

Preliminary Final Report of JB Hi-Fi Limited for the Financial Year Ended 30 June 2004

ACN 093 220 136

This Preliminary Final Report is provided to the Australian Stock Exchange (ASX) under ASX Listing Rule 4.3A.

Current Reporting Period: Financial Year ending 30 June 2004

Previous Corresponding Period: Financial Year ending 30 June 2003

JB Hi-Fi Limited
Results For Announcement To The Market
For the Financial Year Ended 30 June 2004

Revenue and Net Profit/(Loss)

		Percentage Change %		Amount \$'000
Revenue from ordinary activities	up/down	26.98%	to	\$452,863
Profit/(loss) from ordinary activities after tax attributable to members	up/down	60.67%	to	\$ 13,806
Net profit/(loss) attributable to members	up/down	60.67%	to	\$ 13,806

Dividends (Distributions)

	Amount per security	Franked amount per security
Final dividend	3.60¢	3.60¢
Interim dividend	3.60¢	3.60¢

Record date for determining entitlements to the dividend:

- final dividend 7 October 2004
- interim dividend 31 March 2004

Dividend payment date:

- final dividend 21 October 2004
- interim dividend 14 April 2004

Brief Explanation of Revenue, Net Profit/(Loss) and Dividends (Distributions)

Refer attached commentary



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COMPANY ANNOUNCEMENT

17 August 2004

JB Hi-Fi reports 60% increase in full year Profit

JB Hi-Fi Limited today reported a record full year net profit after tax of \$13.8 million for the 12 months ending June 2004, up 60.7% on the previous corresponding period of \$8.6 million.

Total sales were up 27.1% to \$452.4 million and comparable store growth was 8.0%. Gross margin was strong for the period, increasing 0.9 to 23.4%.

Operating expenditure as a percentage of sales has remained in line with expectations at 17.8% for the period.

EBIT was \$22.8 million and the resulting EBIT margin was 5.0%, up from 4.7% for same period last year. JB Hi-Fi's cash flow remained strong during the period, with cash flow from operations of \$14.8 million.

The Board has declared a fully franked final dividend of 3.6 cents a share, with total dividends for the year of 7.2 cents per share. The final dividend will be paid on the 21 October 2004.

JB opened 6 stores during the FY04 and expects to open up to 9 stores in FY05, with 6 stores expected to be opened before Christmas. It anticipates opening 1 Clive Anthony's store toward the end of FY05.

As announced on the 5 August 2004, JB has acquired a 70% interest in Queensland electrical retailer Clive Anthony's Pty Ltd at a cost of \$24.2 million. Clive Anthony's retails white goods, consumer electronics, cooking and computers from 5 stores, with expected sales in FY05 of over \$100 million.

We are confident of solid growth in FY05 with sales (including Clive Anthony's) of close to \$700 million said CEO, Richard Uechtritz. "The year has started off well with comparable store growth slightly up on last year in the first 6 weeks albeit we expect that to soften into the year. We continue to see solid growth in TV, digital cameras and DVD software. The music category also showed strong growth on a like for like basis for the year."

"We have a fabulous retail model, put simply Australians like shopping at JB wherever we have opened. Remember our FY04 results are from only 26 stores that are over 12 months old and 6 new stores which is a great result from so few stores"

Richard Uechtritz
Chief Executive Officer

Contact:

Richard Uechtritz
Chief Executive Officer
(03) 8530 7333 or 0412 678 299

JB Hi-Fi Limited

Statement of Financial Performance for the Financial Year Ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Sales revenue (sales of goods)		452,357	355,835	-	-
Cost of sales		(346,421)	(275,901)	-	-
Gross profit		105,936	79,934		
Other revenue from ordinary activities		506	794	17,714	3,369
Marketing expenses		(56,025)	(42,267)	-	-
Occupancy expenses		(14,496)	(9,754)	-	-
Administration expenses		(6,923)	(5,186)	(196)	(118)
Borrowing costs		(3,058)	(4,423)	(2,253)	(3,892)
Other expenses from ordinary activities		(6,235)	(6,789)	(3)	(66)
Profit/(loss) from ordinary activities before income tax expense	2	19,705	12,309	15,262	(707)
Income tax (expense)/benefit relating to ordinary activities	3	(5,899)	(3,716)	(692)	211
Profit/(loss) from ordinary activities after related income tax expense		13,806	8,593	14,570	(496)
Net profit/(loss)		13,806	8,593	14,570	(496)
Net profit/(loss) attributable to members of the parent entity		13,806	8,593	14,570	(496)
Total changes in equity other than those resulting from transactions with owners as owners		13,806	8,593	14,570	(496)

Key Statistical Data

<i>Earnings Per Share: (II)</i>			
Basic (cents per share)	(I)	22	16.16
Diluted (cents per share)	(I)	22	15.99
<i>Gross Margin percentage (%)</i>			
			23.41%
			22.46%
<i>Rent as a percentage of sales (%) (III)</i>			
			1.58%
			1.31%
<i>Operating expenditure as a percentage of sales (%) (IV)</i>			
			17.80%
			17.34%
<i>Number of store at the end of the period</i>			
			32
			26

(I) For comparative purposes, these EPS numbers have been calculated based on the shares and options on issue at 30 June 2003. Converted on the basis of the 4 for 1 issue of shares completed as part of the IPO. The basic and diluted EPS calculated using the actual shares and options on issue at 30 June 2003 are as follows:

Basic (cents per share) 39.24

Diluted (cents per share) 36.21

(II) Earnings per share calculated using profit from ordinary activities after income tax and the actual number of shares on issue at the end of the financial year is as follows:

30 June 2004 (cents per share) 13.48

30 June 2003 (cents per share) 8.39 (calculated on the basis of the 4 for 1 share split as above)

(III) Based on actual rent and outgoings for the financial year

(IV) Excludes borrowing costs, depreciation and amortisation

JB Hi-Fi Limited

Statement of Financial Position as at 30 June 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Current assets</i>					
Cash assets		16,432	12,990	62	-
Receivables	6	13,170	7,699	-	-
Inventories	7	70,349	49,074	-	-
Other	8	1,127	681	-	90
<i>Total current assets</i>		<u>101,078</u>	<u>70,444</u>	<u>62</u>	<u>90</u>
<i>Non-current assets</i>					
Other financial assets	9	6	6	67,495	53,647
Property, plant and equipment	10	21,940	14,880	-	-
Intangibles	11	46,518	43,094	-	-
Deferred tax assets	12	414	1,727	414	314
Other	13	247	781	247	247
<i>Total non-current assets</i>		<u>69,125</u>	<u>60,488</u>	<u>68,156</u>	<u>54,208</u>
<i>Total assets</i>		<u>170,203</u>	<u>130,932</u>	<u>68,218</u>	<u>54,298</u>
<i>Current liabilities</i>					
Payables	14	68,962	46,918	21	50
Interest-bearing liabilities	15	4,364	3,289	-	-
Current tax liabilities	16	2,448	2,081	2,448	-
Provisions	17	5,170	3,538	-	-
<i>Total current liabilities</i>		<u>80,944</u>	<u>55,826</u>	<u>2,469</u>	<u>50</u>
<i>Non-current liabilities</i>					
Interest-bearing liabilities	18	39,235	34,589	32,000	32,000
Deferred tax liabilities	19	323	1,387	323	-
Provisions	20	825	668	-	-
<i>Total non-current liabilities</i>		<u>40,383</u>	<u>36,644</u>	<u>32,323</u>	<u>32,000</u>
<i>Total liabilities</i>		<u>121,327</u>	<u>92,470</u>	<u>34,792</u>	<u>32,050</u>
<i>Net assets</i>		<u>48,876</u>	<u>38,462</u>	<u>33,426</u>	<u>22,248</u>
<i>Equity</i>					
Contributed equity	21	32,196	21,900	32,196	21,900
Retained profits	22	16,680	16,562	1,230	348
<i>Total Equity</i>		<u>48,876</u>	<u>38,462</u>	<u>33,426</u>	<u>22,248</u>

JB Hi-Fi Limited

Statement of Cash flows for the Financial Year Ended 30 June 2004

	Note	Consolidated		Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
<i>Cash flows from operating activities</i>					
Receipts from customers		491,239	388,991	-	-
Payments to suppliers and employees		(468,462)	(358,242)	(76)	(336)
Interest and bill discounts received		356	316	3,714	3,369
Interest and other costs of finance paid		(3,058)	(3,337)	(2,253)	(2,806)
Income tax (paid)/refunded		(5,282)	(4,082)	2,069	(348)
Net cash provided by/(used in) operating activities	27 (c)	14,793	23,646	3,454	(121)
<i>Cash flows from investing activities</i>					
Payment for investment securities		-	(6)	-	-
Proceeds from repayment of related party receivables		-	-	-	6,454
Payment for property, plant and equipment		(10,282)	(6,253)	-	-
Proceeds from sale of property, plant and equipment		145	478	-	-
Payment for intangible assets		(3,543)	-	-	-
Net cash provided by/(used in) investing activities		(13,680)	(5,781)	-	6,454
<i>Cash flows from financing activities</i>					
Proceeds from issues of equity securities		10,296	-	10,296	-
Payment for debt issue costs		-	(1,347)	-	(1,333)
Proceeds from borrowings		-	32,000	-	32,000
Repayment of borrowings		(601)	(35,171)	-	(37,000)
Repayment of lease liabilities		(3,368)	(4,024)	-	-
Proceeds from lease liabilities		9,690	3,105	-	-
Dividends paid- members of the parent entity		(13,688)	-	(13,688)	-
Net cash provided by/(used in) financing activities		2,329	(5,437)	(3,392)	(6,333)
<i>Net increase in cash held</i>		3,442	12,428	62	-
<i>Cash at the beginning of the financial year</i>		12,990	562	-	-
<i>Cash at the end of the financial year</i>	27 (a)	16,432	12,990	62	-

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

1. Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

The accounting policies adopted in the preparation of the preliminary final report are consistent with those adopted and disclosed in the 2003 annual financial report.

2. Profit / (Loss) from Ordinary Activities

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
The profit from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating Revenue				
Sales revenue	452,357	355,835	-	-
Interest revenue:				
Wholly-owned controlled entities	-	-	3,711	3,368
Other entities	356	316	3	1
Dividends:				
Wholly-owned controlled entities	-	-	14,000	-
	452,713	356,150	17,714	3,369
(b) Non-operating Revenue				
Proceeds from the sale of non-current assets:				
Plant and equipment	145	478	-	-
Other income	5	-	-	-
	150	478	-	-
	452,863	356,629	17,714	3,369
(c) Expenses				
Cost of sales	346,421	275,901	-	-
Borrowing costs:				
Interest:				
Other related parties	-	1,087	-	1,087
Other entities	2,387	1,813	2,129	1,719
Finance lease charges	547	437	-	-
Debt refinancing costs	124	1,086	124	1,086
	3,058	4,423	2,253	3,892
Depreciation of non-current assets:				
Plant and equipment	2,749	950	-	-
Leasehold improvements	301	369	-	-
	3,050	1,319	-	-
Amortisation of intangibles: rights to profit share	118	-	-	-
Net bad and doubtful debts arising from:				
Other entities	62	300	-	-
Operating lease rental expenses:				
Minimum lease payments	7,139	4,683	-	-
Inventory: write downs	1,208	1,542	-	-

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
3. Income Tax				
(a) The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:				
<i>Profit/(loss) from Ordinary Activities</i>	19,705	12,309	15,262	(707)
Income tax expense/(benefit) calculated at 30% of operating profit.	5,911	3,693	4,579	(211)
<i>Permanent Differences:</i>				
Other non-allowable expenses	-	23	-	-
Tax rebate on dividend from controlled entity	-	-	(4,201)	-
(Over)/under provision of income tax in previous year	(12)	-	314	-
<i>Impact of the tax consolidation system:</i>				
Initial recognition of deferred tax balances of subsidiaries on implementation of the tax consolidation system	-	-	2,048	-
Consideration paid to subsidiaries in respect of transferred tax balances	-	-	(2,048)	-
Current and deferred taxes relating to transactions, events and balances of wholly-owned subsidiaries in the tax consolidated group			5,207	
Net income tax expense arising under tax sharing agreements with subsidiaries in the tax consolidated group			(5,207)	
Income tax expense attributable to ordinary activities	5,899	3,716	692	(211)
<i>Deferred tax assets and liabilities</i>				
Provision for deferred income tax	323	1,387	323	-
Future income tax benefit	414	1,727	414	314

(b) Tax consolidation system

Legislation to allow groups, comprising a parent entity and its Australian resident wholly-owned entities, to elect to consolidate and be treated as a single entity for income tax purposes was substantively enacted on 21 October 2002.

The company and its wholly owned Australian resident entities are eligible to consolidate for tax purposes under this legislation and have elected to be taxed as a single entity from 1 July 2003.

Entities within the tax-consolidated group have entered into a tax-sharing agreement with the head entity. Under the terms of this agreement, 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 net accounting profit or loss of the entity and the current tax rate. Such amounts are reflected in the amounts receivable from, or payable to other entities in the tax consolidated group. The implementation of the tax consolidation system has not yet been formally notified to the Australian Taxation Office. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is JB Hi-Fi Limited.

4. Sale of Assets

Sale of assets in the ordinary course of business have given rise to the following profits and losses:	2004 \$'000	2003 \$'000
<i>Net Losses</i>		
Property, plant and equipment	27	64

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

5 (a) Director and executive remuneration

(i) Details of Specified Directors and Specified Executives

Specified directors of JB Hi-Fi Limited during the year:

Patrick F Elliott	Chairman (non executive)
Richard A Uechtritz	Director and Chief Executive Officer
Terry D Smart	Director (executive)
Gary Levin	Director (non executive)
Will Fraser	Director (non executive) - appointed 15 September 2003
James King	Director (non executive) - appointed 10 May 2004
Hugh Toll	Director (non executive) - resigned 15 September 2003
Macdonnell Roehm	Director (non executive) - resigned 15 September 2003

Specified executives of JB Hi-Fi Limited during the year:

Frank Garonzi	General Manager
Frank Fiume	Chief Financial Officer - resigned 7 August 2003
Richard Murray	Chief Financial Officer and Company Secretary - appointed 27 August 2003
Scott Browning	Marketing Director - appointed 15 March 2004

(ii) Remuneration of Specified Directors and Specified Executives

Remuneration Policy

The Remuneration Committee is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as motor vehicles and expense payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors' and officers' emoluments to the company's financial and operational performance. Executive directors and executives have the opportunity to qualify for participation in the Executive share option plan.

In addition, executives are entitled to annual bonuses payable upon the achievement of annual corporate profitability measures.

As a result of the listing of JB Hi-Fi the remuneration of the Chairman and non-executive directors was reviewed. For the period 1 July 2003 to 30 September 2003, when JB Hi-Fi was not a listed entity, non-executive directors' remuneration was \$5,000 per quarter, or \$20,000 per annum. In addition, Gary Levin was paid \$1,500 per attendance at Due Diligence Committee meetings with regard to the listing of the company. Post the listing of JB Hi-Fi, the remuneration for the 2004 financial year for non-executives directors was \$40,000 per annum and \$75,000 per annum for the Chairman. In addition, non executive directors (including the Chairman) are paid \$5,000 per annum per board committee they are appointed to. This remuneration policy was in place for the period 1 October 2003 to 30 June 2004.

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

5 (a) Director and executive remuneration (cont'd)

The following table discloses the remuneration of the directors of the company for the twelve months ended 30 June 2004:

	Role	Salary & Fees \$	Cash Bonus (V) \$	Motor Vehicle \$	Other Benefits \$	Super- Annuation \$	Equity Options (IV) \$	Total \$
Specified Non-Executive Directors								
P. Elliott	Chairman	68,750	-	-	-	-	-	68,750
G. Levin	Non-Executive Director	44,750	-	-	-	3,038	-	47,788
W. Fraser	Non-Executive Director	36,788	-	-	-	-	-	36,788
J. King	Non-Executive Director	7,007	-	-	-	-	-	7,007
H. Toll	Non-Executive Director	5,000	-	-	-	-	-	5,000
M. Roehm	Non-Executive Director	5,000	-	-	-	-	-	5,000
Specified Executive Directors								
R. Uechritz	Chief Executive Officer	425,000	125,000	26,000	8,230	64,394	49,995	698,619
T. Smart	Executive Director	250,000	100,000	26,000	-	38,500	34,779	449,279
Total Remuneration: Specified Directors		842,295	225,000	52,000	8,230	105,932	84,774	1,318,231

There were four executives with the greatest authority and who were directly accountable and responsible for the strategic direction and operational management of the company and the consolidated entity during the financial year. The following table discloses their remuneration:

	Role	Salary & Fees \$	Cash Bonus (V) \$	Motor Vehicle \$	Other Benefits \$	Super- Annuation \$	Equity Options (IV) \$	Total \$
Specified Executives								
F. Garonzi	General Manager	150,000	100,000	25,000	-	22,500	15,619	313,119
F. Fiume (I)	Chief Financial Officer	15,096	10,000	2,603	-	1,452	-	29,151
R. Murray (II)	Chief Financial Officer	116,501	40,000	-	-	13,533	11,184	181,218
S. Browning (III)	Marketing Director	50,301	15,000	7,397	-	5,859	6,660	85,217
Total Remuneration: Specified Executives		331,898	165,000	35,000	-	43,344	33,463	608,705

(I) Frank Fiume resigned as Chief Financial Officer on 7 August 2003

(II) Richard Murray commenced as Chief Financial Officer on the 27 August 2003

(III) Scott Browning commenced as Marketing Director on the 15 March 2003

(IV) Certain specified directors and specified executives were granted executive share options under the Executive Share Option Plan. Further details of the options are contained in note 5(a) to the financial statements

(V) Cash bonuses were paid to specified directors and specified executives on 26 July 2004. Bonuses were given on the achievement of budgeted and forecast earnings targets for the financial year ended 30 June 2004

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

5 (b) Employee and Executive share option plan

The consolidated entity has an ownership-based remuneration scheme for executives (including non executive directors). In accordance with the provisions of the scheme, executives within the consolidated entity 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. The options expire within five years of their issue, or one month after resignation of the executive, whichever is earlier.

Employee and Executive share option plan

	2004 No.	2003 No.
Balance at beginning of the financial year (I)	1,280,000	1,040,000
Granted during the financial year (II)	1,121,818	240,000
Exercised during the financial year (III)	(332,666)	-
Balance at end of financial year (IV)	<u>2,069,152</u>	<u>1,280,000</u>

(I) Balance at beginning of the financial year

Option - Series	No.	Grant Date	Expiry Date	Exercise Price \$
(1) Issued 7 February 2002	1,040,000	7/2/02	7/2/05	0.50
(2) Issued 19 September 2002	80,000	19/9/02	19/9/07	1.25
(3) Issued 22 October 2002	80,000	1/10/02	1/10/07	1.25
(5) Issued 1 October 2002	80,000	22/10/02	22/10/07	1.25
	<u>1,280,000</u>			

Executive share options carry no rights to dividends and no voting rights.

In accordance with the terms of the executive share option scheme, the options vest a third each, on the second, third and fourth anniversary of issue. The options expire within five years of their issue, or one month after resignation of the executive, whichever is earlier.

(II) Granted during the financial year

2004

Option - Series	No.	Grant Date	Expiry Date	Exercise Price \$
(6) Issued 18 September 2003 *	745,000	18/9/03	18/9/08	1.25
(7) Issued 29 January 2004 *	25,818	29/1/04	29/1/09	2.32
(8) Issued 21 March 2004 *	150,000	21/3/04	21/3/09	2.23
(9) Issued 28 April 2004 *	201,000	28/4/04	28/4/09	2.25
	<u>1,121,818</u>			

2003

Option - Series	No.	Grant Date	Expiry Date	Exercise Price \$
(2) Issued 19 September 2002	80,000	19/9/02	19/9/07	1.25
(3) Issued 1 October 2002	80,000	1/10/02	1/10/07	1.25
(4) Issued 22 October 2002	80,000	22/10/02	22/10/07	1.25
	<u>240,000</u>			

* The fair value of the options granted during the current financial year is as follows:

- Issued 18 September 2003 - \$0.51 per option
- Issued 29 January 2004 - \$0.45 per option
- Issued 21 March 2004 - \$0.45 per option
- Issued 28 April 2004 - \$0.48 per option

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

5 (b) Employee and Executive share option plan (cont'd)

(III) Exercised during the financial year

2004

Option - Series	No. of options exercised	Grant date	Exercise date	Expiry date	Exercise price \$	No. of share issued	Fair value of consideration received \$	Fair value of shares at date of issue \$
(1) Issued 7 February 2002	66,666	7/2/02	4/3/04	7/2/07	0.50	66,666	33,333	151,998
(1) Issued 7 February 2002	266,000	7/2/02	20/3/04	7/2/07	0.50	266,000	133,000	627,760
	332,666					332,666	166,333	779,758

Fair value of consideration received is measured as the nominal value of cash receipts upon conversion. The fair value of shares at the date of their issue is measured as the market value at close of trade on the date of their issue.

(IV) Balance at the end of the financial year

2004

Option - Series	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise Price \$
(1) Issued 7 February 2002	707,334	94,003	613,331	7/2/02	7/2/07	0.50
(2) Issued 19 September 2002	80,000	-	80,000	19/9/02	19/9/07	1.25
(3) Issued 1 October 2002	80,000	-	80,000	1/10/02	1/10/07	1.25
(4) Issued 22 October 2002	80,000	-	80,000	22/10/02	22/10/07	1.25
(5) Issued 18 September 2003	745,000	-	745,000	18/9/03	18/9/08	1.25
(6) Issued 29 January 2004	25,818	-	25,818	29/1/04	29/1/09	2.32
(7) Issued 21 March 2004	150,000	-	150,000	21/3/04	21/3/09	2.23
(8) Issued 28 April 2004	201,000	-	201,000	28/4/04	28/4/09	2.25
	2,069,152	94,003	1,975,149			

2003

Option - Series	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise Price \$
(1) Issued 7 February 2002	1,040,000	-	1,040,000	7/2/02	7/2/07	0.50
(2) Issued 19 September 2002	80,000	-	80,000	19/9/02	19/9/07	1.25
(3) Issued 1 October 2002	80,000	-	80,000	1/10/02	1/10/07	1.25
(4) Issued 22 October 2002	80,000	-	80,000	22/10/02	22/10/07	1.25
	1,280,000	-	1,280,000			

Executive share options carry no rights to dividends and no voting rights.

In accordance with the terms of the executive share option scheme, the options vest a third each, on the second, third and fourth anniversary of issue. The options expire within five years of their issue, or one month after resignation of the executive, whichever is earlier.

The difference between the total market value of options issued during a financial year, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that financial year as disclosed in note 5(a) to the financial statements. The amounts are disclosed in remuneration in respect of the financial year in which the entitlement was earned.

Consideration received on the exercise of executives' options is recognised in contributed equity. During the financial year, \$166,333 (2003: nil) was recognised in contributed equity arising from the exercise of executive options.

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
6. Current Receivables				
Trade receivables	2,651	785	-	-
Allowance for doubtful debts	(77)	(37)	-	-
	<u>2,574</u>	<u>748</u>	-	-
Non-trade receivables	10,596	6,951	-	-
	<u>13,170</u>	<u>7,699</u>	-	-
7. Current Inventories				
Finished goods:				
At cost	71,099	49,890	-	-
Provision for write down	(750)	(816)	-	-
At net realisable value	<u>70,349</u>	<u>49,074</u>	-	-
8. Other Current Assets				
Prepayments	790	444	-	-
Security deposits	187	237	-	-
Tax refund receivable	-	-	-	90
Deposit for the purchase of the business assets and stock in trade of the business known as Impact Records-Canberra	150	-	-	-
	<u>1,127</u>	<u>681</u>	-	<u>90</u>
9. Other Non-Current Financial Assets				
Interest-bearing loans advanced to wholly owned controlled entity	-	-	65,447	53,647
Amounts receivable from entities within the tax consolidated group			2,048	-
At cost:				
Shares in listed entities	6	6	-	-
Shares in controlled entities ¹	-	-	-	-
	<u>6</u>	<u>6</u>	<u>67,495</u>	<u>53,647</u>

¹ Investment in subsidiary is \$2

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

10. Property, plant and equipment

	Consolidated			
	Leasehold Improvements at cost	Plant and Equipment at cost	Equipment Under Finance Lease at cost	TOTAL
	\$'000	\$'000	\$'000	\$'000
<i>Gross carrying amount</i>				
Balance at 30 June 2003	2,258	12,211	4,388	18,857
Transfers	(503)	(4,353)	4,856	-
Additions	256	336	9,690	10,282
Disposals	(123)	(111)	(185)	(419)
Balance at 30 June 2004	1,888	8,083	18,749	28,720
<i>Accumulated depreciation/amortisation</i>				
Balance at 30 June 2003	(605)	(2,826)	(546)	(3,977)
Transfers	(107)	1,084	(977)	-
Disposals	140	39	68	247
Depreciation expense	(301)	(959)	(1,790)	(3,050)
Balance at 30 June 2004	(873)	(2,662)	(3,245)	(6,780)
<i>Net book value</i>				
As at 30 June 2003	1,653	9,385	3,842	14,880
As at 30 June 2004	1,015	5,421	15,504	21,940

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
11. Intangibles				
Brand Names - at cost	43,094	43,094	-	-
Rights to profit share - at cost	3,542	-	-	-
Accumulated amortisation	(118)	-	-	-
	3,424	-	-	-
	46,518	43,094	-	-
12. Deferred tax assets				
Future income tax benefit				
Timing differences attributable to:				
Parent entity	-	314	-	314
Entities in the tax consolidated group (1)	414	-	414	-
Other	-	1,413	-	-
	414	1,727	414	314

(1) Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 3 for further information.

13. Other non-current assets

Deferred Costs	247	781	247	247
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JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
14. Current payables				
Trade payables	60,371	42,203	-	-
Other creditors & accruals	5,864	2,716	21	50
Deferred income	1,720	1,745	-	-
Goods and services tax (GST) payable	1,007	254	-	-
	68,962	46,918	21	50
15. Current interest bearing liabilities				
<i>Secured:</i>				
Hire purchase liability (I)	4,364	2,688	-	-
<i>Unsecured:</i>				
Loans – other entity	-	601	-	-
	4,364	3,289	-	-
<i>(I)</i> Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.				
16. Current tax liabilities				
Income tax payable attributable to:				
Entities in the tax consolidated group (II)	2,448	-	2,448	-
Other	-	2,081	-	-
	2,448	2,081	2,448	-
<i>(II)</i> Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 3 for further information.				
17. Current provisions				
Employee benefits	5,170	3,538	-	-
18. Non-current interest bearing liabilities				
<i>Secured:</i>				
Bank loans (III)	32,000	32,000	32,000	32,000
Hire purchase liability (IV)	7,235	2,589	-	-
	39,235	34,589	32,000	32,000
<i>(III)</i> Secured by a fixed and floating charge over the consolidated entity's assets, the current market value of which exceeds the value of the loan.				
<i>(IV)</i> Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.				
19. Non-current tax liabilities				
Deferred income tax attributable to:				
Entities in the tax consolidated group (III)	323	-	323	-
Other	-	1,387	-	-
	323	1,387	323	-
<i>(III)</i> Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 3 for further information.				

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Notes to the Financial Statements for the Financial Year Ended 30 June 2004

	2004 Cents per share	2003 Cents per share (i)
23. Earnings per share		
Basic earnings per share	16.16	10.41
Diluted earnings per share	15.99	10.18

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2004 \$'000	2003 \$'000
Earnings	13,806	8,593
	2004 No. '000	2003 No. '000
Weighted average number of ordinary shares	85,441	82,543

(i) For comparative purposes, the 2003 EPS numbers have been calculated based on the number of shares and options on issue at 30 June 2003, converted on the basis of the 4 for 1 issue of shares completed as part of IPO. The basic and diluted EPS calculated using the actual shares and option on issue at 30 June 2003 are as follows:

Basic (cents per share)	39.24
Diluted (cents per share)	36.21

	2004 \$'000	2003 \$'000
<i>Diluted Earnings per Share</i>		
The earnings and weighted average number of ordinary and potential ordinary shares used in the calculation of diluted earnings per share are as follows:		
Earnings	13,806	8,593
	2004 No. '000	2003 No. '000
Weighted average number of ordinary shares and potential ordinary shares	86,375	83,185

Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	2004 No. '000	2003 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	85,441	82,543
Employee options	934	642
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	86,375	83,185

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

	2004		2003	
	Cents per share	Total \$'000	Cents per share	Total \$'000
24. Dividends				
<i>Recognised Amounts</i>				
Fully Paid Ordinary Shares				
Interim dividend-franked to 30% (relating to 30 June 2004 year end)	3.60	3,688	-	-
Final dividend-franked to 30% (relating to 30 June 2003 year end)	45.66	10,000	-	-
		13,688		-
<i>Unrecognised Amounts</i>				
Fully paid ordinary shares				
Final dividend-franked to 30% (2003 : 30%)	3.60	3,688	45.66	10,000
		3,688		10,000
			Company	
			5,121	4,469
Adjusted franking account balance (tax paid basis)				

25. Segment information

The consolidated entity operates in one segment being the Hi-Fi and audio visual equipment retail industry including CD and DVD players, televisions, stereos and other related equipment, and operates only in Australia.

26. Subsequent events

A final ordinary dividend of 3.6 cents per share was recommended by the Directors of the company, fully franked at the company tax rate of 30% in respect of the year ended 30 June 2004. This final dividend was not declared until 16 August 2004 and is payable to the holders of fully paid ordinary shares on 21 October 2004. Accordingly, no provision for this dividend has been recognised in the financial statements for the year ended 30 June 2004.

JB purchased 70% of Queensland electrical retailer Clive Anthonys for \$24.15 million on 5 August 2004. Clive Anthonys retails white goods, consumer electronics, cooking appliances and computers. The company had sales in FY2004 of \$82.5 million with a normalised EBIT of \$7.5 million.

The company acquired the business assets and stock in trade of the business of Impact Records located in the central business district of Canberra, ACT. The acquisition was effective 1 July 2004. The purchase consideration was \$1.5 million, plus stock in trade. During August 2004 the premises will be renovated and in late August will commence operating as a JB Hi-Fi Camera, CD & DVD Superstore.

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

	Consolidated		Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
27. Notes to Statement of Cashflows				
(a) Reconciliation of Cash				
For the purposes of the statement of cash flows, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash	16,432	12,990	62	-
(b) Financing Facilities				
<i>Amount Used</i>				
Senior Debt	32,000	32,000	32,000	32,000
Indemnity guarantees	1,667	1,231	-	-
Lease facility	11,599	5,473	-	-
	45,266	38,704	32,000	32,000
<i>Amount Unused</i>				
Senior Debt	-	-	-	-
Bank overdraft	15,000	15,000	-	-
Lease facility	401	3,527	-	-
	15,401	18,527	-	-
(c) Reconciliation of Profit From Ordinary Activities After Related Income Tax to Net Cash Flows From Operating Activities				
Net profit/(loss) from ordinary activities after related income tax	13,806	8,593	14,570	(496)
Loss on sale of non-current assets	27	133	-	-
Depreciation/Amortisation	3,293	1,319	-	-
Increase/(decrease) in deferred tax balances	249	(293)	-	-
Increase/(decrease) in current tax liability	368	(74)	2,671	(258)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
current receivables	(5,923)	(156)	(13,848)	-
current inventories	(21,275)	(6,182)	-	-
other current assets	(446)	(401)	90	(89)
other non-current assets	410	566	-	5,570
Increase/(decrease) in liabilities:				
current payables	22,495	19,921	(29)	152
current provisions	1,632	59	-	(5,500)
Non-current provisions	157	161	-	500
Net cash from/(used in) operating activities	14,793	23,646	3,454	(121)

JB Hi-Fi Limited

Notes to the Financial Statements for the Financial Year Ended 30 June 2004

28. Net Tangible Assets Per Security

	2004 \$	2003 \$
Net tangible assets per security	0.02	(0.21) (I)

(I) For comparative purposes, these NTA numbers have been calculated based on the shares on issue at 30 June 2003, converted on the basis of the 4 for 1 issue of shares completed as part of IPO. The NTA calculated using the actual shares on issue at 30 June 2003 is as follows:

Net tangible assets per share - \$(0.05)

29. Information on Audit or Review

This preliminary final report is based on accounts to which one of the following applies.

X	The accounts have been audited.	..	The accounts have been subject to review.
..	The accounts are in the process of being audited or subject to review.	..	The accounts have not yet been audited or reviewed.

Description of likely dispute or qualification if the accounts have not yet been audited or subject to review or are in the process of being audited or subjected to review.

N/a

Description of dispute or qualification if the accounts have been audited or subjected to review.

None