

JB Hi-Fi Limited

(formerly JB Hi-Fi Holdings Pty Limited)

ACN 093 220 136

**Special Purpose Financial Report for the Financial
Year Ended 30 June 2003**

JB HI-FI LIMITED

**SPECIAL PURPOSE FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003**

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JB HI-FI LIMITED
DIRECTORS' REPORT

The directors of JB Hi-Fi Limited submit herewith the annual financial report for the financial year ended 30 June 2003. 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
Patrick F Elliott	Chairman, aged 38 joined the Board in 2000 in a non-executive capacity. Patrick is also an executive director of Macquarie Direct Investment Limited, the private equity division of Macquarie Bank Limited.
Hugh E Toll	Associate Director of Macquarie Direct Investment Limited, aged 28, joined the Board in 2000 in a non-executive capacity.
Richard A Uechtritz	Chief Executive Officer, aged 49 joined the Board in 2000 and was formerly the Managing Director of Kodak (Australasia) Pty Limited.
Terry D Smart	Executive Director, aged 38 joined the Board in 2000 and was formerly a director of Kodak (Australasia) Pty Limited.
Gary Levin	Non-executive Director, aged 48 joined the Board in 2000, Managing Director of Environmental Infrastructure Limited and Earthpower Technologies Sydney Pty Ltd.
Macdonnell Roehm	Chairman of Australian Ventures LLC, aged 64 joined the Board in 2000 in a non-executive capacity.
William L Fraser	Non-executive Director, currently a member of the Board of Trustees of The Baker Foundation. William was appointed and resigned during the year.
Campbell Andersen	Non-executive Director, currently a member of the Investment Committee of Macquarie Direct Investment Limited. Campbell was appointed and resigned during the year.

The above named directors held office during or since the end of the financial year except for:

William L Fraser	appointed 5 February 2003 and resigned 15 April 2003
Campbell Andersen	appointed 5 February 2003 and resigned 15 April 2003

Principal Activities

The consolidated entity's principal activities in the course of the financial year were the retail sale of hi-fi equipment including CD and DVD players, televisions, stereos and other related audio-visual equipment.

Review Of Operations

A summary of consolidated results is set out below:

	30 June <u>2003</u> \$'000	30 June <u>2002</u> \$'000
Consolidated net profit after related income tax expense	8,593	6,170

JB HI-FI LIMITED
DIRECTORS' REPORT

Changes In State Of Affairs

During the financial year there was no significant change in the state of the affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent Events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Future Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

Dividends

No dividends have been paid or declared since the commencement of the financial year.

Environmental Regulations

The consolidated entity is not subject to any significant environmental regulations.

Directors' Interests

The relevant interest of each director in the shares and options of the company at the date of this report is as follows:

	Ordinary shares fully paid	Options (1)	Options (2)
Patrick F Elliott	-	-	-
Terry D Smart	200,000	215,000	34,500
Hugh E Toll	-	-	-
Richard A Uechtritz	785,000	215,000	180,000
Gary Levin	100,000	100,000	-
Macdonell Roehm	179,523	100,000	-

(1) Options expire on June 2005. Each option issued entitles the option holder to purchase one ordinary share at \$1.

(2) Options expire March 2007. Each option issued entitles the option holder to purchase one ordinary share at \$3.

Rounding Off of Amounts

The consolidated entity is a kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars.

JB HI-FI LIMITED
DIRECTORS' REPORT

Indemnification of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above) and all officers against a liability incurred as such a director or officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or a committee member). During the financial year, 7 board meetings and 2 audit committee meetings were held.

Directors	Board of Directors		Audit Committee	
	Held	Attended	Held	Attended
Patrick F Elliott	7	7	2	2
Terry D Smart	7	6	2	2
Hugh E Toll	7	6	-	-
Richard A Uechtritz	7	7	-	-
Gary Levin	7	7	2	2
Macdonell Roehm	7	4	-	-
Campbell Andersen	1	-	-	-
William L Fraser	1	1	-	-

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



P F Elliott
Chairman

Melbourne, 10 September 2003

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**Deloitte
 Touche
 Tohmatsu**

**INDEPENDENT AUDIT REPORT TO THE MEMBERS
 OF JB HI-FI LIMITED**

Scope

We have audited the attached financial report, being a special purpose financial report, of JB Hi-Fi Limited for the financial year ended 30 June 2003 as set out on pages 5 to 21. The financial report includes the consolidated financial statements 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. The company's directors are responsible for the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of JB Hi-Fi Limited. No opinion is expressed as to whether the accounting policies used, and described in Note 1, are appropriate to the needs of the members.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the evaluation of significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of JB Hi-Fi Limited is in accordance with:

- (a) the Corporations Act 2001, including:
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date in accordance with the accounting policies described in Note 1; and
 - (ii) complying with Accounting Standards in Australia to the extent described in Note 1 and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia to the extent described in Note 1.

Deloitte Touche Tohmatsu
 DELOITTE TOUCHE TOHMATSU

T. Imbisi
 T IMBISI

Partner
 Chartered Accountants
 Melbourne, 17 September 2003

JB HI-FI LIMITED

DIRECTORS' DECLARATION

As detailed in Note 1 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all their information needs. Accordingly, this "special purpose financial report" has been prepared to satisfy the directors' information needs.

The directors declare that:

- (a) The attached financial statements and notes thereto comply with Accounting Standards;
- (b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company and the consolidated entity;
- (c) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001; and
- (d) In the directors' opinion, there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors.



P F Elliott
Chairman

Melbourne, 10 September 2003

JB HI-FI LIMITED**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003**

	Note	Consolidated		Company	
		June	June	June	June
		2003	2002	2003	2002
		\$'000	\$'000	\$'000	\$'000
Sales revenue		355,835	248,802	-	-
Cost of sales		(275,901)	(189,469)	-	-
Gross Profit		79,934	59,333	-	-
Other revenue from ordinary activities		794	52	3,369	3,315
Sales and marketing expenses		(42,267)	(31,607)	-	-
Occupancy expenses		(9,602)	(7,043)	-	-
Administration expenses		(5,186)	(4,373)	(184)	(260)
Borrowing costs		(4,423)	(2,775)	(3,892)	(2,228)
Other expenses from ordinary activities		(6,941)	(4,769)	-	-
Profit/(loss) from ordinary activities before income tax expense	2	12,309	8,818	(707)	827
Income tax (expense) / benefit relating to ordinary activities		(3,716)	(2,648)	211	(249)
Net Profit/(Loss)		8,593	6,170	(496)	578
Net profit/(loss) attributable to members of the parent entity		8,593	6,170	(496)	578
Total changes in equity other than those resulting from transactions with owners as owners		8,593	6,170	(496)	578

Notes to the financial statements are included on pages 9 to 21.

JB HI-FI LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2003

	Note	Consolidated		Company	
		June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
Current Assets					
Cash assets		12,990	562	-	-
Receivables	4	9,121	6,915	-	-
Inventories	5	49,074	42,892	-	-
Current tax assets	6	-	-	89	-
Other	7	681	280	-	-
Total Current Assets		71,866	50,649	89	-
Non-Current Assets					
Other non-current financial assets	8	6	-	53,647	60,102
Plant and equipment	9	14,880	10,424	-	-
Intangible assets	10	43,094	43,094	-	-
Deferred tax assets	11	1,727	1,092	314	101
Other	12	781	-	247	-
Total Non-Current Assets		60,488	54,610	54,208	60,203
Total Assets		132,354	105,259	54,297	60,203
Current Liabilities					
Payables	13	48,340	26,971	50	202
Interest-bearing liabilities	14	3,289	7,809	-	5,500
Current tax liabilities	15(a)	2,081	2,373	-	258
Provisions	16(a)	3,538	2,745	-	-
Total Current Liabilities		57,248	39,898	50	5,960
Non-Current Liabilities					
Interest-bearing liabilities	17	34,588	34,159	32,000	31,500
Deferred tax liabilities	15(b)	1,387	826	-	-
Provisions	16(b)	669	507	-	-
Total Non-Current Liabilities		36,644	35,492	32,000	31,500
Total Liabilities		93,892	75,390	32,050	37,460
Net Assets		38,462	29,869	22,247	22,743
Equity					
Contributed equity	18	21,900	21,900	21,900	21,900
Retained profits	19	16,562	7,969	347	843
Total Equity		38,462	29,869	22,247	22,743

Notes to the financial statements are included on pages 9 to 21.

JB HI-FI LIMITED
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
Cash Flows From Operating Activities				
Receipts from customers	353,628	273,409	-	-
Payments to suppliers and employees	(322,879)	(269,640)	(336)	(240)
Interest received	316	-	3,369	-
Interest paid	(3,337)	(2,718)	(2,806)	(2,085)
Income tax paid	(4,082)	(980)	(348)	(247)
Net cash provided by/(used in) operating activities	<u>23,646</u>	<u>71</u>	<u>(121)</u>	<u>(2,572)</u>
Cash Flows From Investing Activities				
Payment for investment securities	(6)	-	-	-
Payment for plant and equipment	(6,253)	(3,290)	-	-
Proceeds from sale of plant and equipment	478	-	-	-
Amounts advance to related parties	-	-	-	(11,598)
Proceeds from payments of related party receivables	-	-	6,454	-
Net cash provided by/(used in) investing activities	<u>(5,781)</u>	<u>(3,290)</u>	<u>6,454</u>	<u>(11,598)</u>
Cash Flows From Financing Activities				
Proceeds from issue of securities	-	2,993	-	2,993
Payment for debt refinancing costs	(1,347)	-	(1,333)	-
Repayment of borrowings	(35,171)	(2,000)	(37,000)	(2,000)
Proceeds from borrowings	32,000	13,601	32,000	13,000
Repayment of lease liabilities	(919)	(1,181)	-	-
Net cash provided by/(used in) financing activities	<u>(5,437)</u>	<u>13,413</u>	<u>(6,333)</u>	<u>13,993</u>
Net increase/(decrease) in cash held	12,428	10,194	-	(177)
Cash at the beginning of the financial period	<u>562</u>	<u>(9,632)</u>	<u>-</u>	<u>177</u>
Cash at the end of the financial period	<u>12,990</u>	<u>562</u>	<u>-</u>	<u>-</u>

Notes to the financial statements are included on pages 9 to 21.

JB HI-FI LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003****1. SUMMARY OF ACCOUNTING POLICIES***Financial Reporting Framework*

The company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this "special purpose financial report" has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The financial report has been prepared on the basis of historical cost and except where stated, does not take into account changing money values or current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

This financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all applicable Accounting Standards and UIG Consensus Views, and the disclosure requirements of Accounting Standards AASB 1001 "Accounting Policies", AASB 1018 "Statement of Financial Performance", AASB 1034 "Financial Report Presentation and Disclosures", AASB 1040 "Statement of the Financial Position" and UIG Abstract 35 "Disclosure of Contingent Liabilities".

Significant Accounting Policies

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Principles of Consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the company (the parent entity) and its controlled entities as defined in Accounting Standard AASB 1024 'Consolidated Accounts'. A list of controlled entities appears in note 21 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

The consolidated financial statements include the information and results of each controlled entity from the date on which the company obtains control and until such time as the company ceases to control such entity.

In preparing the financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

JB HI-FI LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***(b) Income Tax*

Tax-effect accounting procedures are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustments for permanent differences. The tax-effect timing differences, which occur when items are included or allowed for income tax purposes in a period different to that for accounting, is shown at current taxation rates in the deferred tax assets or liabilities, as applicable.

Tax Consolidation

Legislation to allow groups, comprising a parent entity and its Australia 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. This legislation, which includes both mandatory and elective elements, is applicable to the company. The impact of the mandatory elements of the tax consolidation system, in existing deferred tax balances of the economic entity and parent entity has been reflected in the financial statements.

At the date of this report the directors have not assessed the financial effect, if any, the legislation may have on the company and the consolidated entity and, accordingly, the directors have not made a decision whether or not to elect to be taxed as a single entity. The financial effect of the implementation of the tax consolidation system on the economic entity has not been recognised in the financial statements.

(c) Acquisitions of Assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus cost incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

(d) Inventories

Inventories are valued at the lower of cost and net realisable value. Inventory is valued using the average cost method.

(e) Receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

(f) Recoverable Amount of Non-current Assets

Non-current assets are written down to recoverable amount where the carrying value of any non-current asset exceeds recoverable amount. In determining the recoverable amount of non-current assets, the expected net cash flows have not been discounted to their present value.

JB HI-FI LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***(g) Interest-Bearing Liabilities*

Bills of exchange are recorded at an amount equal to the net proceeds received, with the premium or discount amortised over the period until maturity. Interest expense is recognised on an effective yield basis.

Bank loans and other loans are recorded at an amount equal to the net proceeds received. Interest expense is recognised on an accrual basis.

Ancillary costs incurred in connection with the arrangement of borrowings are deferred and amortised over the period of the borrowing.

(h) Investments

Investments in controlled entities are recorded at cost. Interest revenue is recognised on an accrual basis.

(i) Derivative Financial Instruments

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swap.

Gains and losses on interest rate swaps are included in the determination of interest expense.

(j) Employee Entitlements

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave, sick leave, and other employee entitlements expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of long service leave which are not expected to be settled within 12 months are measured at their present value of the estimated future cash out flows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

(k) Accounts Payable

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments from the purchase of goods and services.

JB HI-FI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write off the net cost or revalued amount of each asset over its expected useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight line method. The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements 2 – 10 years
- Plant and equipment 4 – 12 years
- Equipment under finance lease 2 – 10 years

(m) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the acquisition of an asset or as part of an item of expense; or
- ii. for receivables and payables which are recognised inclusive of GST.

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

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

(n) Revenue Recognition

Sales of goods and disposal of assets – Revenue from the sale of goods and disposal of assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer.

(o) Leased Assets

Leased assets classified as finance leases are recognised as assets. The amount initially brought to account is the present value of the minimum lease payments.

A finance lease is one that effectively transfers from the lessor to the lessee substantially all the risks and benefits incidental to ownership of the leased property.

Finance leased assets are amortised using the straight line method over the useful life of the asset.

Finance lease payments are allocated between interest expense and reduction of lease liability over the term of the lease. The interest expense is determined by applying the interest rate implicit in the lease to the outstanding lease liability at the beginning of each lease payment period.

Operating lease payments are recognised as an expense on a basis which reflects the pattern in which economic benefits from the leased assets are consumed.

JB HI-FI LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)***(o) Leased Assets (Continued)**Surplus Leased Space*

In the event that premises leased by the consolidated entity pursuant to a non-cancellable operating lease are identified as surplus to the needs of the consolidated entity, a liability and expense are recognised equal to the present value of the total expected outlay relating to the surplus space as specified under the lease agreement.

Lease Incentives

In the event that lease incentives are received to enter into non-cancellable operating leases, such incentives are recognised as a liability. Lease payments are allocated between rental expense, reduction of the liability and, where appropriate, interest expense over the term of the lease.

(p) Brand Name

The company's brand names are recorded at the cost of acquisition. The directors gave due consideration to the technical and commercial life of the brand names to determine their useful life. In the opinion of the directors, the brand names do not have a finite useful life and, accordingly, they have not been subject to amortisation.

The directors regularly review the carrying amount of the brand names to ensure their carrying value does not exceed their recoverable amount.

(q) Provisions

Provisions are recognised when the consolidated entity has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

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 probable that recovery will be received and the amount of the receivable can be measured reliably.

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.

JB HI-FI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003**

2. PROFIT FROM ORDINARY ACTIVITIES

	Consolidated		Company	
	June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
The profit from ordinary activities before income tax includes the following items of revenue/expense:				
(a) Operating Revenue				
Sales revenue	355,835	248,802	-	-
Interest revenue:				
Wholly-owned controlled entities	-	-	3,369	3,315
Other entities	316	52	-	-
	<u>356,151</u>	<u>248,854</u>	<u>3,369</u>	<u>3,315</u>
(b) Non-operating Revenue				
Proceeds from the sale of non-current assets:				
Plant and equipment	478	-	-	-
	<u>356,629</u>	<u>248,854</u>	<u>3,369</u>	<u>3,315</u>
(c) Expenses				
Cost of sales	275,901	189,469	-	-
Interest:				
Other related parties	1,087	321	1,087	321
Other entities	1,812	2,144	999	1,907
Early termination of swap following early termination of acquisition financing	586	-	586	-
Debt refinancing costs	500	-	500	-
Finance lease charges	438	310	-	-
	<u>4,423</u>	<u>2,775</u>	<u>3,892</u>	<u>2,228</u>
Depreciation of non-current assets:				
Plant and equipment	950	1,732	-	-
Leasehold improvements	369	308	-	-
	<u>1,319</u>	<u>2,040</u>	<u>-</u>	<u>-</u>
Net bad and doubtful debts arising from:				
Other entities	300	651	-	-
Inventory :				
Write-downs	1,542	142	-	-
Operating lease rental expenses:				
Minimum lease payments	4,649	3,145	-	-

JB HI-FI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003**

	Consolidated		Company	
	June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
3. REMUNERATION OF AUDITORS				
Auditing the financial report	65	60	-	-
Other services	77	15	-	-
	<u>142</u>	<u>75</u>	<u>-</u>	<u>-</u>
4. CURRENT RECEIVABLES				
Trade receivables	785	551	-	-
Allowance for doubtful debts	(37)	(103)	-	-
	<u>748</u>	<u>448</u>	<u>-</u>	<u>-</u>
Non-trade receivables	8,373	6,467	-	-
	<u>9,121</u>	<u>6,915</u>	<u>-</u>	<u>-</u>
5. CURRENT INVENTORIES				
Finished goods:				
At cost	49,890	43,342	-	-
Provision for write down	(816)	(450)	-	-
	<u>49,074</u>	<u>42,892</u>	<u>-</u>	<u>-</u>
6. CURRENT TAX ASSETS				
Income tax refund	-	-	89	-
	<u>-</u>	<u>-</u>	<u>89</u>	<u>-</u>
7. OTHER CURRENT ASSETS				
Prepayments	681	280	-	-
	<u>681</u>	<u>280</u>	<u>-</u>	<u>-</u>

JB HI-FI LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
8. OTHER NON-CURRENT FINANCIAL ASSETS				
Interest-bearing loans advanced to:				
Wholly-owned controlled entity	-	-	53,647	60,102
At cost:			-	
Shares in listed entities	6	-	-	-
Shares in controlled entities (refer note 20)	-	-	1	1
	<u>6</u>	<u>-</u>	<u>53,647</u>	<u>60,102</u>
¹ Investment in subsidiary is \$2.				
9. PLANT & EQUIPMENT				
Plant and equipment:				
At Cost	12,211	9,519	-	-
Accumulated depreciation	(2,826)	(1,875)	-	-
	<u>9,385</u>	<u>7,644</u>	<u>-</u>	<u>-</u>
Plant and equipment – hire purchase:				
At Cost	3,468	1,263	-	-
Accumulated depreciation	(385)	(278)	-	-
	<u>3,083</u>	<u>985</u>	<u>-</u>	<u>-</u>
Leasehold improvements:				
At Cost	2,258	1,577	-	-
Accumulated amortisation	(605)	(331)	-	-
	<u>1,653</u>	<u>1,226</u>	<u>-</u>	<u>-</u>
Leasehold improvements – hire purchase:				
At Cost	920	715	-	-
Accumulated depreciation	(161)	(146)	-	-
	<u>759</u>	<u>569</u>	<u>-</u>	<u>-</u>
	<u>14,880</u>	<u>10,424</u>	<u>-</u>	<u>-</u>

Aggregate depreciation and amortisation allocated during the year is recognised as an expense and disclosed in note 2 to the financial statements.

JB HI-FI LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
10. INTANGIBLES				
Brand name – at cost	43,094	43,094	-	-
11. DEFERRED TAX ASSET				
Future income tax benefit:				
Timing differences	1,727	1,092	314	101
12. OTHER NON-CURRENT ASSETS				
Deferred costs	781	-	247	-
13. CURRENT PAYABLES				
Trade payables	43,735	21,378	-	20
Other creditors & accruals	2,606	3,144	50	
Deferred income	1,745	1,931	-	-
Goods and services tax (GST) payable	254	337	-	-
Interest payable:				
Other related parties	-	84	-	84
Other entities	-	97	-	97
	<u>48,340</u>	<u>26,971</u>	<u>50</u>	<u>202</u>
14. CURRENT INTEREST-BEARING LIABILITIES				
Unsecured:				
Other entity loans	601	3,600	-	3,000
Secured:				
Bank loans (i)	-	2,500	-	2,500
Hire purchase lease liabilities (ii)	2,688	1,709	-	-
	<u>3,289</u>	<u>7,809</u>	<u>-</u>	<u>5,500</u>

- i. Secured by a floating charge over the consolidated entity's assets, the current market value of which exceeds the value of the loan.
- ii. Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.

JB HI-FI LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003

	Consolidated		Company	
	June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
15. TAX LIABILITIES				
a) Current:				
Income tax payable	2,081	2,373	-	258
b) Non-Current:				
Deferred income tax	1,387	826	-	-
16. PROVISIONS				
a) Current:				
Employee benefits	3,539	2,745	-	-
b) Non-Current:				
Employee benefits	669	507	-	-
Number of employees	822	589	-	-
17. NON-CURRENT INTEREST BEARING LIABILITIES				
Secured:				
Bank loan (i)	32,000	21,500	32,000	21,500
Hire purchase lease liability(ii)	2,588	2,659	-	-
Loans from: (i)				
Directors and director related entities	-	1,169	-	1,169
Other related parties	-	7,627	-	7,627
Other entities	-	1,204	-	1,204
	-	10,000	-	10,000
	34,588	34,159	32,000	31,500

- i. Secured by a floating charge over the consolidated entity's assets, the current market value of which exceeds the value of the loan.
- ii. Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.

JB HI-FI LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003**

	Consolidated		Company	
	June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
18. CONTRIBUTED EQUITY				
21,900,000 fully paid ordinary shares	21,900	21,900	21,900	21,900

	June 2003		June 2002	
	No. '000	\$'000	No. '000	\$'000
Fully Paid Ordinary Shares				
Balance at beginning of financial year	21,900	21,900	21,900	3,400
Transfer from partly paid ordinary share capital	-	-	-	18,500
Balance at end of financial year	21,900	21,900	21,900	21,900

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

Partly Paid Ordinary Shares				
Balance at beginning of financial year	-	-	-	15,507
Additional calls made on partly paid ordinary shares during the June 2002 financial year 16.2 cents per share	-	-	-	2,993
Transfer to fully paid share capital	-	-	-	(18,500)
Balance at end of financial year	-	-	-	-

Partly paid ordinary shares carry one vote per share but do not carry the right to dividends.

19. RETAINED PROFITS

	Consolidated		Company	
	June 2003 \$'000	June 2002 \$'000	June 2003 \$'000	June 2002 \$'000
Balance at beginning of financial year	7,969	1,799	843	265
Net profit / (loss)	8,593	6,170	(496)	578
Balance at end of financial year	16,562	7,969	347	843

JB HI-FI LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003****20. COMMITMENTS FOR EXPENDITURE****(a) Hire Purchase Leases***Leasing arrangements*

Hire purchase leases principally relate to motor vehicles and store fit out expenditure with lease terms of between 3 and 5 years. The consolidated entity has the option to purchase the equipment for a nominal amount at the conclusion of the lease arrangements.

Hire Purchase Lease Liabilities	Minimum Future Lease Payments				Present Value of Minimum Lease Payments			
	Consolidated		Company		Consolidated		Company	
	June	June	June	June	June	June	June	June
	2003	2002	2003	2002	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Not later than 1 year	2,994	2,011	-	-	2,688	1,709	-	-
Later than 1 year and not later than 5 years	2,728	2,836	-	-	2,588	2,659	-	-
Minimum lease payments*	5,722	4,847	-	-	5,276	4,368	-	-
Less finance charges	(446)	(479)	-	-	-	-	-	-
Present value of minimum lease payments	5,276	4,368	-	-	5,276	4,368	-	-
Included in the financial statements as:								
Current interest bearing-liabilities (note 14)					2,688	1,709	-	-
Non-current interest-bearing liabilities (note 17)					2,588	2,659	-	-
					5,276	4,368	-	-

* Minimum future lease payments include the aggregate of all the lease payments and any guaranteed residual.

(b) Operating Leases*Leasing arrangements*

Operating leases relate to stores with lease terms of between 2 to 10 years, with, in some cases an option to extend. All operating lease contracts contain market review clauses in the event that the consolidated entity exercises its option to renew. The consolidated entity does not have a right to purchase the leased asset at the expiry of the lease period.

	Consolidated		Company	
	June	June	June	June
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Non-cancellable operating leases				
Not later than 1 year	6,119	4,152	-	-
Longer than 1 year and not longer than 5 years	15,163	11,305	-	-
Longer than 5 years	9,257	4,543	-	-
	<u>30,539</u>	<u>20,000</u>	<u>-</u>	<u>-</u>

JB HI-FI LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2003**
21. CONTROLLED ENTITIES

Name of Entity	Country of Incorporation	Ownership Interest	
		June 2003 %	June 2002 %
<i>Parent Entity</i>			
JB Hi-Fi Limited (formerly JB Hi-Fi Holdings Pty Limited)	Australia	-	-
<i>Controlled Entities</i>			
JB Hi Fi Group Pty Ltd (formerly JB Hi-Fi Group Pty Limited)	Australia	100	100
JB Hi-Fi (A) Pty Ltd (formerly JB Hi-Fi Pty Ltd)	Australia	100	100
Audioline Pty Limited (i)	Australia	-	100

(i) Wholly owned subsidiary was disposed of in November 2002 for consideration of \$2.

JB Hi-Fi Limited (formerly JB Hi-Fi Holdings Pty Limited) is a public company incorporated and operating in Australia.

22. ADDITIONAL COMPANY INFORMATION*Principal Registered Office and Place of Business*

14 Spink Street
Brighton
Victoria, 3186
Australia