For the 2012 financial year, remuneration packages set by the Remuneration Committee were as below:

2012 executive remuneration package structure:

Fixed Remuneration

Description:

Base salary, motor vehicle allowances and superannuation.

Summary of performance condition:

No elements are dependent on performance conditions.

Short-term Incentive

Description:

Cash bonus

Summary of performance condition:

Under the Group's short-term incentive program, executives' annual cash bonus payments are based on performance against:

a. annual budgets;

b. prior year performance; and

c. relevant qualitative objectives such as investor relations, succession planning and strategy.

The Group undertakes a rigorous and detailed annual planning and budgeting process.

2012 short term incentive elements and the executives' performance against those elements are detailed in the following table:

Element	Criteria	% of Maximum STI Available: Chief Executive	% of Maximum STI Available: Other executives	Target achieved	% of this Element paid
Quantitative Bonus	Based on 2012 statutory EBIT compared to 2011 normalised EBIT[(i)] and 2012 statutory EBIT budget, refer below for discussion.	75%	75%	No	0%
Qualitative Bonus	Relevant qualitative objectives, refer below for discussion.	25%	25%[(ii)]	All	100%

(i) 2011 normalised EBIT is 2011 statutory EBIT normalised for the impact of the 2011 Clive Anthonys restructuring charge, refer page 16 for further detail.

(ii) George Papadopoulos (Technology Director) received 50% of his available STI as a qualitative bonus on the basis that much of his work involved the development and launch of new initiatives, the benefit of which will be recognised in the future. Mr Papadopoulos achieved the objectives in this regard.

Quantitative Bonus

The quantitative element of executives' STIs in 2012 was based on the following criteria:

- If 2012 statutory EBIT was equal to or below 2011 normalised EBIT then 0% of quantitative STIs would be paid,
- If 2012 statutory EBIT was equal to, or exceeded, 2012 statutory EBIT budget plus 10%, then 100% of quantitative STIs would be paid.

There was a linear progression for payment of STIs between these two benchmarks.

Given 2012 statutory EBIT was less than 2011 normalised EBIT, no quantitative bonus was paid to executives' in 2012.

Qualitative Bonus

The qualitative element of the STI was measured against individual criteria for each executive including the following:

Executive	Qualitative Element included:
Terry Smart	• CEO succession planning • Implementation of the Company's strategic objectives • Digital development • Investor relations • Board relations
Richard Murray	• Succession planning in the finance team • Risk management for the Group
Cameron Trainor	• Succession planning in the merchandise team • Build and strengthen supplier relationships • Management of product profitability
Scott Browning	• Maintaining the Group's price leadership position • Online strategy development and enhancement
Peter Green	• Improve customer service metrics • Manage wage control vs productivity • Succession planning for the regional management team
George Papadopoulos	• Launch JB HI-FI NOW mobile music service • Development of JB HI-FI NOW platform • Assumption of responsibility for management of the Group IT function

Long-term Incentive

Description:

Equity options

Summary of performance condition:

Options issued to executives for the 2012 financial year under the Group's long-term incentive program are subject to a performance hurdle requiring compound annual EPS growth (from 1 July 2011) of between 10% and 15% per annum. 70% of options vest upon achievement of 10% compound annual EPS growth and 30% vest upon achievement of 15% compound annual EPS growth. The Remuneration Committee considers this equity performance linked remuneration structure is effective in aligning the long-term interests of executives and shareholders. EPS hurdles are tested each year; to the extent a hurdle is not achieved in one year the hurdle is compounded and reassessed in each subsequent year, until the earlier of the hurdle being achieved or the option expiring. Further details of the terms of these options, including service and share price conditions are included under the heading "Executive and employee share option plans" in the Remuneration Report.

Executives did not achieve any EPS hurdles in relation to options which vest based on 2012 performance.

It is Group policy that all long-term incentives issued to executives in subsequent financial periods will continue to be subject to appropriate performance conditions that ensure alignment with the long-term interests of shareholders.

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

The Company's Securities Trading Policy prohibits executives from altering the economic benefit or risk derived by the executives in relation to their unvested equity options. 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 2012 financial year from all executives.

Key terms of employment agreements

The remuneration and other terms of employment for the executives are set out in individual Company employment agreements. None of the executives are subject to a fixed term of employment; all of the agreements are open-ended.

The following notice periods have been specifically agreed with executives:

- Mr R Murray – if the Company wishes to terminate the employment of Mr Murray, other than for cause, it must provide 6 months' notice to Mr Murray, or a payment in lieu of such notice.
- Mr C Trainor - if the Company wishes to terminate the employment of Mr Trainor, other than for cause, it must provide 9 months' notice to Mr Trainor, or a payment in lieu of such notice. Upon resignation, Mr Trainor must provide the Company with 4 months' notice.
- Mr G Papadopoulos - if the Company wishes to terminate the employment of Mr Papadopoulos, other than for cause, it must provide 4 weeks' notice to Mr Papadopoulos, or a payment in lieu of such notice. Upon resignation, Mr Papadopoulos must provide the Company with 4 weeks' notice.

Subject to the notice periods detailed above:

- upon resignation, each of the executives must provide the Company with reasonable notice as required by law; and
- should the Company wish to terminate the employment of any of the executives at any time other than for cause, it must also provide reasonable notice to the relevant executive as required by law, or a payment in lieu of such notice. In no instance would a payment in lieu of notice exceed the termination payments limits set out in the Corporations Act.

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 and shown below.

The financial performance of the Group is summarised in the table below, whilst the alignment of executive remuneration to the performance of the Group is detailed in the two graphs following the table.

							Growth	
		FY08	*FY09*	*FY10*	*FY11*	*FY12*	*FY12*	*Last 5 years*[iv]
1.	Financial performance:							
	Consolidated sales ($m)	1,828.6	2,327.3	2,731.3	2,959.3	3,127.8	6%	20%
	EBIT ($m)	102.3	142.0	175.1	196.0[i]	161.5	(18%)	20%
	Consolidated net profit ($m)	65.1	94.4	118.7	134.4[i]	104.6	(22%)	21%
	Basic EPS (cents)	61.8	88.3	109.7	124.7[i]	105.9	(15%)	22%
2.	Shareholder value created:							
	Company share price at the end of the reporting period ($)	10.46	15.40	19.07	17.07	8.86	(48%)	(4%)
	Market capitalisation ($m)	1,107.6	1,651.6	2,066.1	1,682.0	875.8	(48%)	(5%)
	Enterprise value[ii] ($m)	1,232.1	1,705.2	2,084.0	1,887.3	985.9	(48%)	(4%)
	Movement in enterprise value during the financial year ($m)	5.3	473.1	378.8	(196.7)	(901.4)		
	Dividends paid to shareholders during the financial year ($m)	16.9	`33.2	67.1	88.4	77.0		
	Off market share buy-back ($m)	-	-	-	173.3	-		
	Shareholder value created[iii]							
	- per annum ($m)	22.2	506.3	445.9	65.0	(824.4)		
	- cumulative ($m) since IPO	1,075.2	1,581.5	2,027.4	2,092.4	1,268.0	(39%)	28%[v]
	- rolling ($m) last five years[iv]	1,075.2	1,516.7	1,776.0	1,653.9	215.0	(87%)	4%

(i) FY11 results are normalised to exclude the impact of the Clive Anthonys restructuring charge ($24.7m post tax).

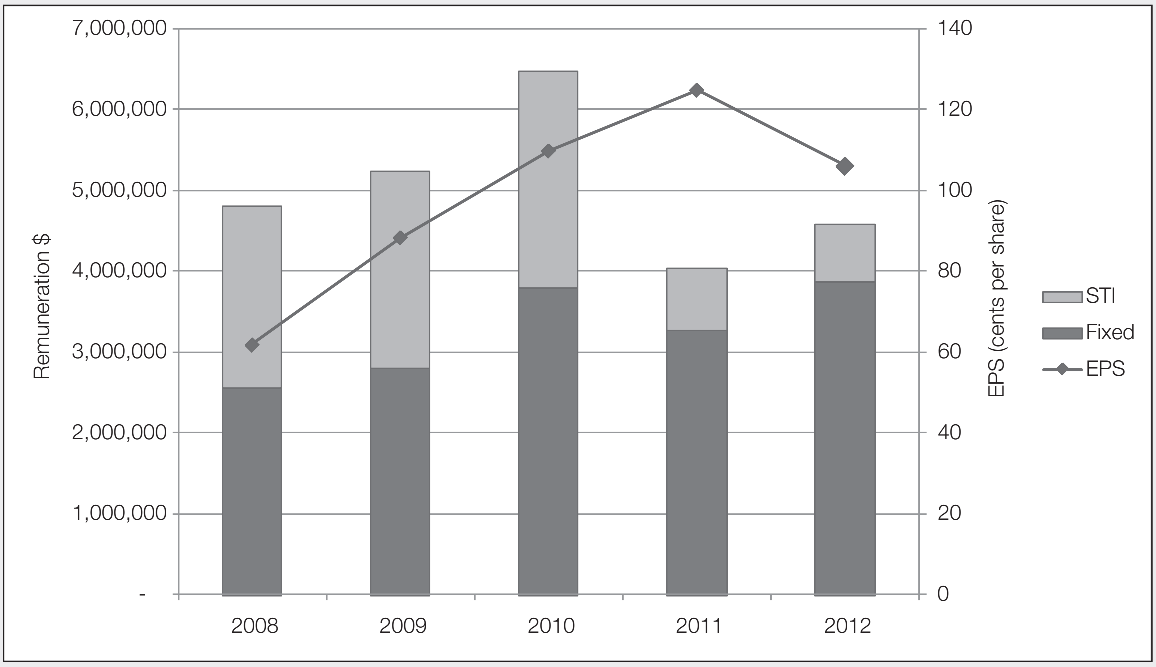
(ii) Enterprise value is measured as the sum of market capitalisation and net debt.

(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 compound annual growth rate over the last 5 years.

(v) Percentage movement shown is the compound annual growth rate since IPO.

Executive fixed remuneration and STI vs. EPS over the last 5 years:

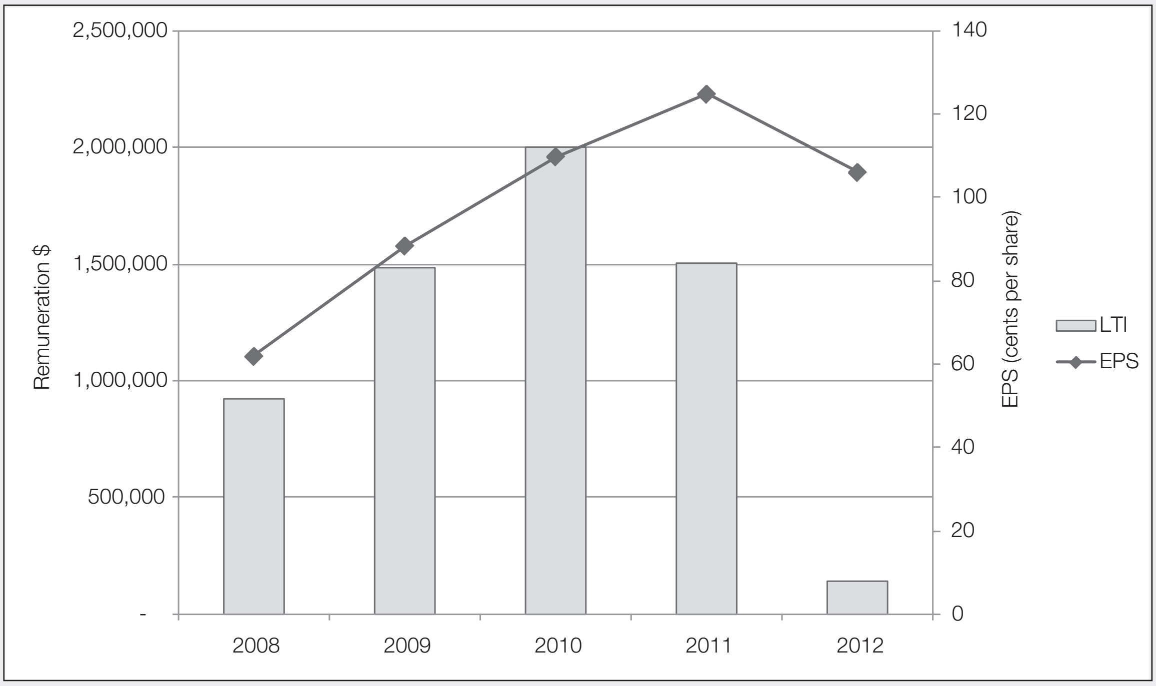


(i) 2012 includes an additional executive, George Papadopoulos, who joined the executive team in December 2011.

(ii) 2011 EPS is normalised to exclude the impact of the Clive Anthonys restructuring charge.

(iii) 2010 remuneration excludes the leave entitlement payouts of $277,696 to Richard Uechtritz upon his retirement as CEO.

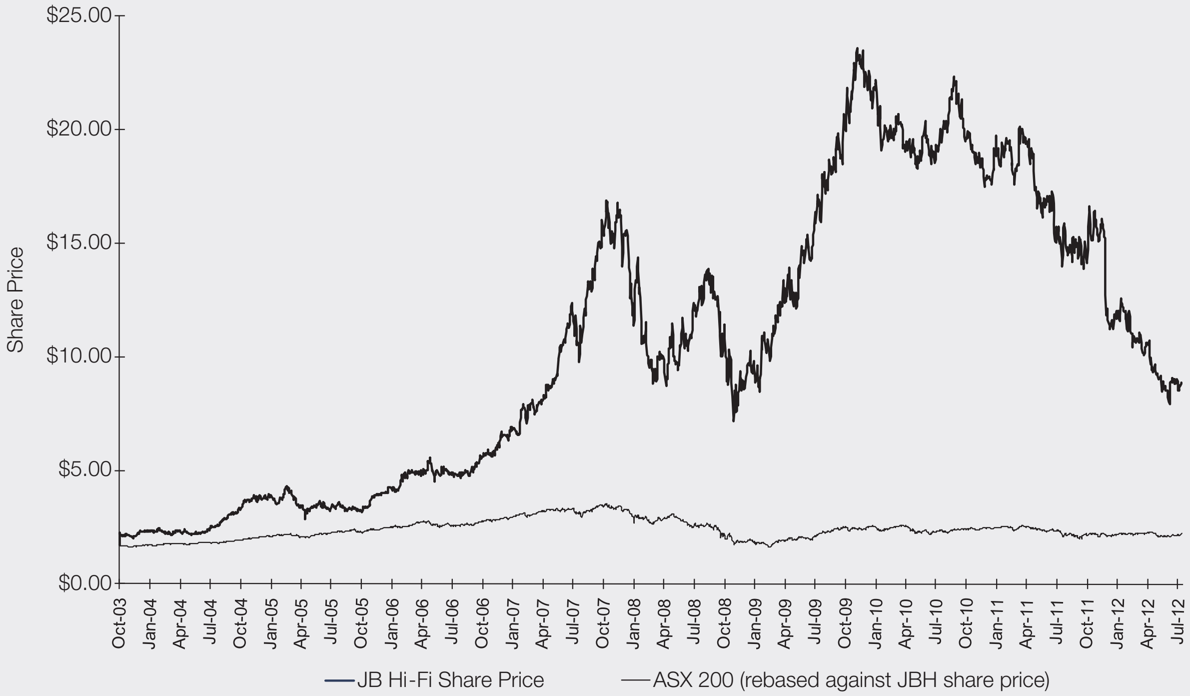
Executive LTI vs. EPS over the last 5 years:



(i) LTI expense shown is the current period LTI expense only, excluding any prior period write-backs.

(ii) 2011 EPS is normalised to exclude the impact of the Clive Anthonys restructuring charge.

The effectiveness of the executives' variable remuneration in driving performance is reflected in the long term growth of the share price of the Group. 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 2012. The JB Hi-Fi closing share price compound annual growth rate between listing and 1 August 2012 is 20.6%, whilst the ASX 200 compound annual growth rate over the same period is 3.1%.



Key management personnel compensation

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

	Consolidated	
	2012 $	*2011* $
Short-term employee benefits	5,243,548	4,635,231
Post-employment benefits	267,370	210,733
Share-based payments - current period expense	165,930	1,605,247
Share-based payments - prior periods expense write-back	(1,884,096)	–
	3,792,752	6,451,211

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

2012	Short-term employee benefits			Post-employment benefits		Share based payments(ii)			
	Salary & fees	Bonus(ii)	Other	Superannuation	Total excluding Share based payments	Current period expense(i)	Prior periods expense write-back(i)	Total Share based payments	Total
	$	$	$	$	$	$	$	$	$
Non-executive directors									
Mr G. Richards	148,700	–	–	13,383	162,083	–	–	–	162,083
Mr J. King	120,030	–	–	10,803	130,833	–	–	–	130,833
Ms B. Laughton	111,250	–	–	20,000	131,250	–	–	–	131,250
Mr G. Levin	82,787	–	–	50,000	132,787	–	–	–	132,787
Mr R. Uechtritz	110,092	–	–	9,908	120,000	23,594	(533,099)	(509,505)(iii)	(389,505)
Mr P. Elliott	197,083	–	–	22,917	220,000	–	–	–	220,000
Dr W. Fraser	33,664	–	–	3,030	36,694	–	–	–	36,694
	803,606	–	–	130,041	933,647	23,594	(533,099)	(509,505)	424,142(iv)
Executives									
Mr T. Smart	1,367,020	252,193	33,711	25,000	1,677,924	15,729	(523,272)	(507,543)	1,170,381
Mr R. Murray	607,918	117,048	28,187	25,000	778,153	8,389	(237,640)	(229,251)	548,902
Mr S. Browning	478,376	94,027	28,187	25,000	625,590	8,389	(220,882)	(212,493)	413,097
Mr C. Trainor	611,710	117,048	25,000	25,000	778,758	48,220	(292,301)	(244,081)	534,677
Mr P. Green	329,653	50,206	20,000	25,000	424,859	23,077	(76,902)	(53,825)	371,034
Mr G. Papadopoulos(v)	192,329	75,000	12,329	12,329	291,987	38,532	–	38,532	330,519
	3,587,006	705,522	147,414	137,329	4,577,271	142,336	(1,350,997)	(1,208,661)	3,368,610
	4,390,612	705,522	147,414	267,370	5,510,918	165,930	(1,884,096)	(1,718,166)	3,792,752

(i) In accordance with Accounting Standards, remuneration includes the amortisation of the fair value of options issued under the Executive Share Option Plan that are expected to vest, less any write-back on options lapsed or expected to lapse as a result of actual or expected performance against non-market hurdles ("Option Accounting Value"). The fair value of options is measured at grant date in accordance with the relevant accounting standard and progressively allocated to profit and loss over the vesting period of the grant. The amount included in remuneration above may not be indicative of the benefit (if any) that key management personnel may ultimately realise should the equity instruments vest.

(ii) Performance based.

(iii) The share based payments included in Mr Uechtritz's remuneration for the 2012 financial year relate to options held in respect of his role as a consultant to the Group, which were issued whilst he was CEO of the Group. 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.

(iv) Excluding the share based payment amounts attributable to Mr Uechtritz's options, which are held in respect of his role as a consultant to the Group and were issued whilst he was CEO of the Group, the amount of fees paid to non-executive directors for services as non-executive directors during the period was $933,647. The Company's Constitution provides that the Directors' Fees pool ($1,250,000) applies to services provided as non-executive directors.

(v) Mr Papadopoulos joined JB Hi-Fi in September 2010 and was appointed to the executive team in December 2011. The compensation included in the above table is for the period since Mr Papadopoulos became a member of key management personnel (upon appointment to the executive team).

	Performance based							
	Short-term employee benefits				Share based payments			
	Maximum Potential STI		Actual STI		Maximum Potential LTI		Actual LTI[iii]	
	Bonus		*Bonus*		*Options*		*Options*	
2012	*$*	*% of total potential remuneration*	*$*	*% of total actual remuneration*	*$*	*% of total potential remuneration*	*$*	*% of total actual remuneration*
Non-executive directors								
Mr R. Uechtritz[i]	–	0%	–	0%	260,237	68%	(509,505)	(131%)
Executives								
Mr T. Smart	1,008,772	34%	252,193	22%	576,171	19%	(507,543)	(43%)
Mr R. Murray	468,191	34%	117,048	21%	251,778	18%	(229,251)	(42%)
Mr S. Browning	376,106	34%	94,027	23%	216,844	19%	(212,493)	(51%)
Mr C. Trainor	468,191	34%	117,048	22%	375,449	25%	(244,081)	(46%)
Mr P. Green	200,822	28%	50,206	14%	148,553	21%	(53,825)	(15%)
Mr G. Papadopoulos[ii]	150,000	18%	75,000	23%	57,425	15%	38,532	12%
	2,672,082	32%	705,522	21%	1,626,220	20%	(1,208,661)	(36%)
	2,672,082	32%	705,522	21%	1,886,457	22%	(1,718,166)	(58%)

(i) Refer footnote (iii) above.
(ii) Refer footnote (v) above.
(iii) Actual LTI is equal to the sum of the current period share based payments expense and the prior periods write-back.

	Short-term employee benefits			*Post-employment benefits*		*Share based payments[ii]*			
2011	*Salary & fees* $	*Bonus[ii]* $	*Other* $	*Super-annuation* $	*Total excluding Share based payments* $	*Current period expense[i]* $	*Prior periods expense write-back[i]* $	*Total Share based payments* $	*Total* $
Non-executive directors									
Mr P. Elliott	215,000	–	–	25,000	240,000	–	–	–	240,000
Mr J. King	119,267	–	–	10,733	130,000	–	–	–	130,000
Mr G. Levin	80,000	–	–	50,000	130,000	–	–	–	130,000
Dr W. Fraser	130,000	–	–	–	130,000	–	–	–	130,000
Mr G. Richards	155,000	–	–	–	155,000	–	–	–	155,000
Mr R. Uechtritz	21,058	–	–	–	21,058	100,227	–	100,227[iii]	121,285
Ms B. Laughton[iv]	11,836	–	–	–	11,836	–	–	–	11,836
	732,161	–	–	85,733	817,894	100,227	–	100,227	918,121[v]
Executives									
Mr T. Smart	1,151,816	360,456	33,711	25,000	1,570,983	552,520	–	552,520	2,123,503
Mr R. Murray	570,497	130,974	28,187	25,000	754,658	253,738	–	253,738	1,008,396
Mr S. Browning	448,287	105,310	28,187	25,000	606,784	237,068	–	237,068	843,852
Mr C. Trainor	559,924	108,751	25,000	25,000	718,675	331,942	–	331,942	1,050,617
Mr P. Green	281,970	50,000	20,000	25,000	376,970	129,752	–	129,752	506,722
	3,012,494	755,491	135,085	125,000	4,028,070	1,505,020	–	1,505,020	5,533,090
	3,744,655	755,491	135,085	210,733	4,845,964	1,605,247	–	1,605,247	6,451,211

(i) In accordance with Accounting Standards, remuneration includes the amortisation of the fair value of options issued under the Executive Share Option Plan that are expected to vest, less any write-back on options lapsed or expected to lapse as a result of actual or expected performance against non-market hurdles ("Option Accounting Value"). The fair value of options is measured at grant date in accordance with the relevant accounting standard and progressively allocated to profit and loss over the vesting period of the grant. The amount included in remuneration above may not be indicative of the benefit (if any) that key management personnel may ultimately realise should the equity instruments vest.

(ii) Performance based.

(iii) Mr Uechtritz acted as a consultant to the Group during the period and was appointed to the Board on 28 April 2011. The share based payment included in Mr Uechtritz's remuneration for the 2011 financial year relates to option held in respect of his role as a consultant to the Group, which were issued whilst he was CEO of the Group. Mr Uechtritz received no other form of remuneration in relation to this role. No options were issued to Mr Uechtritz during the 2011 financial year.

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

(v) Excluding the share based payment amount attributable to Mr Uechtritz's options, which are held in respect of his role as a consultant to the Group and were issued whilst he was CEO of the Group, 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 provided that the Directors' Fees pool ($900,000) applied to services provided as non-executive directors.

	Performance based							
	Short-term employee benefits				Share based payments			
	Maximum Potential STI		Actual STI		Maximum Potential LTI		Actual LTI[ii]	
	Bonus		Bonus		Options		Options	
2011	$	% of total potential remuneration	$	% of total actual remuneration	$	% of total potential remuneration	$	% of totalactual remuneration
Non-executive directors								
Mr R. Uechtritz[i]	–	0%	–	0%	100,227	83%	100,227	83%
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 (iii) above.

(ii) Actual LTI is equal to the sum of the current period share based payments expense and the prior periods write-back.

All bonuses are paid in the financial year following the year that they were earned, for example the 2012 financial bonuses are paid in July 2012 (the 2013 financial year).

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 exercise prices. The options issued to date have the following features:

- no issue price is payable on the issue of an option;
- an exercise price is payable on the exercise of an option. This exercise price is usually calculated as being the closing volume weighted average share price (VWAP) of JB Hi-Fi Limited shares over the 5 trading days post and including the date of release of the Group's full year results, immediately prior to the grant of the option. This price may be calculated by reference to another date, for example where a grant of options occurs other than following the release of results as a result of an employee joining the Group or being promoted within the Group. Consequently, an option only has "value" if at the time that the performance and service based conditions set out below are satisfied, the market price of JB Hi-Fi Limited shares exceeds the exercise price. For options issued since 1 July 2009, a share price condition provides that options will not vest if, during a trading window (as defined in the Group's Securities Trading Policy), the VWAP of the shares over 5 consecutive trading days does not exceed the option exercise price (at a time when all other conditions have been satisfied);
- for executives only, performance conditions based on EPS growth. To date, options issued have been subject to performance hurdles which require compound annual earnings per share growth of between 10% and 20% per annum;
- service based conditions - the options vest a third each, on the second, third and fourth anniversary of grant provided that the employee remains employed at that time;
- all conditions must be satisfied for an option to vest;
- to the extent that a performance condition is not achieved in one year, the hurdle is compounded and reassessed in each subsequent year, until the earlier of the condition being satisfied or the option expiring;

- options generally expire five years after they are issued. Unvested options generally expire immediately upon termination of employment although, depending upon the terms of issue, the Company may have discretion to allow the options to continue or waive vesting conditions in certain circumstances. Upon termination of employment, vested options either expire upon termination, 30 days after termination or continue in force depending upon the circumstances of the employee's exit and the terms of issue;
- each option entitles the holder to one ordinary share in JB Hi-Fi Limited;
- holders of options do not have the right, under the options, to participate in any share issue or interest issue of JB Hi-Fi Limited or of any other body corporate or registered scheme; and
- other conditions including, amongst other things, treatment of the options in the event of a change of control or capital reorganisation.

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 $
32	106,662	Ordinary	20/08/2007	11.02	20/08/2012	11.00	31.2%	1.1%	6.1%	3.15
33	39,584	Ordinary	20/08/2007	11.02	20/08/2012	11.00	31.2%	1.1%	6.1%	3.15
34	16,964	Ordinary	20/08/2007	11.02	20/08/2012	11.00	31.2%	1.1%	6.1%	3.15
35	55,666	Ordinary	20/08/2007	11.02	20/08/2012	11.00	31.2%	1.1%	6.1%	3.15
36	23,857	Ordinary	20/08/2007	11.02	20/08/2012	11.00	31.2%	1.1%	6.1%	3.15
38	23,333	Ordinary	7/04/2008	10.01	7/04/2013	9.54	35.9%	2.3%	6.2%	3.05
40	53,333	Ordinary	23/07/2008	12.16	23/07/2013	11.76	37.6%	1.9%	6.5%	3.90
41	293,335	Ordinary	26/08/2008	13.52	26/08/2013	12.98	37.6%	2.0%	5.7%	3.86
42	73,524	Ordinary	26/08/2008	13.52	26/08/2013	12.98	37.6%	2.0%	5.7%	3.86
43	31,508	Ordinary	26/08/2008	13.52	26/08/2013	12.98	37.6%	2.0%	5.7%	3.86
44	155,088	Ordinary	26/08/2008	13.52	26/08/2013	12.98	37.6%	2.0%	5.7%	3.86
45	66,466	Ordinary	26/08/2008	13.52	26/08/2013	12.98	37.6%	2.0%	5.7%	3.86
46	110,000	Ordinary	2/04/2009	12.29	2/04/2014	11.62	44.9%	2.7%	3.9%	3.57
47	336,000	Ordinary	29/06/2009	15.06	29/06/2014	14.92	46.5%	2.9%	5.2%	4.86
48	63,459	Ordinary	29/06/2009	15.06	29/06/2014	14.92	46.5%	2.9%	5.2%	4.86
49	27,196	Ordinary	29/06/2009	15.06	29/06/2014	14.92	46.5%	2.9%	5.2%	4.86
50	6,500	Ordinary	11/09/2009	18.10	11/09/2014	18.25	46.4%	2.4%	5.1%	6.10
51	25,000	Ordinary	29/09/2009	19.58	29/09/2014	19.27	46.4%	2.3%	5.1%	6.49
52	186,877	Ordinary	29/06/2009	15.06	29/06/2014	14.92	46.5%	2.9%	5.2%	4.86
53	80,090	Ordinary	29/06/2009	15.06	29/06/2014	14.92	46.5%	2.9%	5.2%	4.86
54	15,000	Ordinary	12/10/2009	18.53	12/10/2014	18.86	46.3%	2.3%	5.3%	6.37
55	55,191	Ordinary	23/12/2009	22.35	23/12/2014	22.26	45.8%	2.0%	5.2%	7.61
56	23,653	Ordinary	23/12/2009	22.35	23/12/2014	22.26	45.8%	2.0%	5.2%	7.61
57	20,761	Ordinary	3/06/2010	18.80	3/06/2015	18.80	45.8%	3.5%	5.1%	5.78
58	28,000	Ordinary	1/07/2010	19.10	1/07/2015	19.28	45.7%	3.4%	4.7%	5.88
59	12,000	Ordinary	1/07/2010	19.10	1/07/2015	19.28	45.7%	3.4%	4.7%	5.88
60	91,617	Ordinary	13/08/2010	20.30	13/08/2015	19.75	45.4%	3.3%	4.7%	6.03
61	39,264	Ordinary	13/08/2010	20.30	13/08/2015	19.75	45.4%	3.3%	4.7%	6.03
62	492,500	Ordinary	13/08/2010	20.30	13/08/2015	19.75	45.4%	3.3%	4.7%	6.03
63	78,070	Ordinary	13/08/2010	20.30	13/08/2015	19.75	45.4%	3.3%	4.7%	6.03
64	33,458	Ordinary	13/08/2010	20.30	13/08/2015	19.75	45.4%	3.3%	4.7%	6.03

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 $
65	26,455	Ordinary	1/12/2010	18.40	1/12/2015	18.75	44.9%	3.5%	5.1%	5.67
66	64,644	Ordinary	2/06/2011	16.75	1/06/2016	17.03	43.0%	4.5%	5.1%	4.64
67	551,000	Ordinary	12/08/2011	15.90	12/08/2016	14.95	41.5%	5.1%	3.9%	3.60
68	170,766	Ordinary	12/08/2011	15.90	12/08/2016	14.95	41.5%	5.1%	3.9%	3.60
69	73,186	Ordinary	12/08/2011	15.90	12/08/2016	14.95	41.5%	5.1%	3.9%	3.60
70	110,890	Ordinary	12/08/2011	15.90	12/08/2016	14.95	41.5%	5.1%	3.9%	3.60
71	47,524	Ordinary	12/08/2011	15.90	12/08/2016	14.95	41.5%	5.1%	3.9%	3.60
72	15,000	Ordinary	27/09/2011	15.05	27/09/2016	14.73	41.1%	5.2%	3.8%	3.47
73	30,000	Ordinary	29/11/2011	15.37	29/11/2016	15.30	40.1%	5.0%	3.4%	3.50
74	35,000	Ordinary	31/01/2012	12.60	31/01/2017	12.01	41.0%	6.4%	3.3%	2.53
75	15,000	Ordinary	31/01/2012	12.60	31/01/2017	12.01	41.0%	6.4%	3.3%	2.53
76	97,561	Ordinary	31/07/2012	8.84	31/07/2017	8.74	32.4%	7.4%	2.6%	1.23
	3,900,982									

The weighted average fair value of the share options granted during the financial year is $3.55 (2011: $5.93). Options were valued using the Black-Scholes model.

Expected volatility for all option series above 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, for all options series above the expected life was reduced to 3.44 years to allow for the effects of early exercise based on prior years' experience.

The following tables include all share options granted under the employee and executive share option plan that were exercised during and since the end of the current and previous financial years. All shares were issued by JB Hi-Fi Limited.

2012

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 $
20	15/08/2006	9/08/2011	3,333	3,333	Ordinary	4.81	–	14.48
20	15/08/2006	9/08/2011	3,333	3,333	Ordinary	4.81	–	14.48
20	15/08/2006	9/08/2011	3,334	3,334	Ordinary	4.81	–	14.48
20	15/08/2006	12/08/2011	3,334	3,334	Ordinary	4.81	–	15.90
25	15/08/2006	12/08/2011	15,000	15,000	Ordinary	4.81	–	15.90
29	7/05/2007	4/11/2011	3,000	3,000	Ordinary	8.47	–	15.30
29	7/05/2007	14/02/2012	7,000	7,000	Ordinary	8.47	–	11.80
30	4/07/2007	24/02/2012	10,000	10,000	Ordinary	10.90	–	12.00
32	20/08/2007	22/08/2011	10,000	10,000	Ordinary	11.00	–	14.57
32	20/08/2007	22/08/2011	23,331	23,331	Ordinary	11.00	–	14.57
32	20/08/2007	2/09/2011	13,333	13,333	Ordinary	11.00	–	14.63
35	20/08/2007	2/09/2011	37,111	37,111	Ordinary	11.00	–	14.63
35	20/08/2007	2/09/2011	37,111	37,111	Ordinary	11.00	–	14.63
36	20/08/2007	2/09/2011	15,905	15,905	Ordinary	11.00	–	14.63
36	20/08/2007	2/09/2011	15,904	15,904	Ordinary	11.00	–	14.63
38	7/04/2008	22/08/2011	10,000	10,000	Ordinary	9.54	–	14.57

2012 (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	26/08/2008	2/09/2011	19,999	19,999	Ordinary	12.98	–	14.63
44	26/08/2008	14/10/2011	51,696	51,696	Ordinary	12.98	–	15.10
45	26/08/2008	14/10/2011	22,156	22,156	Ordinary	12.98	–	15.10
46	2/04/2009	22/08/2011	10,000	10,000	Ordinary	11.62	–	14.57
47	29/06/2009	6/07/2011	5,000	5,000	Ordinary	14.92	–	16.59
			319,880	319,880				

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

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 $
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
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				

Long-term incentives subject to performance conditions

Since July 2004, certain Group directors and executives have been issued with options under the executive share option plan as part of the Company's long-term incentive program. Details of the features and conditions of such options are included in the section of this report entitled "Executive and employee share option plans". The following table details the current options outstanding which feature performance hurdles:

Option Series	Grant Date	Performance Hurdle	Date for testing	Relevant Financial Year	Exercise Price $	Expiry Date
Vested (time based service condition and performance hurdle achieved)						
33	20/08/2007	15%	20/08/2011	2011	11.00	20/08/2012
34	20/08/2007	20%	20/08/2011	2011	11.00	20/08/2012
35	20/08/2007	15%	20/08/2011	2011	11.00	20/08/2012
36	20/08/2007	20%	20/08/2011	2011	11.00	20/08/2012
42	26/08/2008	15%	26/08/2011	2011	12.98	26/08/2013
43	26/08/2008	20%	26/08/2011	2011	12.98	26/08/2013
44	26/08/2008	15%	26/08/2010	2010	12.98	26/08/2013
44	26/08/2008	15%	26/08/2011	2011	12.98	26/08/2013
45	26/08/2008	20%	26/08/2010	2010	12.98	26/08/2013
45	26/08/2008	20%	26/08/2011	2011	12.98	26/08/2013
48	29/06/2009	10%	29/06/2011	2010	14.92	29/06/2014
48	29/06/2009	10%	29/06/2012	2011	14.92	29/06/2014

Long-term incentives subject to performance conditions (cont.)

Option Series	Grant Date	Performance Hurdle	Date for testing	Relevant Financial Year	Exercise Price $	Expiry Date
Vested (time based service condition and performance hurdle achieved) (cont.)						
49	29/06/2009	15%	29/06/2011	2010	14.92	29/06/2014
49	29/06/2009	15%	29/06/2012	2011	14.92	29/06/2014
52	29/06/2009	10%	29/06/2011	2010	14.92	29/06/2014
52	29/06/2009	10%	29/06/2012	2011	14.92	29/06/2014
53	29/06/2009	15%	29/06/2011	2010	14.92	29/06/2014
53	29/06/2009	15%	29/06/2012	2011	14.92	29/06/2014
Not vested (time based service condition and performance hurdle achieved but share price vesting condition not achieved)						
55	23/12/2009	10%	23/12/2011	2011	22.26	23/12/2014
56	23/12/2009	15%	23/12/2011	2011	22.26	23/12/2014
Not vested (time based service condition achieved but performance hurdle not achieved)						
58	1/07/2010	10%	1/07/2012	2012	19.28	1/07/2015
59	1/07/2010	15%	1/07/2012	2012	19.28	1/07/2015
60	13/08/2010	10%	13/08/2012	2012	19.75	13/08/2015
61	13/08/2010	15%	13/08/2012	2012	19.75	13/08/2015
63	13/08/2010	10%	13/08/2012	2012	19.75	13/08/2015
64	13/08/2010	15%	13/08/2012	2012	19.75	13/08/2015
Not vested (time based service condition and performance hurdle not achieved)						
42	26/08/2008	15%	26/08/2012	2012	12.98	26/08/2013
43	26/08/2008	20%	26/08/2012	2012	12.98	26/08/2013
44	26/08/2008	15%	26/08/2012	2012	12.98	26/08/2013
45	26/08/2008	20%	26/08/2012	2012	12.98	26/08/2013
48	29/06/2009	10%	29/06/2013	2012	14.92	29/06/2014
49	29/06/2009	15%	29/06/2013	2012	14.92	29/06/2014
52	29/06/2009	10%	29/06/2013	2012	14.92	29/06/2014
53	29/06/2009	15%	29/06/2013	2012	14.92	29/06/2014
55	23/12/2009	10%	23/12/2012	2012	22.26	23/12/2014
55	23/12/2009	10%	23/12/2013	2013	22.26	23/12/2014
56	23/12/2009	15%	23/12/2012	2012	22.26	23/12/2014
56	23/12/2009	15%	23/12/2013	2013	22.26	23/12/2014
58	1/07/2010	10%	1/07/2013	2013	19.28	1/07/2015
58	1/07/2010	10%	1/07/2014	2014	19.28	1/07/2015
59	1/07/2010	15%	1/07/2013	2013	19.28	1/07/2015
59	1/07/2010	15%	1/07/2014	2014	19.28	1/07/2015
60	13/08/2010	10%	13/08/2013	2013	19.75	13/08/2015
60	13/08/2010	10%	13/08/2014	2014	19.75	13/08/2015
61	13/08/2010	15%	13/08/2013	2013	19.75	13/08/2015
61	13/08/2010	15%	13/08/2014	2014	19.75	13/08/2015
63	13/08/2010	10%	13/08/2013	2013	19.75	13/08/2015
63	13/08/2010	10%	13/08/2014	2014	19.75	13/08/2015
64	13/08/2010	15%	13/08/2013	2013	19.75	13/08/2015
64	13/08/2010	15%	13/08/2014	2014	19.75	13/08/2015
68	12/08/2011	10%	12/08/2013	2013	14.95	12/08/2016
68	12/08/2011	10%	12/08/2014	2014	14.95	12/08/2016
68	12/08/2011	10%	12/08/2015	2015	14.95	12/08/2016

Long-term incentives subject to performance conditions (cont.)

Option Series	Grant Date	Performance Hurdle	Date for testing	Relevant Financial Year	Exercise Price $	Expiry Date
Not vested (time based service condition and performance hurdle not achieved) ***continued***						
69	12/08/2011	15%	12/08/2013	2013	14.95	12/08/2016
69	12/08/2011	15%	12/08/2014	2014	14.95	12/08/2016
69	12/08/2011	15%	12/08/2015	2015	14.95	12/08/2016
70	12/08/2011	10%	12/08/2013	2013	14.95	12/08/2016
70	12/08/2011	10%	12/08/2014	2014	14.95	12/08/2016
70	12/08/2011	10%	12/08/2015	2015	14.95	12/08/2016
71	12/08/2011	15%	12/08/2013	2013	14.95	12/08/2016
71	12/08/2011	15%	12/08/2014	2014	14.95	12/08/2016
71	12/08/2011	15%	12/08/2015	2015	14.95	12/08/2016
74	31/01/2012	10%	31/01/2014	2013	12.01	31/01/2017
74	31/01/2012	10%	31/01/2015	2014	12.01	31/01/2017
74	31/01/2012	10%	31/01/2016	2015	12.01	31/01/2017
75	31/01/2012	15%	31/01/2014	2013	12.01	31/01/2017
75	31/01/2012	15%	31/01/2015	2014	12.01	31/01/2017
75	31/01/2012	15%	31/01/2016	2015	12.01	31/01/2017

(i) For all options subject to performance hurdle testing at 30 June 2011, compound annual earnings per share growth in 2011 was measured on a normalised basis, excluding the impact of the Clive Anthonys restructure charge ($24.7m post tax).

Key management personnel equity holdings

Fully paid ordinary shares of JB Hi-Fi Limited

2012 (i)(ii)	Balance at 1 July 2011 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2012 No.	Balance held nominally No.
Mr G. Richards	23,000	–	–	–	23,000	23,000
Mr J. King	32,258	–	–	–	32,258	–
Ms B. Laughton	–	–	–	500	500	–
Mr G. Levin	30,000	–	–	–	30,000	–
Mr R. Uechtritz	–	–	73,852	(73,852)	–	–
Mr T. Smart	1,500,000	–	121,031	(640,000)	981,031	–
Mr R. Murray	175,284	–	–	(57,034)	118,250	750
Mr S. Browning	161,536	–	–	–	161,536	–
Mr C. Trainor	–	–	–	–	–	–
Mr P. Green	501	–	10,000	(10,488)	13	–
Mr G. Papadopoulos (iii)	n/a	–	–	–	–	–
	1,922,579	–	204,883	(780,874)	1,346,588	56,008

(i) Mr Elliott retired from his position as a non-executive director on 31 May 2012. During the period to 31 May 2012, Mr Elliott acquired 9,500 ordinary shares and did not dispose of any ordinary shares. At the date of his retirement, Mr Elliott held 219,232 ordinary shares.

(ii) Mr Fraser retired from his position as a non-executive director on 12 October 2011. During the period to 12 October 2011, Mr Fraser did not acquire or dispose of any ordinary shares. At the date of his retirement, Mr Fraser held 6,451 ordinary shares.

(iii) Mr Papadopoulos joined JB Hi-Fi in September 2010 and was appointed to the executive team in December 2011. At the date of his appointment to the executive team Mr Papadopoulos held no ordinary shares.

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.

Share options of JB Hi-Fi Limited

2012	Balance at 1 July 2011 No.	Granted as compensation(ii) No.	Exercised No.	Net other change No.	Balance at 30 June 2012 No.	Balance vested at 30 June 2012 No.	Options vested during year No.
Mr R. Uechtritz(i)	401,882	–	(73,852)	–	328,030	195,961	211,594
Mr T. Smart	472,573	158,414	(121,031)	–	509,956	160,010	133,019
Mr R. Murray	167,817	73,523	–	–	241,340	84,969	69,750
Mr S. Browning	159,055	59,062	–	–	218,117	84,532	69,532
Mr C. Trainor	137,013	73,523	–	–	210,536	–	–
Mr P. Green	76,408	37,844	(10,000)	–	104,252	16,667	21,667
Mr G. Papadopoulos(iii)	n/a	50,000	–	41,455	91,455	–	–
	1,414,748	452,366	(204,883)	41,455	1,703,686	542,139	505,562

(i) Options held in respect of Mr Uechtritz's role as a consultant to the Group which were granted whilst he was CEO of the Group.

(ii) Excludes any options that may be granted by the Board in August 2012. The issue of any options to Mr Smart and Mr Murray, executive directors of the Company, is also subject to shareholder approval at the Company's Annual General Meeting in October 2012.

(iii) Mr Papadopoulos joined JB Hi-Fi in September 2010 and was appointed to the executive team in December 2011. At the date of his appointment to the executive team Mr Papadopoulos held 41,455 options over ordinary shares, 15,000 of which had been issued in the 2012 financial year prior to his appointment to the executive team.

2011	Balance at 1 July 2010 No.	Granted as compensation(ii) 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	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 and were granted whilst he was CEO of the Group.

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

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 204,883 (2011: 219,069) options were exercised by key management personnel at a weighted average exercise price of $11.26 (2011: $8.90) 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:

2012	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 R. Uechtritz(iii)	–	156,566	–
Mr T. Smart	570,290	551,243	–
Mr R. Murray	264,683	–	–
Mr S. Browning	212,623	–	–
Mr C. Trainor	264,683	–	–
Mr P. Green	136,238	35,700	–
Mr G. Papadopoulos(iv)	126,500	–	–
	1,575,017	743,509	–

(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.

(iii) Options held in respect of Mr Uechtritz's role as a consultant to the Group which were granted whilst he was CEO of the Group.

(iv) Mr Papadopoulos joined JB Hi-Fi in September 2010 and was appointed to the executive team in December 2011. The value of options granted and exercised in the above table includes only those options granted and exercised since Mr Papadopoulos became a member of key management personnel (upon appointment to the executive team). In the 2012 financial year prior to his appointment to the executive team Mr Papadopoulos was granted options valued at $54,000 and exercised no options.

During and since the end of the financial year, an aggregate of 452,366 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	70.1	36,964	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	10%
	70.2	36,963	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	10%
	70.3	36,963	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	10%
	71.1	15,842	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	15%
	71.2	15,841	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	15%
	71.3	15,841	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	15%
		158,414		14.95	3.60			
Mr R. Murray	68.1	17,156	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	10%
	68.2	17,155	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	10%
	68.3	17,155	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	10%
	69.1	7,353	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	15%
	69.2	7,352	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	15%
	69.3	7,352	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	15%
		73,523		14.95	3.60			
Mr S. Browning	68.1	13,781	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	10%
	68.2	13,781	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	10%
	68.3	13,781	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	10%
	69.1	5,907	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	15%
	69.2	5,906	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	15%
	69.3	5,906	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	15%
		59,062		14.95	3.60			
Mr C. Trainor	68.1	17,156	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	10%
	68.2	17,155	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	10%
	68.3	17,155	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	10%
	69.1	7,353	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	15%
	69.2	7,352	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	15%
	69.3	7,352	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	15%
		73,523		14.95	3.60			
Mr P. Green	68.1	8,831	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	10%
	68.2	8,830	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	10%
	68.3	8,830	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	10%
	69.1	3,785	12/08/2011	14.95	3.60	12/08/2013	12/08/2016	15%
	69.2	3,784	12/08/2011	14.95	3.60	12/08/2014	12/08/2016	15%
	69.3	3,784	12/08/2011	14.95	3.60	12/08/2015	12/08/2016	15%
		37,844		14.95	3.60			
Mr G. Papadopoulos(i)	74.1	11,667	31/01/2012	12.01	2.53	31/01/2014	31/01/2017	10%
	74.2	11,667	31/01/2012	12.01	2.53	31/01/2015	31/01/2017	10%
	74.3	11,666	31/01/2012	12.01	2.53	31/01/2016	31/01/2017	10%
	75.1	5,000	31/01/2012	12.01	2.53	31/01/2014	31/01/2017	15%
	75.2	5,000	31/01/2012	12.01	2.53	31/01/2015	31/01/2017	15%
	75.3	5,000	31/01/2012	12.01	2.53	31/01/2016	31/01/2017	15%
		50,000		12.01	2.53			
		452,366		14.63	3.48			

(i) Mr Papadopoulos joined JB Hi-Fi in September 2010 and was appointed to the executive team in December 2011. The above table includes only those options granted to Mr Papadopoulos since he became a member of key management personnel (upon appointment to the executive team). In addition to the above, on 12 August 2011, prior to his appointment to the executive team, Mr Papadopoulos was granted 15,000 options which vest a third each, on the second, third and fourth anniversary of issue. Consistent with options granted to employees (excluding executives), these options do not contain an EPS growth performance condition.

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 R. Uechtritz	44.2	51,696	14/10/2011	51,696	12.98	15.10	15%	Yes
	45.2	22,156	14/10/2011	22,156	12.98	15.10	20%	Yes
		73,852		73,852				
Mr T. Smart	25.3	15,000	12/08/2011	15,000	4.81	15.90	15%	Yes
	35.2	37,111	2/09/2011	37,111	11.00	14.63	15%	Yes
	35.3	37,111	2/09/2011	37,111	11.00	14.63	15%	Yes
	36.2	15,905	2/09/2011	15,905	11.00	14.63	20%	Yes
	36.3	15,904	2/09/2011	15,904	11.00	14.63	20%	Yes
		121,031		121,031				
Mr R. Murray		–		–				
Mr S. Browning		–		–				
Mr C. Trainor		–		–				
Mr P. Green	32.3	10,000	22/08/2011	10,000	11.00	14.57	n/a	n/a
		10,000		10,000				
Mr G. Papadopoulos		–		–				
		204,883		204,883				

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.

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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

13 August 2012

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 2012, 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

Tom Imbesi
Partner
Chartered Accountants

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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 2012, 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 51 to 95.

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 gives a true and fair view and 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.

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 2012 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 23 to 47 of the directors' report for the year ended 30 June 2012. 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 2012, complies with section 300A of the *Corporations Act 2001*.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Tom Imbesi

Tom Imbesi
Partner
Chartered Accountants

Melbourne,

13 August 2012

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 34 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

Greg Richards
Chairman

Terry Smart
Chief Executive Officer

Melbourne,

13 August 2012

	Notes	Consolidated 2012 $'000	2011 $'000
Revenue	3	3,127,792	2,959,253
Cost of sales		(2,467,962)	(2,307,224)
Gross profit		659,830	652,029
Other income	4	613	2,351
Sales and marketing expenses		(309,465)	(286,823)
Occupancy expenses		(129,343)	(114,800)
Administration expenses		(26,715)	(26,898)
Other expenses		(32,893)	(27,658)
Significant item	6	-	(33,352)
Finance costs	5	(13,654)	(6,268)
Profit before tax		148,373	158,581
Income tax expense	7	(43,732)	(48,886)
Profit for the year		104,641	109,695
Attributable to:			
Equity holders of the parent		104,641	109,695
		104,641	109,695
		Cents	*Cents*
Earnings per share			
Basic (cents per share)	30	105.93	101.76
Diluted (cents per share)	30	105.87	101.10

KEY STATISTICAL DATA
for the financial year end 30 June 2012

	2012	*2011*
Gross margin percentage	21.10%	22.03%
Rent for trading stores as a percentage of sales[(i)]	2.23%	2.10%
Cost of doing business (CODB) as a percentage of sales	14.92%	15.62%
CODB as a percentage of sales excluding significant item	14.92%	14.49%
Earnings before interest and taxation (EBIT) margin	5.16%	5.50%
EBIT margin excluding significant item	5.16%	6.62%
Number of stores at end of the year	168	157

(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 2.29% (2011: 2.17%).

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

	Consolidated	
	2012 $'000	2011 $'000
Profit for the year	104,641	109,695
Other comprehensive income		
Changes in the fair value of cash flow hedges (net of tax)	(823)	(390)
Exchange differences on translation of foreign operations	554	(2,082)
Other comprehensive income for the year	(269)	(2,472)
Total comprehensive income for the year	104,372	107,223
Total comprehensive income attributable to:		
Equity holders of the parent	104,372	107,223
	104,372	107,223

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

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
ASSETS			
Current assets			
Cash and cash equivalents	11	39,710	27,246
Trade and other receivables	12	58,378	58,253
Inventories	13	428,290	406,939
Other	14	7,682	8,634
Total current assets		534,060	501,072
Non-current assets			
Other financial assets	15	3	3
Plant and equipment	16	182,048	169,590
Deferred tax assets	17	16,196	17,802
Intangible assets	18	78,842	78,672
Total non-current assets		277,089	266,067
Total assets		811,149	767,139
LIABILITIES			
Current liabilities			
Trade and other payables	19	400,803	301,602
Other financial liabilities	20	1,303	645
Current tax liabilities	21	4,374	12,064
Provisions	22	30,673	29,316
Other current liabilities	23	2,328	2,311
Total current liabilities		439,481	345,938
Non-current liabilities			
Borrowings	24	149,775	232,582
Provisions	25	13,792	14,466
Other non-current liabilities	26	22,797	21,548
Other financial liabilities	27	803	292
Total non-current liabilities		187,167	268,888
Total liabilities		626,648	614,826
Net assets		184,501	152,313
EQUITY			
Contributed equity	28	61,692	58,206
Reserves	29(a)	5,120	4,028
Retained earnings	29(b)	117,689	90,079
Total equity		184,501	152,313

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 2010		53,578	3,873	235,845	293,296
Profit for the year		-	-	109,695	109,695
Cash flow hedges (net of tax)	29	-	(390)	-	(390)
Exchange differences on translation of foreign operations	29	-	(2,082)	-	(2,082)
Total comprehensive income for the year		-	(2,472)	109,695	107,223
Issue of shares under share option plan	28	9,305	-	-	9,305
Transfer from equity settled benefits reserve	28	2,167	(2,167)	-	-
Share buy-back - capital component	28	(6,283)	-	-	(6,283)
Share buy-back - dividend component	29	-	-	(167,050)	(167,050)
Share buy-back costs (net of tax)	28	(561)	-	-	(561)
Dividends provided for or paid	31	-	-	(88,411)	(88,411)
Employee share options - value of employee services	29	-	4,519	-	4,519
Employee share options - income tax	29	-	275	-	275
		4,628	2,627	(255,461)	(248,206)
Balance at 30 June 2011		58,206	4,028	90,079	152,313
Balance at 1 July 2011		58,206	4,028	90,079	152,313
Profit for the year		-	-	104,641	104,641
Cash flow hedges (net of tax)	29	-	(823)	-	(823)
Exchange differences on translation of foreign operations	29	-	554	-	554
Total comprehensive income for the year		-	(269)	104,641	104,372
Issue of shares under share option plan	28	3,514	-	-	3,514
Share issue costs (net of tax)	28	(28)	-	-	(28)
Dividends provided for or paid	31	-	-	(77,031)	(77,031)
Employee share options - value of employee services	29	-	1,241	-	1,241
Employee share options - income tax	29	-	120	-	120
		3,486	1,361	(77,031)	(72,184)
Balance at 30 June 2012		61,692	5,120	117,689	184,501

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

	Notes	Consolidated 2012 $'000	Consolidated 2011 $'000
Cash flows from operating activities			
Receipts from customers		3,448,130	3,267,490
Payments to suppliers and employees		(3,171,643)	(3,101,569)
Interest and bill discounts received		568	2,236
Interest and other costs of finance paid		(12,765)	(6,047)
Income taxes paid		(49,283)	(52,165)
Net cash (outflow) inflow from operating activities	39	215,007	109,945
Cash flows from investing activities			
Payments for property, plant and equipment		(46,078)	(45,063)
Proceeds from sale of plant and equipment		1,257	1,144
Net cash (outflow) inflow from investing activities		(44,821)	(43,919)
Cash flows from financing activities			
Share issue and buy-back transaction costs		(40)	(801)
Proceeds / (repayment) of borrowings		(84,174)	163,334
Payments for debt issue costs		(13)	(955)
Proceeds from issues of equity securities		3,514	9,305
Dividends paid to members of the parent entity	31	(77,031)	(88,411)
Payments for shares bought back	31	-	(173,333)
Net cash (outflow) inflow from financing activities		(157,744)	(90,861)
Net increase (decrease) in cash and cash equivalents		12,442	(24,835)
Cash and cash equivalents at the beginning of the financial year		27,246	51,735
Effects of exchange rate changes on cash and cash equivalents		22	346
Cash and cash equivalents at end of year	11	39,710	27,246

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 13 August 2012.

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 2012 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, the Group 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 40. Movements in the hedging reserve in shareholders' equity are shown in note 29.

(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 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 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 the 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(l) Foreign currency translation (cont.)

(iii) Group companies (cont.)

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.

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(o) Income tax (cont.)

Deferred tax (cont.)

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.

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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(p) Intangible assets (cont.)

(i) Goodwill (cont.)

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).

(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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(s) Leases (cont.)

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 32). 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.

(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 and leasehold improvements. 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. 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(v) Revenue recognition (cont.)

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) Subcriptions

Revenue from the sale of subscription services is recognised on a straight line basis over the period of the subscription, from the date of activation until expiry, reflecting the period over which the services are supplied.

(iii) 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.

(iv) 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.

(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, with a corresponding increase in equity.

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 such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(z) Trade receivables (cont.)

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) AASB 9 *Financial Instruments,* AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* (effective from 1 January 2013)

(ii) AASB 2010-8 *Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets* (effective from 1 January 2012)

(iii) AASB 10 *Consolidated Financial Statements,* AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities,* revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective 1 January 2013)

(iv) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 2013)

(v) Revised AASB 119 *Employee Benefits,* AASB 2011-10 *Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)* and AASB 2011-11 *Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements* (effective 1 January 2013)

(vi) AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income* (effective 1 July 2012)

(vii) AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (effective 1 July 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.

Share based payments expense

At each reporting date the Company estimates the number of equity instruments expected to vest in accordance with the accounting policy stated in note 1(x). The number of equity instruments that are expected to vest is based on managements assessment of the likelihood of the vesting conditions attached to the equity instruments being satisfied. The key vesting conditions that are assessed are earning per share targets and required service periods. The impact of any revision in the number of equity instruments that are expected to vest is recognised as an adjustment to the share based payments expense in the reporting period that the revision is made and is disclosed in note 5.

	Consolidated 2012 $'000	Consolidated 2011 $'000
3 REVENUE		
Sale of goods	3,127,792	2,959,253
4 OTHER INCOME		
Interest received - banks	568	2,236
Other income	45	115
	613	2,351
5 EXPENSES		
Profit before income tax includes the following specific expenses:		
Depreciation		
Depreciation - Plant and equipment	19,203	17,398
Depreciation - Leasehold improvements	11,551	9,889
	30,754	27,287
Impairment		
Impairment - Plant and equipment	577	-
Impairment - Leasehold improvements	455	-
	1,032	-
Total depreciation and impairment	31,786	27,287
Finance costs		
Interest on loans	12,274	5,389
Fair value loss on interest rate swaps designated as cash flow hedges - transfer from equity	840	300
Other interest expense	540	579
	13,654	6,268
Rental expense relating to operating leases		
Minimum lease payments	73,225	65,722
Employee benefits expense		
Defined contribution superannuation expense	21,950	19,957
Equity settled share-based payments - Current period expense	3,125	4,519
Equity settled share-based payments - Prior periods expense write-back	(1,884)	-
Other employee benefits	281,883	258,350
	305,074	282,826
Net foreign exchange (gains)/losses	4	(40)
Net loss on disposal of plant and equipment	755	725
Impairment of trade receivables	162	515
Inventory shrinkage[(i)]	12,226	7,617

(i) Shrinkage as a percentage of sales was 0.39% (2011: 0.26%)

6 SIGNIFICANT ITEM - CLIVE ANTHONYS RESTRUCTURE

As announced on the Australian Securities Exchange on 29 March 2011, during the prior period the Group undertook a strategic review of its Clive Anthonys business. The result of the review was a charge in the prior period 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	
	2012 $'000	*2011 $'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 in the prior period was $24,716 thousand.

	Consolidated	
	2012 $'000	*2011 $'000*
7 INCOME TAX EXPENSE		
(a) Income tax expense		
Current tax	42,126	54,720
Deferred tax	1,606	(5,834)
	43,732	48,886
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	148,373	158,581
Income tax expense calculated at 30% (2011: 30%)	44,512	47,574
Effect of expenses that are not deductible in determining taxable profit	435	2,876
Effect of different tax rates of subsidiaries operating in other jurisdictions	(56)	24
Other	(1,159)	(1,588)
	43,732	48,886
(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	(120)	(275)
Deferred tax		
Tax effect of hedge gains/(losses) in reserves	(353)	(168)
Tax effect of share issue / buy-back costs charged to issued capital	(12)	(240)
	(485)	(683)

(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 33.

7 INCOME TAX EXPENSE (cont.)

(d) Tax consolidation legislation (cont.)

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.

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:

	Consolidated 2012 $	Consolidated 2011 $
Short-term employee benefits	5,243,548	4,635,231
Post-employment benefits	267,370	210,733
Share-based payments - current period expense	165,930	1,605,247
Share-based payments - prior periods expense write-back	(1,884,096)	-
	3,792,752	6,451,211

Detailed remuneration disclosures are provided in the remuneration report on pages 23 to 47.

(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:

2012	*Balance at start of the year*	*Granted as compensation*[ii]	*Exercised*	*Other changes*	*Balance at end of the year*	*Vested and exercisable*	*Unvested*
Mr R. Uechtritz[i]	401,882	-	(73,852)	-	328,030	195,961	132,069
Mr T. Smart	472,573	158,414	(121,031)	-	509,956	160,010	349,946
Mr R. Murray	167,817	73,523	-	-	241,340	84,969	156,371
Mr S. Browning	159,055	59,062	-	-	218,117	84,532	133,585
Mr C. Trainor	137,013	73,523	-	-	210,536	-	210,536
Mr P. Green	76,408	37,844	(10,000)	-	104,252	16,667	87,585
Mr G. Papadopoulos[iii]	n/a	50,000	-	41,455	91,455	-	91,455
	1,414,748	452,366	(204,883)	41,455	1,703,686	542,139	1,161,547

(i) Options held in respect of Mr Uechtritz's role as a consultant to the Group.

(ii) Excludes any options that may be granted by the Board in August 2012. The issue of any options to Mr Smart and Mr Murray, executive directors of the Company, is also subject to shareholder approval at the Company's Annual General Meeting in October 2012.

(iii) Mr Papadopoulos joined JB Hi-Fi in September 2010 and was appointed to the executive team in December 2011. At the date of his appointment to the executive team Mr Papadopoulos held 41,455 options over ordinary shares, of which 15,000 were issued during the financial year prior to his appointment to the executive team.

8 KEY MANAGEMENT PERSONNEL DISCLOSURES (cont.)

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

2011	Balance at start of the year	Granted as compensation[ii]	Exercised	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Mr R. Uechtritz[i]	-	-	-	401,882	401,882	58,219	343,663
Mr T. Smart	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 options that were granted by the Board in August 2011. 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 2011.

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 204,883 (2011: 219,069) options were exercised by key management personnel at a weighted average exercise price of $11.26 (2011: $8.90) 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:

2012[i] [ii]	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 G. Richards	23,000	-	-	-	23,000	23,000
Mr J. King	32,258	-	-	-	32,258	32,258
Ms B. Laughton	-	-	-	500	500	-
Mr G. Levin	30,000	-	-	-	30,000	-
Mr R. Uechtritz	-	-	73,852	(73,852)	-	-
Mr T. Smart	1,500,000	-	121,031	(640,000)	981,031	-
Mr R. Murray	175,284	-	-	(57,034)	118,250	750
Mr S. Browning	161,536	-	-	-	161,536	-
Mr C. Trainor	-	-	-	-	-	-
Mr P. Green	501	-	10,000	(10,488)	13	-
Mr G. Papadopoulos[iii]	n/a	-	-	-	-	-
	1,922,579	-	204,883	(780,874)	1,346,588	56,008

(i) Mr Elliot retired from his position as a non-executive director on 31 May 2012. During the period to 31 May 2012, Mr Elliot acquired 9,500 ordinary shares and did not dispose of any ordinary shares. At the date of his resignation, Mr Elliott held 219,232 ordinary shares.

(ii) Mr Fraser resigned from his position as a non-executive director on 12 October 2011. During the period to 12 October 2011, Mr Fraser did not acquire or dispose of any ordinary shares. At the date of his resignation, Mr Fraser held 6,451 ordinary shares.

(iii) Mr Papadopoulos joined JB Hi-Fi in September 2010 and was appointed to the executive team in December 2011. At the date of his appointment to the executive team Mr Papadopoulos held no ordinary shares.

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.)

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)]	-	-	-	-	-	-
Ms B. Laughton[(ii)]	-	-	-	-	-	-
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. As 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.

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 employee or 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:

2012	*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	3,195,434	1,063,366	(435,379)	3,823,421	1,132,803
Weighted average exercise price	$15.16	$14.82	$11.91	$15.42	$13.16

9 SHARE-BASED PAYMENTS (cont.)

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

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	$12.82

The weighted average remaining contractual life of share options outstanding at the end of the period was 943 days (2011 - 1,000 days).

Fair value of options granted

The weighted average fair value at grant date of options granted during the year ended 30 June 2012 was $3.55 per option (2011 - $5.93). 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 since 1 July 2010 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 23 to 47.

	Consolidated 2012 $	Consolidated 2011 $
10 REMUNERATION OF AUDITORS		
Audit and review of financial reports	343,000	335,000
Other assurance services	-	24,500
Other services (inventory auto-replenishment analysis)	-	176,867
Total remuneration for audit and other services	343,000	536,367

The auditor of the Group is Deloitte Touche Tohmatsu.

	Consolidated 2012 $'000	Consolidated 2011 $'000
11 CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and in hand	39,710	27,246
12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES		
Trade receivables	16,410	12,113
Allowance for doubtful debts	(564)	(403)
	15,846	11,710
Non-trade receivables	42,532	46,543
	58,378	58,253

(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.

12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (cont.)

(a) Terms and conditions (cont.)

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 2012 $'000	Consolidated 2011 $'000
12 CURRENT ASSETS - TRADE AND OTHER RECEIVABLES (cont.)		
(b) Ageing of trade receivables		
Not past due	14,620	10,182
Past due but not impaired:		
0 - 30 days	862	1,380
31 - 60 days	364	148
61 - 90 days	-	-
91+ days	-	-
	15,846	11,710
(c) Movements in allowance for doubtful debts		
Balance at the beginning of the year	403	281
Provision for impairment recognised during the year	162	515
Receivables written off during the year as uncollectible	(2)	(371)
Amounts recovered	1	(22)
	564	403
(d) Ageing of impaired trade receivables		
0 - 30 days	-	-
31 - 60 days	12	-
61 - 90 days	289	30
91+ days	263	373
	564	403

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 2012 $'000	Consolidated 2011 $'000
13 CURRENT ASSETS - INVENTORIES		
Finished goods	428,290	406,939
14 CURRENT ASSETS - OTHER		
Prepayments	5,205	4,191
Deposits	2,477	4,443
	7,682	8,634
15 NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS		
Equity securities	3	3

	Plant and equipment $'000	Leasehold improvements $'000	Total $'000
16 NON-CURRENT ASSETS - PLANT AND EQUIPMENT			
At 1 July 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
Year ended 30 June 2012			
Opening net book amount	109,599	59,991	169,590
Exchange differences	99	79	178
Additions	27,565	18,513	46,078
Disposals	(1,605)	(407)	(2,012)
Impairment charge recognised in profit and loss	(577)	(455)	(1,032)
Depreciation charge	(19,203)	(11,551)	(30,754)
Closing net book amount	115,878	66,170	182,048
At 30 June 2012			
Cost	189,352	111,207	300,559
Accumulated depreciation	(73,474)	(45,037)	(118,511)
Net book amount	115,878	66,170	182,048

	Consolidated 2012 $'000	Consolidated 2011 $'000
17 NON-CURRENT ASSETS - DEFERRED TAX ASSETS		
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Tax losses	2,796	3,425
Provisions	18,500	18,109
Trade and other receivables	167	119
Inventories	2,490	2,148
Trade and other payables	2,018	2,421
Cash flow hedges	634	281
	26,605	26,503
Deferred tax liabilities		
Trade and other receivables	(1,942)	(1,493)
Plant and equipment	(8,467)	(7,208)
	(10,409)	(8,701)
Net deferred tax assets	16,196	17,802

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 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
At 1 July 2011	3,425	18,109	(1,374)	2,148	(7,208)	2,421	281	17,802
Charged to income	(629)	391	(401)	342	(1,259)	(403)	353	(1,606)
At 30 June 2012	2,796	18,500	(1,775)	2,490	(8,467)	2,018	634	16,196

18 NON-CURRENT ASSETS - INTANGIBLE ASSETS

	Goodwill $'000	*Brandnames $'000*	*Location premiums $'000*	*Rights to profit share $'000*	*Total $'000*
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
Year ended 30 June 2012					
Opening net book amount	29,648	43,094	2,388	3,542	78,672
Exchange differences	170	-	-	-	170
Additions	-	-	-	-	-
Closing net book amount	29,818	43,094	2,388	3,542	78,842

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	
	2012 $'000	*2011 $'000*
JB Hi-Fi Australia[i]	13,724	13,724
Clive Anthonys[i]	-	-
Impact Records	1,727	1,727
JB Hi-Fi New Zealand	12,088	11,918
Rocket Replacements	2,279	2,279
	29,818	29,648

(i) In the prior 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 Hi-Fi Australia, Impact Records and Rocket Replacements (2011: 11.0%) and 11.5% for JB Hi-Fi New Zealand (2011: 11.5%). The cash flows beyond the budget period have been extrapolated using a steady 2% long-term growth rate (2011: 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	
	2012 $'000	*2011 $'000*
19 CURRENT LIABILITIES - TRADE AND OTHER PAYABLES		
Trade payables	364,951	264,580
Goods and services tax (GST) payable	4,911	8,324
Other creditors and accruals	9,238	8,284
Deferred income	21,703	20,414
	400,803	301,602
20 CURRENT LIABILITIES - OTHER FINANCIAL LIABILITIES		
Interest rate swaps	1,303	645

	Consolidated 2012 $'000	Consolidated 2011 $'000
21 CURRENT LIABILITIES - CURRENT TAX LIABILITIES		
Income tax	4,374	12,064
22 CURRENT LIABILITIES - PROVISIONS		
Employee benefits(i)	27,802	24,167
Lease provision(ii)	2,871	5,149
	30,673	29,316

(i) The current provision for employee benefits includes $3,271 thousand of annual leave accrued but not expected to be taken within 12 months (2011: $3,341 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 2012 $'000	Consolidated 2011 $'000
23 CURRENT LIABILITIES - OTHER CURRENT LIABILITIES		
Lease accrual	565	560
Lease incentive	1,763	1,751
	2,328	2,311
24 NON-CURRENT LIABILITIES - BORROWINGS		
Secured		
Bank loans(i)	149,775	232,582

(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 2012 $'000	Consolidated 2011 $'000
25 NON-CURRENT LIABILITIES - PROVISIONS		
Employee benefits	3,304	2,670
Lease provision(i)	8,356	9,208
Other provisions	2,132	2,588
	13,792	14,466

(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.

(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 - 2012			
Carrying amount at start of year	14,357	2,588	16,945
Additional provisions recognised	999	-	999
Amounts used during the year	(4,129)	(456)	(4,585)
Carrying amount at end of year	11,227	2,132	13,359

(i) Movement schedule is for the total lease provision, including the current provision (note 22) and the non-current provision (note 25).

	Consolidated 2012 $'000	Consolidated 2011 $'000
26 NON-CURRENT LIABILITIES - OTHER NON-CURRENT LIABILITIES		
Lease accrual	12,857	10,736
Lease incentive	9,940	10,812
	22,797	21,548
27 NON-CURRENT LIABILITIES - OTHER FINANCIAL LIABILITIES		
Interest rate swaps	803	292

28 CONTRIBUTED EQUITY

	Parent entity 2012 Shares	Parent entity 2011 Shares	Parent entity 2012 $'000	Parent entity 2011 $'000
Ordinary shares - Fully paid	98,850,643	98,530,763	61,692	58,206

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 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 29)	-	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
1 July 2011	Opening balance	98,530,763	58,206
	Issue of shares under employee & executive share option plan	319,880	3,514
	Share issue costs	-	(40)
	Income tax relating to share issue costs	-	12
30 June 2012	Balance	98,850,643	61,692

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

(a) Share options

In accordance with the provisions of the employee and executive share option plan, as at 30 June 2012, employees and executives have options over 3,823,421 ordinary shares (of which 2,690,618 were unvested), in aggregate, with various expiry dates.

As at 30 June 2011, employees and executives had options over 3,195,434 ordinary shares (of which 2,659,138 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.

28 CONTRIBUTED EQUITY (CONT.)

(b) Capital management

The Board 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 prior period, the Group completed a $173,333 thousand off-market share buy-back, refer note 31 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 2012 and 30 June 2011 were as follows:

	Consolidated	
	2012 $'000	*2011 $'000*
Return on invested capital		
Profit before tax	148,373	158,581
Net finance costs	13,086	4,033
EBIT	161,459	162,614
Borrowings	149,775	232,582
Cash and cash equivalents	39,710	27,246
Net debt	110,065	205,336
Total equity	184,501	152,313
Invested capital	294,566	357,649
Return on invested capital	54.8%	45.5%
Gearing		
Term debt	150,000	233,333
EBIT	161,459	162,614
Depreciation and amortisation	30,754	27,287
EBITDA	192,213	189,901
Net loss on disposal of plant and equipment(i)	755	725
Fixed rent expense(i)	2,117	2,250
Share based payments expense(i)	1,241	4,519
Adjusted EBITDA	196,326	197,395
Gearing	0.76	1.18

(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.

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 excluding any loss/gain on disposal of plant and equipment, fixed rent expense and share based payments 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 3.25:1.

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 2012 $'000	Consolidated 2011 $'000
29 RESERVES AND RETAINED EARNINGS		
(a) Reserves		
Hedging reserve - interest rate swaps	(1,447)	(624)
Equity-settled benefits	11,242	9,881
Hedging reserve - net investment	850	850
Foreign currency translation reserve	(4,300)	(4,854)
Other reserve	(1,225)	(1,225)
	5,120	4,028
Movements:		
Hedging reserve - interest rate swaps		
Balance 1 July	(624)	(234)
(Loss)/gain recognised	(2,016)	(858)
Deferred tax	605	258
Transferred to profit or loss	840	300
Deferred tax	(252)	(90)
Balance 30 June	(1,447)	(624)
Equity-settled benefits		
Balance 1 July	9,881	7,254
Option expense	1,241	4,519
Transfer to share capital (options exercised)	-	(2,167)
Employee share options - income tax	120	275
Balance 30 June	11,242	9,881
Foreign currency translation reserve		
Balance 1 July	(4,854)	(2,772)
Currency translation differences arising during the year	554	(2,082)
Balance 30 June	(4,300)	(4,854)
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)

29 RESERVES AND RETAINED EARNINGS (cont.)

(b) Retained earnings

Movements in retained earnings were as follows:

	Consolidated 2012 $'000	Consolidated 2011 $'000
Balance 1 July	90,079	235,845
Net profit for the year	104,641	109,695
Dividends provided for or paid	(77,031)	(88,411)
Share buy-back - dividend component	-	(167,050)
Balance 30 June	117,689	90,079

(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 2012 Cents	Consolidated 2011 Cents
30 EARNINGS PER SHARE		
Basic earnings per share	105.93	101.76
Diluted earnings per share	105.87	101.10

30 EARNINGS PER SHARE (cont.)

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

	Consolidated	
	2012 $'000	*2011 $'000*
Basic earnings per share		
Profit for the year	104,641	109,695
Diluted earnings per share		
Profit for the year	104,641	109,695

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

	Consolidated	
	2012 No. '000	*2011 No. '000*
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	98,782	107,800
Adjustments for calculation of diluted earnings per share:		
Options	60	696
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	98,842	108,496

(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 (60,274 options are considered dilutive, 3,763,147 are considered anti-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	
	2012 $'000	*2011 $'000*
31 DIVIDENDS		
(a) Ordinary shares		
Interim dividend of 49.0 cents (2011: 48.0 cents) per share:		
Franked to 100% at 30% (2011: 100% at 30%)	48,432	52,476
Final dividend of 29.0 cents (2011: 33.0 cents) per share:		
Franked to 100% at 30% (2011: 100% at 30%)	28,599	35,935
Total dividends provided for or paid	77,031	88,411

2011 Share buy-back

During the prior period JB Hi-Fi Limited completed a $173,333 thousand off-market share buy-back (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 2012 $'000	Consolidated 2011 $'000
31 DIVIDENDS (cont.)		
(b) Dividends not recognised at the end of the reporting period		
Final dividend for the year ended 30 June 2012 of 16.0 cents (2011: 29.0 cents) per share:		
Franked to 100% at 30% (2011: 100% at 30%)	15,816	28,599

In respect of the financial year ended 30 June 2012, the directors have recommended the payment of a final dividend of 16.0 cents per share franked to 100% at 30% corporate income tax rate. The record date is 24 August 2012.

	Consolidated 2012 $'000	Consolidated 2011 $'000
(c) Franked dividends		
Franking credits available for subsequent financial years based on a tax rate of 30% (2011: 30%)	68,760	60,180

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 $6,778 thousand (2011: $12,257 thousand).

32 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 2012 $'000	Consolidated 2011 $'000
Within one year	65,910	60,153
Later than one year but not later than five years	237,978	211,983
Later than five years	111,726	110,566
	415,614	382,702

33 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 2012 %	Equity holding 2011 %
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.

34 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, statement of comprehensive income and balance sheet of the entities party to the deed of cross guarantee are provided as follows:

(a) Consolidated income statement and statement of comprehensive income

	2012 $'000	2011 $'000
Income statement		
Revenue	2,954,632	2,814,627
Cost of sales	(2,325,377)	(2,187,583)
Gross profit	629,255	627,044
Other income	559	2,235
Sales and marketing expenses	(293,006)	(271,074)
Occupancy expenses	(120,138)	(107,361)
Administration expenses	(25,276)	(25,352)
Finance costs	(13,597)	(6,208)
Other expenses	(32,222)	(26,174)
Significant item	-	(33,352)
Profit before income tax	145,575	159,758
Income tax expense	(42,962)	(49,211)
Profit for the year	102,613	110,547

34 DEED OF CROSS GUARANTEE (cont.)

(a) Consolidated income statement and statement of comprehensive income (cont.)

	2012 $'000	2011 $'000
Statement of comprehensive income		
Profit for the year	102,613	110,547
Other comprehensive income		
Changes in the fair value of cash flow hedges (net of tax)	823	390
Other comprehensive income for the year	823	390
Total comprehensive income for the year	103,436	110,937
(b) Balance sheet		
Current assets		
Cash and cash equivalents	31,998	28,768
Trade and other receivables	56,235	56,115
Inventories	401,367	379,104
Other	7,557	8,602
Total current assets	497,157	472,589
Non-current assets		
Other financial assets	51,644	51,644
Plant and equipment	169,956	156,658
Deferred tax assets	13,262	14,119
Intangible assets	66,755	66,755
Total non-current assets	301,617	289,176
Total assets	798,774	761,765
Current liabilities		
Trade and other payables	380,027	285,253
Other financial liabilities	1,303	645
Current tax liabilities	4,391	12,064
Provisions	29,298	27,923
Other	2,254	2,240
Total current liabilities	417,273	328,125
Non-current liabilities		
Borrowings	149,775	232,582
Other financial liabilities	803	292
Provisions	13,793	14,465
Other	21,760	20,538
Total non-current liabilities	186,131	267,877
Total liabilities	603,404	596,002
Net assets	195,370	165,763
Equity		
Contributed equity	61,692	58,206
Reserves	9,420	8,882
Retained profits	124,258	98,675
Total equity	195,370	165,763

35 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 2012 is as follows:

2012	*Australia $'000*	*New Zealand $'000*	*Total $'000*
Revenue from external customers	2,954,632	173,160	3,127,792
Operating EBITDA	187,539	4,674	192,213
Total segment assets	798,774	64,366	863,140
Additions to non-current assets	45,180	898	46,078
Total segment liabilities	603,404	23,592	626,996

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

(i) Segment revenue

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

	Consolidated	
	2012 $'000	*2011 $'000*
Total segment revenue	3,127,792	2,959,253
Interest revenue	568	2,236
Other revenue	45	115
Total revenue from continuing operations	3,128,405	2,961,604

35 SEGMENT INFORMATION (cont.)

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

(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	
	2012 $'000	*2011 $'000*
Operating EBITDA	192,213	223,252
Interest revenue	568	2,236
Finance costs	(13,654)	(6,268)
Depreciation and amortisation expense	(30,754)	(27,287)
Significant item	-	(33,352)
Profit before income tax from continuing operations	148,373	158,581

(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	
	2012 $'000	*2011 $'000*
Segment assets	863,140	819,269
Intersegment eliminations	(51,991)	(52,130)
Total assets as per the balance sheet	811,149	767,139

(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	
	2012 $'000	*2011 $'000*
Segment liabilities	626,996	615,315
Intersegment eliminations	(348)	(489)
Total liabilities as per the balance sheet	626,648	614,826

(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 2012 $'000	Parent entity 2011 $'000
36 PARENT ENTITY FINANCIAL INFORMATION		
Assets		
Current assets	627	1,426
Non-current assets	79,026	80,051
Total assets	79,653	81,477
Liabilities		
Current liabilities	4,391	12,091
Total liabilities	4,391	12,091
Shareholders' equity		
Contributed equity	61,692	58,206
Reserves	11,242	9,881
Retained earnings	2,328	1,299
	75,262	69,386
Profit for the year	78,059	256,053
Total comprehensive income	78,059	256,053

37 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 33.

(c) Key management personnel

Mr Richard Uechtritz acted as a consultant to the Group throughout the period. Mr Uechtritz's remuneration for his services as a consultant are in the form of the retention of the share options which were previously issued when he was the CEO of the company. No additional options have been issued during the period. The options held and remuneration of Mr Uechtritz in his role as a non-executive director and consultant to the Group have been included in the Key Management Personnel reporting disclosure in note 8 and the remuneration report on pages 23 to 47.

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.

38 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.

39 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 2012 $'000	Consolidated 2011 $'000
Cash and cash equivalents	39,710	27,246
Bank overdrafts	-	-
Balances per statement of cash flows	39,710	27,246

(b) Reconciliation of net cash inflow (outflow) from operating activities to profit (loss)

	2012 $'000	2011 $'000
Profit for the year	104,641	109,695
Depreciation and amortisation	30,754	27,287
Clive Anthonys goodwill write-off	-	4,564
Non-cash employee benefits expense - share-based payments	1,241	4,519
Net loss on sale of non-current assets	755	725
Clive Anthonys plant and equipment write-off	-	9,763
Impairment of plant and equipment	1,032	-
Fair value adjustment to derivatives	840	300
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
Decrease (increase) in inventories	(20,960)	(73,435)
Decrease (increase) in current receivables	(441)	5,100
Decrease (increase) in other current assets	956	(4,114)
Decrease (increase) in deferred tax balances	1,606	(5,499)
(Decrease) increase in current payables	98,948	12,601
(Decrease) increase in current provisions	1,338	3,429
(Decrease) increase in other current liabilities	673	311
(Decrease) increase in non-current provisions	(672)	10,044
(Decrease) increase in other non-current liabilities	1,804	2,602
(Decrease) increase in current tax liability	(7,508)	2,053
Net cash inflow (outflow) from operating activities	215,007	109,945

40 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.

40 FINANCIAL RISK MANAGEMENT (cont.)

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

	Consolidated 2012 $'000	Consolidated 2011 $'000
Financial assets		
Cash and cash equivalents	39,710	27,246
Trade and other receivables	58,378	58,253
	98,088	85,499
Financial liabilities		
Trade and other payables	379,100	281,188
Bank loans	149,775	232,582
Interest rate swaps (net settled)	2,106	937
	530,981	514,707

(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.

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

	30 June 2012		30 June 2011	
Consolidated	*Weighted average interest rate %*	*Balance $'000*	*Weighted average interest rate %*	*Balance $'000*
Bank loans	6.63%	150,000	7.51%	233,333
Interest rate swaps (notional principal amount)	6.87%	(58,800)	7.27%	(104,000)
Net exposure to cash flow interest rate risk		91,200		129,333

The interest rate swaps settle on a monthly 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.

40 FINANCIAL RISK MANAGEMENT (cont.)

(a) Market risk (cont.)

(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.

		Interest rate risk			
		-50bps		*+50bps*	
Consolidated	*Carrying amount $'000*	*Profit $'000*	*Equity $'000*	*Profit $'000*	*Equity $'000*
30 June 2012					
Financial liabilities					
Interest rate swaps	2,106	(353)	(305)	353	305
Borrowings	149,775	547	-	(547)	-
Total increase/ (decrease)		194	(305)	(194)	305

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

(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.

40 FINANCIAL RISK MANAGEMENT (cont.)

(b) Liquidity risk (cont.)

Financing arrangements

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

	Consolidated 2012 $'000	Consolidated 2011 $'000
Secured bank overdraft facility:		
amount used	-	-
amount unused	62,830	62,666
	62,830	62,666
Secured indemnity guarantees:		
amount used	1,604	1,604
amount unused	96	70
	1,700	1,674
Secured bank loan facilities (term debt):		
amount used[i]	150,000	233,333
amount unused	100,000	16,667
	250,000	250,000
Headroom in total borrowing facilities (excluding security indemnity guarantees)	162,830	79,333

(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.

2012	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	39,710	-	-	-	-	39,710	3.94%
Trade and other receivables	58,378	-	-	-	-	58,378	-
	98,088	-	-	-	-	98,088	
Financial liabilities							
Trade and other payables	379,100	-	-	-	-	379,100	-
Bank loans	4,973	4,973	157,460	-	-	167,406	6.63%
Interest rate swaps (net settled)	622	705	840	-	-	2,167	-
	384,695	5,678	158,300	-	-	548,673	

40 FINANCIAL RISK MANAGEMENT (cont.)

(b) Liquidity risk (cont.)

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	

(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 and the credit ratings of its counterparties are continuously 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.

41 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

ADDITIONAL SECURITIES EXCHANGE INFORMATION
as at 5 August 2012

The shareholder information set out below was applicable as at 5 August 2012.

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	16,808	7,002,848	7.09
1,001 - 5,000	6,309	13,408,345	13.56
5,001 - 10,000	606	4,358,415	4.41
10,001 - 100,000	287	7,030,859	7.11
100,001 and over	42	67,050,176	67.83
	24,052	98,850,643	100.00

There were 1,363 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	17,589,967	17.79
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	11,626,163	11.76
3. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	10,182,955	10.30
4. CITICORP NOMINEES PTY LIMITED	5,922,154	5.99
5. COGENT NOMINEES PTY LIMITED	3,507,212	3.55
6. JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	3,406,100	3.45
7. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,695,195	2.73
8. AMP LIFE LIMITED	1,721,932	1.74
9. SHAWVILLE PTY LTD	1,000,000	1.01
10. MR TERRY SMART	981,031	0.99
11. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	947,104	0.96
12. COGENT NOMINEES PTY LIMITED <SMP ACCOUNTS>	624,652	0.63
13. SUNCORP CUSTODIAN SERVICES PTY LIMITED <SGAEAT>	592,886	0.60
14. UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	559,572	0.57
15. BUTTONWOOD NOMINEES PTY LTD	437,708	0.44
16. UBS NOMINEES PTY LTD	432,758	0.44
17. BAINPRO NOMINEES PTY LIMITED	350,531	0.35
18. THE AUSTRALIAN NATIONAL UNIVERSITY	325,000	0.33
19. RBC DEXIA INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	304,944	0.31
20. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 3	297,849	0.30
	63,505,713	64.24

C. Substantial holders

Substantial holders in the company are set out below:

Ordinary shares	**Number held**	**Voting Power %**
Integrity Investment Management	8,063,913	8.16
National Australia Bank Limited	7,979,642	8.07
Commonwealth Bank of Australia	5,592,735	5.66
Macquarie Group Limited	5,012,490	5.07
IOOF Holdings Limited	4,980,023	5.04
HSBC Holdings	4,959,007	5.02

COMPANY SECRETARY

Mr Doug Smith

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
Chirnside
Cranbourne
Dandenong
Doncaster
Epping
Epping Plaza
Essendon
Forest Hill
Frankston
Frankston - Bayside
Frankston (CA)
Geelong
Greensborough
Heidelberg
Highpoint
Holmesglen
Hoppers Crossing
Knox
Malvern
Maribyrnong
Melb City (Bourke Street)
Melb City (Elizabeth Street)
Mildura
Narre Warren
Nunawading
Plenty Valley
Prahran
Preston
Preston - Northland
Ringwood
Shepparton
South Wharf
Southland
Springvale
Sunshine
Thomastown
Traralgon
Watergardens
Waurn Ponds
Werribee

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

QLD
Brisbane City (Adelaide Street)
Brisbane City (Albert Street)
Brisbane City (Queen Street)
Browns Plains
Bundall – Gold Coast
Cairns
Cairns Stockland
Capalaba
Carindale
Carseldine
Chermside
Garden City (Westfield)
Helensvale
Hervey Bay
Indooroopilly
Ipswich
Kawana
Kedron
Loganholme
Macgregor
Mackay
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
Armadale
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

ACT
Belconnen
Canberra City
Fyshwick
Woden

New Zealand
Albany
Auckland (Queen St)
Bayfair
Botany
Dunedin
Hamilton
Manukau
New Lynn
Palmerston North
St Lukes
Sylvia Park
Wellington
Westgate

(i) JB Hi-Fi unless otherwise stated (current as at 30 June 2012).

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