

J B
HI-FI

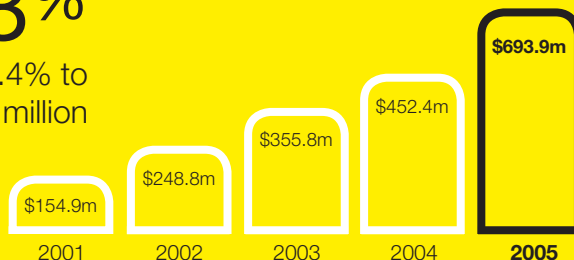
ANNUAL REPORT
2005

Financial Summary

	2003	2004	2005	%
FINANCIAL PERFORMANCE				
Year to 30 June 2005				
Sales revenue (\$m)	355.8	452.4	693.9	53%
EBIT (\$m)	16.7	22.8	37.0	62%
NPAT (\$m)	8.6	13.8	20.7	50%
Earnings per share (¢)	8.39	13.48	20.15	50%

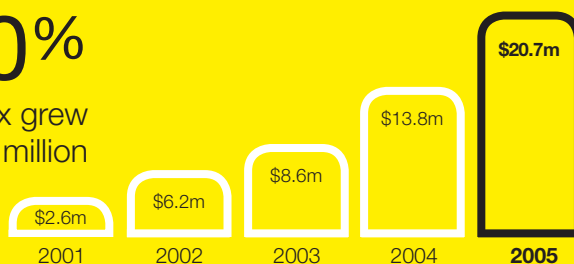
Sales +53%

Sales grew 53.4% to \$693.9 million



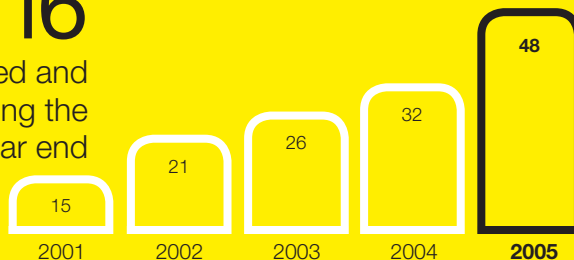
NPAT +50%

Net profit after tax grew 49.8% to \$20.7 million



Stores +16

11 new stores were opened and 5 stores acquired, taking the total stores to 48 at year end



Chairman's and Chief Executive Officer's Report

Dear fellow shareholder,

The company achieved revenue growth of 53.4%, EBIT growth of 62.1% and NPAT growth of 49.8% for the year ended 30 June 2005. During the year, an additional ten JB Hi-Fi stores and one Clive Anthony's store were opened.

Result

JB Hi-Fi Limited (referred to below as "the company") has delivered another record result with sales up 53.4% on the prior year. This was achieved through a combination of strong comparative stores sales, the maturing of the eight stores opened last year and the opening of eleven new stores during the year. Second half sales slowed significantly with the effect most acutely felt in the Clive Anthony's business with its greater exposure to the housing sector with sales of whitegoods, cooking appliances and air conditioning.

Margin declined slightly by 43 base percentage points to 23.0% over the year. Whilst competition remains intense, the company's positioning as a discounter, together with its improved buying, has insulated it from any significant margin pressure. Product mix, in particular the popularity of relatively low margin portable audio players (such as the Apple iPod), has also contributed to the slight decline.

The company continued to focus on cost control with operating expenditure falling as a percentage of revenue to 17.1% (last year 17.8%). This continues to reinforce the company's ability to deliver on its every day low pricing strategy and makes it increasingly difficult for competitors to offer similar pricing. Cost reduction together with stable margins has enabled the company to increase its EBIT margin by 31 base percentage points to 5.3%.

Cashflow used in operations was \$3.4 million reflecting both timing of supplier payments around balance date (overall creditor days has not materially changed) and an increase in inventory to support the eleven new stores. Mature stores continue to generate significant cash which with a conservative level of debt finances the new store opening program. Debt remains at conservative levels with interest cover of 6.5 times and a fixed charges cover ratio of 3.1 times. Return on Equity of 33.1% reflects the low capital intensity of the business model.

Review of Operations

Ten new JB Hi-Fi stores were opened during the year with a high proportion of these being in shopping centres. JB Hi-Fi is relatively unique in its ability to successfully bring "big box categories" such as TVs and audio to shopping centres. The high level of foot traffic through the centres reduces the company's reliance on advertising and provides a boost to convenience categories such as music, movies, games and accessories.

Of the ten new stores opened during the year, three stores were opened in NSW, three in Victoria, two in ACT and one each in WA and SA. The new stores have opened strongly and provide continued support for the roll out plan which will accelerate in the 05/06 financial year. The company continues to be a sought after tenant of all the major shopping centre groups thereby ensuring new stores can be opened in good locations with favourable rentals. Newly opened stores continue to mature in line with expectations.

The company continues to be able to attract and retain a knowledgeable and enthusiastic workforce as the rapid growth of the business provides tangible career progression with increased responsibility and compensation prospects. This has been the case even in newer territories where the JB Hi-Fi brand is not as recognised. The ability of the company to continue to generate strong returns to its stakeholders is reliant on its success in dealing with its people.

The market place in which JB Hi-Fi operates continues to be dynamic with emerging growth categories such as portable audio and games replacing some of the growth produced in past years from TVs, audio and cameras. JB Hi-Fi continues to be at the forefront of these new categories providing one of the widest ranges of branded products at discounted prices. The company's move into games during the year will see it capture an increasing share of an \$800 million

annual market. Increasing scale continues to drive improvement in buying terms, stock availability and access to brands.

Technology continues to drive sales both in terms of new product and affordability. The outlook for new products remains healthy with the increased affordability and functionality of products such as LCD and Plasma TVs, new game consoles, DVD recorders and a broad array of electronic accessories.

During the year, the company completed the acquisition of 70% of Clive Anthonys, a Queensland based retailer of white and brown goods, cooking appliances, air conditioners and computers. Clive Anthonys continues to operate on a relatively autonomous basis. After a very strong first half, the slow down in the housing sector and consumer sentiment influenced the second half result. We remain impressed with the capacity of Clive Anthonys management and staff and believe the business is well positioned within its market. A new Clive Anthonys store was opened in Mt Gravatt in Brisbane in May 2005 which should contribute to earnings in the 05/06 financial year. Recently opened stores in Capalaba and Carseldine continue to mature. The company's flagship Mermaid store will undergo a major renovation this year.

The company finished the year with \$76.0 million of net debt. The strong cashflow nature of the company's established stores together with a conservative increase in the level of debt has enabled the company to

Chairman's and Chief Executive Officer's Report (continued)

fund its rapid growth without having to raise additional equity. This is likely to remain the case as the proportion of new stores to established stores diminishes following the 05/06 rollout program.

Board, Corporate Governance and Management Approach

The relationship between the Board and management remains engaging and constructive. To date the company has continually exceeded the expectations set by the Board. It remains the Board's strategy to encourage experimentation with new products, merchandising formats, advertising and property locations in a controlled and responsible manner. The Board firmly believes that equity participation through the company's employee option plan remains a critical tool in attracting new management, retaining existing management and rewarding performance whilst maintaining a strong alignment of interest with shareholders.

Dividend

The company will pay a final dividend of 3.6 cents per share fully franked for the year ended 30 June 2005. This brings total dividends for the year to 7.2 cents per share. Notwithstanding the substantial increase in profit during the course of the year, the company has opted to maintain dividends at the same level as last year reflecting the funding requirements of the accelerated new store opening program for the 05/06 financial year.

Outlook

The slow down in market conditions experienced in the second half of the 04/05 financial year is likely to persist into the first half of the current year as the housing market stagnates and the impact of higher fuel prices filters through to the broader economy. The maturing of nineteen stores opened in the last two years, together with JB Hi-Fi's discount positioning and merchandising of new technologies will continue to drive sales. A heavy new store opening program of sixteen to seventeen stores (twelve before Christmas), in many of Australia's biggest shopping centres, will see a more significant presence for the company outside of its traditional Melbourne base. Seven of the twelve new stores that are scheduled to open before Christmas are located in Sydney. This gives us a significant market presence there for the first time and brings our total JB branded stores in Sydney to thirteen. With nearly a \$1 billion in sales forecast for the group in the 05/06 year, the group has cemented its position as one of Australia's largest retailers and a leader in home entertainment products.

Your Board and management remain focused on the key success drivers; best product and price supported by a talented and enthusiastic staff.



Patrick Elliott
Chairman



Richard Uechtritz
CEO

Annual Financial Report

for the financial year ended 30 June 2005

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CORPORATE GOVERNANCE STATEMENT

JB Hi-Fi's directors and management 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 substantial respects with the ASX Corporate Governance Council Principles of Good Corporate Governance. JB Hi-Fi respects and values the rigour of the ASX Principles of Good Corporate Governance and Best Practice Recommendation. The Board believes that it has been compliant with the spirit of The Corporate Governance Principles and Best Practice Recommendations during the 2005 financial year.

The Board has determined, having regard to the company's current size, not to establish a Nominations Committee. The Board has retained this responsibility. During the 2005 financial year and subsequent to the company's listing in October 2003, the Board has completed a process of reviewing and adopting formal policies and procedures. This process was completed in August 2004. The Board will continually review and monitor developments in respect to corporate governance to ensure compliance with best practice.

The Board

Role

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

The Board's responsibilities include the company's corporate governance, overseeing the company's business and affairs, communicating with the company's shareholders and the community, evaluating senior executive's performance, 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 the Board's directors.

The Chief Executive Officer, who is accountable to the Board, is responsible for managing, directing and promoting the profitable operation and development of the consolidated entity.

A copy of the Board Charter can be found on the company's website at www.jbhihi.com.au.

Composition

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

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

JB Hi-Fi maintains a majority of non-executive directors on its Board. The Board currently comprises six directors, comprising four independent non-executive directors, including the Chairman, and two executive directors, including the Chief Executive Officer.

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

Independence

The JB Hi-Fi Board regards a director as an independent director if they are free from any business or other relationship that could compromise their ability to act in the best interests of 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.

Board meetings

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

Access to information and Independent advice

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

Pursuant to a deed executed by each director and the company, a director also has the right to have access to all documents which have been presented to Board meetings or made available in relation to their position as director for a term of seven 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 Ethics

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 Ethics to provide employees with guidance on what the company deems is acceptable behaviour.

The key elements of the code are characterised by:

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

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

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

Shareholdings of directors and employees

Directors' current shareholdings are detailed in the company's annual report and as updated by notification to the Australian Stock Exchange as required. The Board has approved a Share Trading Policy for dealing in securities.

Directors and Employees may only trade in JB Hi-Fi shares and any other securities during designated Trading Periods, which are conducted several times each year. These Trading Periods will follow the release of JB Hi-Fi's Final Results (Aug/Sept), Interim Results (Feb/March) and the Annual General Meeting (Oct/Nov), for a period of four weeks. Any transaction conducted by directors in shares of the company is notified to the Australian Stock Exchange.

A copy of the Share Trading Policy can be found on the company's website at www.jbhifi.com.au

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.

Both the Chief Executive Officer and Chief Financial Officer are required to state in writing to the Board that:

- (a) the company's financial report represents a true and fair view, in all material respects, of the group's financial condition and operational results and are in accordance with relevant accounting standards; and
- (b) the statement in (a) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and that
- (c) the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

The company's financial accounts 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 the Board's behalf. The company's external audit firm was most recently appointed in 2002. The audit engagement partner is to be rotated every five years in line with the agreement between the audit firm and JB Hi-Fi.

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

Continuous Disclosure

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

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

A copy of the Continuous Disclosure Policy can be found on the company's website at www.jbhifi.com.au.

Shareholders Communications

The company's website www.jbhifi.com.au currently carries the following information for shareholders:

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

The company will request that the external auditor attend its annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

A copy of the Shareholder Communication Policy can be found on the company's website at www.jbhifi.com.au.

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. 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 stakeholders.

A copy of the company's Risk Oversight and Management Policy can be found on the company's website at www.jbhifi.com.au.

Board performance

JB Hi-Fi monitors and evaluates the performance of its Board, its Board committees, individual directors, and key executives in order to fairly review and actively encourage enhanced board and management effectiveness. It has a range of processes in place to evaluate Board performance, Board Committees, individual directors and executives.

A description of the process for Board performance evaluation, its committees and individual directors, and key executives can be found on the company's website at www.jbhifi.com.au.

DIRECTORS' FEES AND EXECUTIVE REMUNERATION

Directors' fees

In line with the JB Hi-Fi Constitution, total remuneration for non-executive directors must not exceed \$400,000 per annum or any other amount per annum determined by the company in an Annual General Meeting. The Board within the aggregate amount of \$400,000, determines non-executive directors' individual fees.

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

Non-executive directors do not participate in any incentive schemes and are not entitled to receive retirement allowances.

Executive Remuneration

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

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

The Board is aware of the Executive Share and Option Scheme Guidelines, issued by the Investment and Financial Services Association (IFSA) in May 2000. The Board is satisfied that its executive remuneration policies, specifically as they relate to the executive share option plan (as detailed in this Annual Report), are consistent with the aims, objectives and outcomes detailed in the IFSA guidance note 12.

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

Details of the existence and conditions of all share and option schemes currently in operation, including the details of performance hurdles are summarised in the company's Annual Report and have been lodged with the ASX.

BOARD COMMITTEES

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

Audit and Risk Management Committee

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

The committee is charged with, in part, (a) assisting the Board in fulfilling its oversight of the reliability and integrity of financial management, accounting policies, asset management and financial reporting and disclosure practices; (b) advising the board on matters of internal control; and (c) establishing and maintaining processes to ensure that there is compliance with all applicable laws, regulations and company policy; and adequate systems of internal control and risk management.

A copy of the Audit and Risk Management Committee Charter can be found on the Company's website at www.jbhifi.com.au.

The Audit and Risk Management Committee comprises three non-executive directors all of whom are independent with relevant financial, commercial and risk management experience and an independent chairperson who is not the chairperson of the Board.

Gary Levin is the Chairman of the Audit and Risk Management Committee and the other members are Patrick Elliott and James King. Their qualifications are detailed in the Director's Report of the Annual Report.

The Audit and Risk Committee meets regularly. Details of the meetings held and members' attendance during the 2005 Financial Year are listed in the Director's Report of the Annual Report. Directors who are not members of a committee may attend any committee meeting following consultation with the Chairperson of the relevant committee.

Remuneration Committee

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

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

The Remuneration Committee comprises three directors, two of whom are non-executive directors. Patrick Elliott is the committee's Chairman and the other members are Will Fraser and Richard Uechritz. Their qualifications are detailed in the Director's Report of the Annual Report. The Remuneration Committee meets as required. Details of the meetings held and members' attendance during the 2005 financial year are listed in the Director's Report of the Annual Report.

A copy of the Remuneration Committee Charter can be found on the company's website at www.jbhifi.com.au.

Nominations Committee

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

The Board is charged with, in part, selecting, appointing and regularly evaluating the performance of, determining the remuneration of, and plan for the successor 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, individual directors and Board Committees.

A copy of the Board Charter can be found on the company's website at www.jbhifi.com.au. A copy of the Board's policy for the appointment of directors can be found on the company's website at www.jbhifi.com.au.

DIRECTORS' REPORT

The directors of JB Hi-Fi Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2005. 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 and since the end of the financial year are:

- | | |
|---|--|
| Patrick Elliott
Non-Executive Chairman
B.Comm LLB, MBA (Hon), CA | Mr Elliott is an executive director of Next Capital Pty Limited, a private equity manager. He is also a non executive director of Financial Network Services (Holdings) Pty Ltd and the Australian Venture Capital Association. 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. |
| Richard Uechtritz
Chief Executive Officer | Mr Uechtritz has over twenty years experience in retailing. He was co-founder of Australia's two leading photo chains Rabbit Photo and Smith Kodak Express. Mr Uechtritz was also a director of Kodak (Australasia) Pty Ltd. Mr Uechtritz led the management buy-in of JB Hi-Fi in July 2000. |
| Terry Smart
Executive Director | Mr Smart is a former director of Kodak's retail operations and General Manager of Kodak's retail operations. During his career with JB Hi-Fi he has led the implementation of the company's management information system, including a point of sale system, in-store reporting systems and an electronic data interface with the company's major suppliers. Mr Smart has been responsible for the set up of the companies operational processes which help underpin the store roll out strategy. Mr Smart joined the management buy-in of JB Hi-Fi in July 2000. |
| Gary Levin
Non-Executive Director
B.Comm, LLB | Mr Levin has been a director of JB Hi-Fi since November 2000. He is currently Managing Director of Babcock & Brown Environmental Investments Limited and EarthPower Technologies Sydney Pty Ltd, and a director of Natural Fuels Australia Limited and Southern Oil Refining Limited. He was formerly the founder and Managing Director of TLC Dry Cleaners and a previous joint Managing Director of Rabbit Photo Holdings Limited. He has over twenty five years experience running public and private companies in the retail, real estate and renewable energy fields. He was admitted to the Bar of New South Wales in 1978 and is a member of the New South Wales Bar Association. |

Will Fraser

Non-Executive Director
Ph.D

Mr 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.

James King

Non-Executive Director
B.Comm

Mr King has had over twenty five years experience in fast moving consumer goods in major multi-national corporations in Australia and the Asia/Pacific markets. He was formally with Foster's Group Limited as Senior Vice President Strategy & Business Development, 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 IBT Education Limited and Tattersalls Limited, as well as being on the Advisory Board of the Juvenile Diabetes Research Foundation (Victoria).

Directorship of other listed companies

<i>Name</i>	<i>Company</i>	<i>Appointment Date</i>	<i>Period of directorship</i>
Gary Levin	Babcock & Brown Environmental Investments Limited	30 Jan 2002	3 years, 5 months
James King	IBT Education Limited	9 Nov 2004	7 months
James King	Tattersalls Limited	30 May 2005	1 month

Company Secretary

Richard Murray

B.Comm, Grad.Dip. Applied
Finance & Investment, CA

Mr Murray is a Chartered Accountant with over ten 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 is assisted in his role as Company Secretary by an external consultant specialising in company secretarial processes and procedures, who attends all board and committee meetings.

Principal activities

The consolidated entity's principal activity in the course of the financial year was the retailing of home consumer products, with particular focus on:

- consumer electronics (televisions, Hi-Fi, DVD players, home theatres, digital still and video cameras and accessories)
- electrical goods (whitegoods, computing equipment, kitchen equipment, air conditioners and small electrical appliances)
- car sound systems (audio & visual)
- music, games and movies

from stand alone and shopping centre locations, offering a wide range of leading brands. There have been no significant changes in the principal activity of the consolidated entity during the financial year.

Review of operations

The consolidated profit after tax of the consolidated entity for the financial year, that was attributable to members of the parent entity was \$20,677 thousand (2004: \$13,806 thousand) which is 50% greater than the consolidated profit after tax for the previous financial year.

Consolidated sales for the financial year were \$693,943 thousand, which is 53% greater than the consolidated sales for the previous financial year.

In preparing the Review of Operations, the directors have omitted material that would otherwise have been included under s.299A(1)(c) concerning the consolidated entity's business strategies and prospects for future financial years, as they believe such disclosure is likely to result in unreasonable prejudice to the consolidated entity or any entity that is part of the consolidated entity.

A. Overview

Objectives of the consolidated entity:

- To create shareholder value through a national roll out of JB Hi-Fi and Clive Anthonys branded retail stores in both stand alone destination sites and shopping centre locations. The cornerstone of the consolidated entity's success has been, and will continue to be, its ability to consistently offer low prices. The consolidated entity is able to do this through the scale of its operations, relatively high stock turns and low cost operating structure.

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

- Comparable store sales growth
- Gross margin by store and product category
- Operating costs as a percentage of sales
- Store 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 creditors turnover
- Return on capital and return on invested capital

Dynamics of the consolidated entity:

- The following factors are considered important in understanding the dynamics of the consolidated entity and the main opportunities and threats that may have a major effect on its results regardless of whether or not they were significant in the period under review.

Opportunities:

- JB Hi-Fi offers one of Australia's largest ranges of home entertainment and electrical products at discounted prices, positioned to appeal to all customers, through its JB Hi-Fi and Clive Anthony's brands. The consolidated entity maintains a low cost operating model designed to underpin competitive pricing at the store level.
- JB Hi-Fi's strategic initiatives for growth include:
 - targeting high growth segments of the home entertainment market in both JB Hi-Fi and Clive Anthony's stores;
 - focussed expansion of Clive Anthony's stores once back office functions are upgraded and consolidated;
 - ensuring recently opened stores mature rapidly and profitably;
 - continuing to improve the efficiency and profitability of existing stores; and
 - opening new stores – the consolidated entity has opened thirty three new stores over the last five years, and has plans to continue expanding with sixteen to seventeen new stores forecast to open in the 2006 financial year. JB Hi-Fi has a strong store representation in most Australian states.

Threats:

- There are a number of factors, both specific to JB Hi-Fi and of a general nature, which may threaten the future operating and financial performance of the consolidated entity 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 the Australian housing construction cycle, levels of consumer spending, inflation, interest rates 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 consolidated entity's business or financial condition.
- **Competition** – the markets in which JB Hi-Fi operates are fragmented and competitive. The consolidated entity's financial performance or operating margins could be adversely affected if the actions of competitors or potential competitors become more effective, or if new competitors enter the market, and JB Hi-Fi is unable to counter these actions.
- **Leasing arrangements** – the ability to identify suitable sites and negotiate suitable leasing terms is a key to the consolidated entity's growth plans. Further, management's ability to renegotiate acceptable lease terms for existing stores where leases are due to expire is vital to ongoing profitability.

- **Operating costs** – the consolidated entity's ability to consistently offer low prices and operate profitably is dependent on a combination of the scalability of its operations, relatively high stock turns and low cost operating structure. It is important that the consolidated entity maintain these drivers of profitability.

B. Review of operations

Sales and earnings performance:

- The consolidated entity recorded a full year net profit after tax of \$20,677,000 for the twelve months ending June 2005, up 49.8% on the previous corresponding period of \$13,806,000.
- Total sales were up 53.4% to \$693,943,000 and comparable store growth was 4.7%.
- Gross margin was 23.0% for the period, down 0.4%.
- EBIT was \$36,984,000 and the resulting EBIT margin was 5.3%, up from 5.1% for same period last year.
- Operating expenditure as a percentage of sales continued to improve at 17.0% for the period, improving from 17.8% for same period last year.
- The consolidated entity opened eleven new stores during the 2005 financial year, ten branded JB Hi-Fi and one Clive Anthonys, bringing the total stores to forty eight at year end.
- JB expects to open between sixteen to seventeen stores in the 2006 financial year, with twelve stores expected to be opened before Christmas.

Material developments:

- The consolidated entity acquired 70% of the business of Queensland electrical retailer, Clive Anthonys for \$24,316,000 on 1 July 2004. Clive Anthonys retails white goods, consumer electronics, cooking appliances and computers.

Overall returns to shareholders:

- Refer to details of dividends paid and declared by the company in the section below.

C. Details of investments for future performance

- Investments of \$15,812,000 were made during the financial year in capital expenditure projects. A majority of this capital expenditure related to the eleven new stores opened during the period. These stores are likely to contribute towards solid earnings growth in the 2006 financial year.
- The consolidated entity's investment in Clive Anthonys will provide it with exposure to the substantial white goods, cooking, air conditioning and computer markets in the fast growing region of South East Queensland and provide a platform to expand outside the consumer offering of its JB Hi-Fi store formats.

D. Review of financial conditions

- The capital structure of the consolidated entity has remained stable during the period. The increase in equity during the period related to ordinary shares issued to employees under the Employee Share Option Plan. The consolidated entity increased its interest bearing liabilities as a result of its investment in Clive Anthonys and its new store rollout.

- The key financial covenants included in the company's financing facilities are the leverage ratio and fixed charges cover.
- The consolidated entity has total interest bearing liabilities of \$77,636,000 at the end of the period. The consolidated entity has \$84,000,000 of senior debt and leasing facilities in place, which expire in August 2006. In addition, the consolidated entity has an annual working capital facility of \$30,000,000.
- The consolidated entity has commenced negotiations with a number of finance providers to refinance and expand its current facilities and extend the term of its facility. The consolidated entity anticipates finalising these discussions in October 2005.

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 that the consolidated entity conducts its operations in a manner that manages risk to protect its people, the environment, consolidated entity assets and reputation as well as to realise opportunities. JB Hi-Fi's policy is to consider the balance of risk and reward, as far as practicable, in order to optimise the returns gained from its business activities and to meet the expectations of its stakeholders.

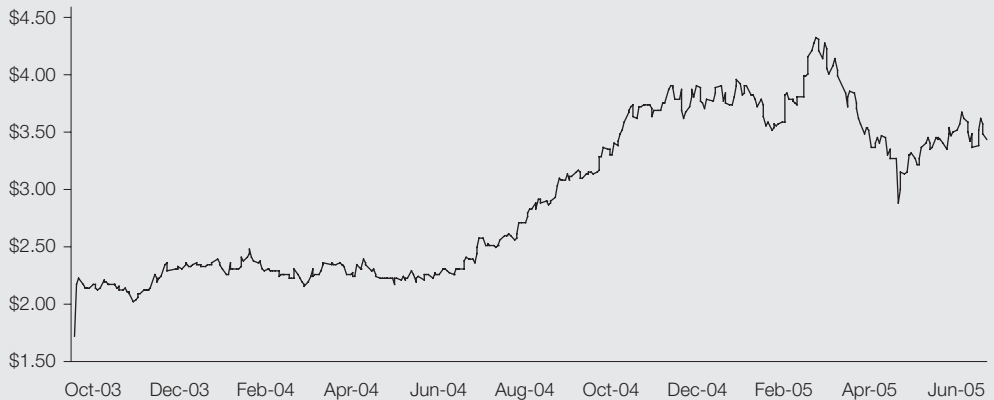
Discussion of Company Performance

Sales and earnings performance:

- Consolidated sales for the financial year were \$693,943,000, which is 53% greater than the consolidated sales for the previous financial year.
- The consolidated profit after tax for the financial year of \$20,677,000 is 50% greater than the consolidated profit after tax for the previous financial year.

This report only discusses the consequences of the company's performance on shareholder wealth for the last two financial years, since the company's listing on the ASX.

The following graph plots the closing share price of JB Hi-Fi on a daily basis since listing on the Australian Stock Exchange.



The following table details the changes in earnings per share and shareholder wealth since the company listed on the Australian Stock Exchange.

Measures of Performance and Shareholder Value

	2003	2004	2005	Movement 2003 to 2004	Movement 2004 to 2005
1. Earnings per share	8.4	13.5	20.1	60.7%	49.2%
2. Shareholder Value Created:					
Company share price at the end of the reporting period (\$)	1.71 ⁽ⁱ⁾	2.30	3.56	35%	55%
Market Capitalisation (\$m)	174.6 ⁽ⁱⁱ⁾	235.5	366.0	35%	55%
Enterprise Value ⁽ⁱⁱⁱ⁾ (\$m)	201.7 ⁽ⁱⁱⁱ⁾	262.8	442.0	30%	68%
Movement in enterprise value during the financial year (\$m)	–	61.1	179.2	–	193%
Dividends paid to shareholders during the financial year (\$m)	–	3.7 ^(iv)	7.4	–	100%
Shareholder Value Created (\$m)^(v)	–	64.8	186.6	–	188%

i. Values are based on a weighted calculation of the retail and institutional IPO issue price applied to total shares on issue.

ii. Values are based on 23 October 2003, the date on which the company first listed on the Australian Stock Exchange. Refer to the company's prospectus dated 18 September 2003 for further details.

iii. Measured as the sum of market capitalisation and net debt.

iv. The dividends paid in the 2004 financial year excludes a special dividend of \$10,000,000 paid to shareholders before the company was listed.

v. Shareholder Value Created is measured as the increase in the enterprise value of the company, plus cash dividends paid during the financial year.

The company has not returned any capital to shareholders since its listing in October 2003.

For further discussion of the company's performance during the financial year, refer to the Chairman's and Chief Executive Officer's Report included in the Annual Report to shareholders.

Changes in state of affairs

There have been no significant changes in the state of affairs of the consolidated entity other than that referred to in the financial statements or notes thereto.

Subsequent events

On the 15 August 2005, the directors declared a final dividend for the financial year ended 30 June 2005, as set out in the Dividends section of this report. There has not been any other 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.

Environmental regulations

The consolidated entity 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 consolidated entity or its compliance with the relevant environmental agencies or regulatory authorities.

Dividends

A final dividend of 3.6 cents per share, fully franked at the company tax rate of 30%, was paid to the holders of fully paid ordinary shares on 21 October 2004 in respect of the year ended 30 June 2004, as detailed in the directors' report for that financial year.

In respect of the financial year ended 30 June 2005, an interim dividend of 3.6 cents per share, fully franked at the company tax rate of 30% was paid to the holders of fully paid ordinary shares on 14 April 2005.

In respect of the year ended 30 June 2005, a final dividend of 3.6 cents per share was recommended by Directors of the company, fully franked at the company tax rate of 30%. This final dividend was not declared until 15 August 2005. The record date for the purpose of determining shareholders entitlement to the dividend is 7 October 2005 and it will be paid to eligible shareholders on 21 October 2005. Accordingly, no provision for this dividend has been recognised in the financial statements for the year ended 30 June 2005.

Indemnification of officers and auditors

As provided under the constitution, the company indemnifies Directors and senior officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a Director or officer. During the year, the company has paid a premium in respect of a contract, insuring its Directors and senior employees 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 premiums paid are confidential.

Directors' meetings

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

Directors	Board of Directors		Remuneration Committee		Audit & Risk Management Committee	
	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>	<i>Held</i>	<i>Attended</i>
P. Elliott	13	13	2	2	5	5
R. Uechtritz	13	13	2	2	–	–
T. Smart	13	13	–	–	–	–
G. Levin	13	13	–	–	5	5
W. Fraser	13	13	2	2	–	–
J. King	13	13	–	–	5	5

Remuneration Report

Remuneration policy for directors and executives

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

The remuneration for non-executive directors and the chairman for the 2005 financial year was the same as the 2004 financial year. In both years the remuneration for non-executive directors was \$40,000 per annum and \$75,000 per annum for the Chairman. In addition, non executive directors (including the Chairman) receive fees of \$5,000 per annum, per board committee to which they are appointed. Mr Elliott also received fees of \$10,000 for acting as a non-executive director of Clive Anthonys Pty Ltd, a subsidiary of the company for the 2005 financial year.

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 legislative requirements. Some non-executive directors, as a result of their personal superannuation circumstances, have notified the company that they would prefer their superannuation contributions to be received as increased board fees. This results in no net increase to the cost of directors' remuneration to the company.

Director and executive details

The non-executive Directors of JB Hi-Fi Limited during the year were:

P. Elliott Chairman, Board and Remuneration Committee
G. Levin Chairman, Audit and Risk Management Committee
W. Fraser
J. King

The executive directors of JB Hi-Fi Limited during the year were:

R. Uechtritz Chief Executive Officer – JB Hi-Fi
T. Smart Executive Director – JB Hi-Fi

The group executives of JB Hi-Fi Limited during the year were:

F. Garonzi	General Manager – JB Hi-Fi
R. Murray	Chief Financial Officer – JB Hi-Fi
S. Browning	Marketing Director – JB Hi-Fi
C. Savage	Executive Chairman – Clive Anthony's
R. Parmenter	Managing Director – Clive Anthony's

Remuneration packages for executives contain the following key elements:

- (a) Primary benefits – salary/fees, bonuses and non monetary benefits including the provision of motor vehicles.
- (b) Post employment benefits – including superannuation.
- (c) Equity – share options granted under the executive share option plan as disclosed in note 5 to the financial statements.
- (d) Other benefits.

Director and executive remuneration 2005

The following table discloses the remuneration of the directors of the company for the twelve months ended 30 June 2005:

Role	Primary				Post employment	Equity	Total	Proportion which is performance related	
	Salary & Fees \$	Cash Bonus ⁽ⁱ⁾ \$	Motor Vehicle \$	Other Benefits \$	Super-Annuation \$	Options \$			
Non-Executive Directors									
P. Elliott	Chairman	95,000	–	–	–	8,550	–	103,550	–
G. Levin	Non-Executive Director	45,000	–	–	–	4,050	–	49,050	–
W. Fraser	Non-Executive Director	45,000	–	–	–	4,050	–	49,050	–
J. King	Non-Executive Director	45,000	–	–	–	4,050	–	49,050	–
Executive Directors									
R. Uechtritz	Chief Executive Officer	475,000	125,000	26,000	8,230	66,000	147,700	847,930	24.6%
T. Smart	Executive Director	285,000	100,000	26,000	–	42,350	99,757	553,107	28.1%
Total Remuneration: Directors		990,000	225,000	52,000	8,230	129,050	247,457	1,651,737	

(i) Cash bonuses paid relate to the twelve months ending 30 June 2005

The following table discloses the remuneration of the group executives of the consolidated entity for the twelve months ended 30 June 2005:

Role	Primary				Post employment	Equity	Total	Proportion which is performance related	
	Salary & Fees \$	Cash Bonus ⁽ⁱ⁾ \$	Motor Vehicle \$	Other Benefits \$	Super-Annuation \$	Options \$			
Executives									
F. Garonzi	General Manager – JB Hi-Fi	220,000	50,000	25,000	–	24,300	49,928	369,228	24.9%
R. Murray	Chief Financial Officer – JB Hi-Fi	150,000	50,000	–	–	18,000	61,043	279,043	33.0%
S. Browning	Marketing Director – JB Hi-Fi	170,000	50,000	25,000	–	19,800	66,507	331,307	27.8%
C. Savage	Executive Chairman – Clive Anthonys	190,000	–	23,257	–	13,500	–	226,757	–
R. Parmenter	Managing Director – Clive Anthonys	200,000	–	25,000	–	18,000	–	243,000	–
Total Remuneration: Executives		930,000	150,000	98,257		93,600	177,478	1,449,335	

(i) Cash bonuses paid relate to the twelve months ending 30 June 2005

All group executives are employed under standard company employment agreements. None of these agreements provide for onerous termination conditions or payments with respect to the company or executive.

Elements of remuneration related to performance:

Elements of remuneration	Summary of performance condition
<p>Base salary packages include base salary, motor vehicle provisions or allowances, other benefits and post employment superannuation</p>	<p>No elements are dependent on performance conditions.</p>
<p>Cash bonus (short term incentive)</p>	<p>Under the consolidated entity's short term incentive program, group executive director and group executive annual cash bonus payments are based on performance against annual budgets and business plans. The Remuneration Committee may consider other qualitative factors in determining what proportion of any cash bonus is paid.</p> <p>The consolidated entity undertakes a rigorous and detailed annual planning and budget process. The board believes achievement of the annual budget is therefore the most relevant short term performance condition.</p> <p>Since listing, the management team has exceeded its annual budgets. As a result the Board has not had to consider other qualitative factors that may have been relevant in determining whether an executive would still be entitled to a proportion of their annual cash bonus.</p>
<p>Equity options (long term incentive)</p>	<p>The options under the Executive Share Option Plan (ESOP) were issued to executives and management as part of the company's listing. They form part of the consolidated entity's long term incentive program, however their vesting is not subject to performance conditions.</p>
<p>Equity options (long term incentive) with performance conditions</p>	<p>Since July 2004, all options issued to group directors and executives under the consolidated entity's long term incentive program have included a performance hurdle related to annual earnings per share (EPS) growth of 10%. The Remuneration Committee considers this equity performance linked remuneration structure is appropriate as executives only receive a benefit where there is a corresponding direct benefit to shareholders.</p>

Director and executive remuneration 2004

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

Role	Primary				Post employment	Equity	Total	
	Salary & Fees \$	Cash Bonus ⁽ⁱ⁾ \$	Motor Vehicle \$	Other Benefits \$	Super-Annuation \$	Options \$		
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	
Executive Directors								
R. Uechtritz	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: Directors		842,295	225,000	52,000	8,230	105,932	84,774	1,318,231

(i) Cash bonuses paid relate to the twelve months ending 30 June 2004

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 ended 30 June 2004. The following table discloses their remuneration for the twelve months ended 30 June 2004:

Role	Primary				Post employment	Equity	Total	
	Salary & Fees \$	Cash Bonus ⁽ⁱ⁾ \$	Motor Vehicle \$	Other Benefits \$	Super-Annuation \$	Options \$		
Executives								
F. Garonzi	General Manager – JB Hi-Fi	200,000	50,000	25,000	–	22,500	15,619	313,119
F. Fiume (II)	Chief Financial Officer – JB Hi-Fi	15,096	10,000	2,603	–	1,452	–	29,151
R. Murray (III)	Chief Financial Officer – JB Hi-Fi	116,501	40,000	–	–	13,533	11,184	181,218
S. Browning	Marketing Director – JB Hi-Fi	50,301	15,000	7,397	–	5,859	6,660	85,217
Total Remuneration: Executives		381,898	115,000	35,000	–	43,344	33,463	608,705

(i) Cash bonuses paid relate to the twelve months ending 30 June 2004

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

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

(IV) Scott Browning commenced as Marketing Director on 15 March 2004

Elements of Remuneration related to performance

Short Term Incentive 2005

Analysis of the bonuses included in remuneration:

<i>Role</i>	<i>% of 2005 bonus paid</i>	<i>% of 2005 bonus forfeited</i>	<i>As a % of total remuneration for the year</i>	
Specified Directors				
R. Uechtritz	Chief Executive Officer	100%	–	14.7%
T. Smart	Executive Director	100%	–	18.1%
Specified Executives				
F. Garonzi	General Manager – JB Hi-Fi	100%	–	13.5%
R. Murray	Chief Financial Officer – JB Hi-Fi	100%	–	17.9%
S. Browning	Marketing Director – JB Hi-Fi	100%	–	15.1%
C. Savage	Executive Chairman – Clive Anthony's	(l)	(l)	–
R. Parmenter	Managing Director – Clive Anthony's	(l)	(l)	–

(l) No short-term incentive bonus included in current salary package

Long Term Incentive 2005

At the date of this report, no executive director or group executive had options vest as part of the company's long term incentive program.

In July 2004 and July 2005, certain executive directors and group executives were issued with options under the ESOP as part of the Company's long term incentive program. Vesting of the options issued is subject to a performance hurdle which requires compound annual earnings per share growth of 10% per annum. If the performance hurdle is achieved, the options will vest on the second, third and fourth anniversary of issue. At the date of this report none of the options issued with performance hurdles have reached a point where they are entitled to vest, however in the financial year ended 30 June 2005, the Company has achieved earnings per share growth of 10%. The first date on which the executives performance will be measured against the hurdle will be July 2005. The performance will be based on earnings per share growth for the two years to 30 June 2006.

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 at the date of this report:

<i>Directors</i>	<i>Fully paid ordinary shares</i>		<i>Executive share options</i>	
	<i>Direct</i>	<i>Indirect</i>	<i>Direct</i>	<i>Indirect</i>
P. Elliott	238,600	200,000	–	–
R. Uechtritz	5,107,096	–	864,751	–
T. Smart	2,000,000	–	583,035	–
G. Levin	400,000	–	–	–
W. Fraser	–	6,451	–	–
J. King	–	32,258	–	–
Total directors' shareholdings:	7,745,696	238,709	1,447,786	–

Share Options

Share Options granted to directors and executives

During and since the financial year, an aggregate of 1,870,939 share options were granted to the following directors and executives of the company

<i>Directors & Executives</i>	<i>Issuing entity</i>	<i>Number of options granted during the financial year⁽ⁱ⁾</i>	<i>Number of options issued since the financial year⁽ⁱ⁾</i>	<i>Number of ordinary shares under option</i>
R. Uechtritz	JB Hi-Fi Limited	519,751	– ⁽ⁱⁱ⁾	864,751
T. Smart	JB Hi-Fi Limited	343,035	– ⁽ⁱⁱ⁾	583,035
F. Garonzi	JB Hi-Fi Limited	259,875	76,176	336,051
R. Murray	JB Hi-Fi Limited	259,875	76,176	436,051
S. Browning	JB Hi-Fi Limited	259,875	76,176	486,051
		1,642,411	228,528	2,705,939

(i) Vesting is subject to terms of the ESOP and the Company achieving minimum earnings per share growth of 10% per annum.

(ii) In July 2005, the board approved the issue of 101,568 options each to R. Uechtritz and T. Smart, both group executive directors of the company. The issue of these options is subject to shareholder approval at the company's Annual General Meeting in October 2005.

Details of unissued shares under option are:

<i>Issuing Entity</i>	<i>Number of shares under option</i>	<i>Class of Shares</i>	<i>Exercise price of option</i>	<i>Expiry date of options</i>
JB Hi-Fi Limited	64,000	Ordinary	1.25	18/09/2008
JB Hi-Fi Limited	585,000	Ordinary	1.45	18/09/2008
JB Hi-Fi Limited	150,000	Ordinary	2.23	21/03/2009
JB Hi-Fi Limited	36,000	Ordinary	2.25	28/04/2009
JB Hi-Fi Limited	1,642,411	Ordinary	2.29	23/07/2009
JB Hi-Fi Limited	228,528	Ordinary	3.33	22/07/2010
	2,705,939			

Details of shares issued during the financial year as a result of the exercise of an option:

<i>Issuing Entity</i>	<i>Number of shares issued</i>	<i>Class of Shares</i>	<i>Amount paid for shares</i>	<i>Amount unpaid on shares</i>
JB Hi-Fi Limited	80,000	Ordinary	0.50	\$nil
	80,000			

Elements of remuneration related to performance

Value of options issued to directors and executives

The following table discloses the value of options granted, exercised or lapsed during the year:

	Options Granted	Options Exercised	Options Lapsed	Total value of options granted, exercised and lapsed ⁽ⁱ⁾	Value of options included in remuneration for the year ⁽ⁱⁱⁱ⁾	Percentage of total remuneration for the year that consists of options %
	Value at grant date \$	Value at exercise date \$	Value at time of lapse \$	\$	\$	
R. Uechtritz	250,000	–	–	250,000	147,700	17.4%
T. Smart	165,000	–	–	165,000	99,757	18.0%
F. Garonzi	125,000	264,800 ⁽ⁱ⁾	–	389,800	49,928	13.5%
R. Murray	125,000	–	–	125,000	61,043	21.9%
S. Browning	125,000	–	–	125,000	66,507	20.1%

Value of options – basis of calculation

- (i) 80,000 options which were granted on 7 Feb 2002 were exercised into 80,000 Ordinary Shares in JB Hi-Fi Limited during the year. Consideration of \$40,000 was received when exercised.
- (ii) The total value of options granted, exercised and lapsed is calculated based on the following:
 - Fair value of the option at grant date multiplied by the number of options granted during the year; plus
 - Fair value of the option at the time it is exercised multiplied by the number of options exercised during the year; plus
 - Fair value of the option at the time of lapse multiplied by the number of options lapsed during the year.
- (iii) The total value of options included in remuneration for the year is calculated in accordance with Accounting Standard AASB 1046 'Director and Executive Disclosures by Disclosing Entities', as amended by Accounting Standard AASB 1046A. This requires the following:
 - The value of the options is determined at grant date, and is included in remuneration on a proportionate basis from grant date to vesting date. Where the options immediately vest the full value of the option is recognised in remuneration in the current year.

Non-audit services

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

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 6 to the financial statements.

Auditor's independence declaration

The auditor's independence declaration is included on page 30 of the financial report.

Rounding off of amounts

The company is a company of the kind referred to in ASIC Class Order 98/0100, 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.

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

On behalf of the Directors



Patrick Elliott
Chairman



Richard Uechtritz
Chief Executive Officer

Melbourne,
15 August 2005

Deloitte.

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The Board of Directors
JB Hi-Fi Limited
14 Spink Street
BRIGHTON VIC 3186

15 August 2005

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 2005, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



Deloitte Touche Tohmatsu

T Imbesi

Partner

Chartered Accountants

Melbourne, 15 August 2005

Liability limited by the Accountants' Scheme,
approved under the Professional Standards Act 1994 (NSW).

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

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



Patrick Elliott

Chairman



Richard Uechritz

Chief Executive Officer

Melbourne,
15 August 2005

STATEMENT OF FINANCIAL PERFORMANCE

for the financial year ended 30 June 2005

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Sales revenue (sales of goods)	2	693,943	452,357	-	-
Cost of sales	3	(534,474)	(346,421)	-	-
Gross profit		159,469	105,936	-	-
Other revenue from ordinary activities	2	955	506	11,764	17,714
Share of net profits of associates accounted for using the equity method	2	118	-	118	-
Marketing expenses		(84,211)	(56,025)	-	-
Occupancy expenses		(22,260)	(14,496)	-	-
Administration expenses		(9,185)	(6,923)	(236)	(196)
Borrowing costs	3	(5,705)	(3,058)	(4,062)	(2,253)
Other expenses from ordinary activities		(7,903)	(6,235)	(1)	(3)
Profit from ordinary activities before income tax expense		31,278	19,705	7,583	15,262
Income tax expense relating to ordinary activities	4	(9,442)	(5,899)	(109)	(692)
Profit from ordinary activities after related income tax expense		21,836	13,806	7,474	14,570
Net profit		21,836	13,806	7,474	14,570
Net profit attributable to outside equity interests		(1,159)	-	-	-
Net profit attributable to members of the parent entity		20,677	13,806	7,474	14,570
Total changes in equity other than those resulting from transactions with owners as owners		20,677	13,806	7,474	14,570
Key Statistical Data					
Earnings Per Share:					
Basic (cents per share)	27	20.15	16.16		
Diluted (cents per share)	27	19.84	15.99		
Gross margin percentage (%)		22.98%	23.41%		
Rent as a percentage of sales (%) (I)		1.75%	1.58%		
Operating expenditure as a percentage of sales (%) (II)		17.08%	17.80%		
EBIT Margin (%)		5.34%	5.03%		
Number of stores at end of period		48	32		

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

(II) Excludes borrowing costs, depreciation and amortisation

Notes to the financial statements are included on pages 35 to 69.

STATEMENT OF FINANCIAL POSITION

as at 30 June 2005

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current assets					
Cash assets		1,631	16,432	57	62
Receivables	7	19,852	13,170	1	–
Inventories	8	104,546	70,349	–	–
Other	9	2,648	1,127	–	–
Total current assets		128,677	101,078	58	62
Non-current assets					
Investments accounted for using the equity method	10	568	–	568	–
Other financial assets	11	6	6	93,002	67,495
Property, plant and equipment	12	35,587	21,940	–	–
Intangibles	13	66,270	46,518	–	–
Deferred tax assets	14	1,531	414	805	414
Other	15	205	247	205	247
Total non-current assets		104,167	69,125	94,580	68,156
Total assets		232,844	170,203	94,638	68,218
Current liabilities					
Payables	16	78,183	68,962	773	21
Interest-bearing liabilities	17	6,345	4,364	–	–
Current tax liabilities	18	2,470	2,448	2,567	2,448
Provisions	19	6,686	5,170	–	–
Total current liabilities		93,684	80,944	3,340	2,469
Non-current liabilities					
Interest-bearing liabilities	20	71,291	39,235	57,000	32,000
Deferred tax liabilities	21	559	323	559	323
Provisions	22	1,176	825	–	–
Total non-current liabilities		73,026	40,383	57,559	32,323
Total liabilities		166,710	121,327	60,899	34,792
Net assets		66,134	48,876	33,739	33,426
Equity					
Contributed equity	25	32,428	32,196	32,428	32,196
Retained profits	26	29,964	16,680	1,311	1,230
Parent entity interest		62,392	48,876	33,739	–
Outside equity interest	32	3,742	–	–	–
Total Equity		66,134	48,876	33,739	33,426

Notes to the financial statements are included on pages 35 to 69.

STATEMENT OF CASH FLOWS
for the financial year ended 30 June 2005

	Note	Consolidated		Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash flows from operating activities					
Receipts from customers		757,964	491,736	-	-
Payments to suppliers and employees		(747,094)	(468,959)	(260)	(262)
Interest and bill discounts received		560	356	-	3
Interest and other costs of finance paid		(5,705)	(3,058)	(3,246)	(2,129)
Income tax (paid)		(9,142)	(5,282)	(7,808)	(5,370)
Net cash provided by/(used in) operating activities	36(c)	(3,417)	14,793	(11,314)	(7,758)
Cash flows from investing activities					
Payment for property, plant and equipment		(15,812)	(10,282)	-	-
Proceeds from sale of property, plant and equipment		52	145	-	-
Payment for intangible assets		-	(3,543)	-	-
Proceeds from related party loans		-	-	18,236	11,212
Payment for investment in associate		(450)	-	(450)	-
Payment for businesses	36(d)	(21,660)	-	(24,316)	-
Net cash used in/provided by investing activities		(37,870)	(13,680)	(6,530)	11,212
Cash flows from financing activities					
Proceeds from issues of equity securities		232	10,296	232	10,296
Proceeds from borrowings		25,000	-	25,000	-
Repayment of borrowings		-	(601)	-	-
Repayment of lease liabilities		(4,495)	(3,368)	-	-
Proceeds from lease liabilities		13,142	9,690	-	-
Dividends paid to members of the parent entity		(7,393)	(13,688)	(7,393)	(13,688)
Net cash provided by/(used in) financing activities		26,486	2,329	17,839	(3,392)
Net increase/(decrease) in cash held		(14,801)	3,442	(5)	62
Cash at the beginning of the financial year		16,432	12,990	62	-
Cash at the end of the financial year	36(a)	1,631	16,432	57	62

Notes to the financial statements are included on pages 35 to 69.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

1. Summary of Significant Accounting Policies

Financial Reporting Framework

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standards and Urgent Issues Group Consensus View. The financial report has been prepared on the basis of historical cost and except where stated, it does not take into account changing monetary values or current valuations of non-current assets. Cost is based on the fair values of consideration given in exchange for assets.

Significant Accounting Policies

Accounting policies are selected and applied in a manner which 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 30 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 an entity. In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the consolidated entity are eliminated in full.

b) *Cash and cash equivalents*

Cash on hand and in banks and short-term deposits are stated at their nominal value. For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within two working days, net of outstanding bank overdrafts. Bank overdrafts are carried at the principal amount. Interest is recognised as an expense as it accrues.

c) *Receivables*

Trade receivables are recognised and carried at amounts due, less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

d) *Investments*

Investments in controlled entities are recorded at cost. Investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements. Other investments are recorded at cost. Dividend revenue is recognised on a receivable basis.

e) *Inventories*

Inventories are valued at the lower of cost and net realisable value.

f) *Recoverable amount*

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where a carrying value exceeds this recoverable amount, the asset is written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

g) *Property, plant and equipment*

Cost and valuation

Property, plant and equipment are measured at cost.

Acquisitions of Assets

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

Depreciation

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line method 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

h) *Leases*

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

A finance lease is one which 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 on a straight line basis over the estimated life of the asset. Finance lease payments are allocated between interest expense and reduction of the 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 benefit from the leased asset is consumed.

i) Intangibles

Brand name

The company's brand names, namely JB Hi-Fi and Clive Anthonys, 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 finite useful lives and, accordingly, they have not been subject to amortisation.

Rights to Profit Share

The management rights in relation to the profit share agreement of the Highpoint store have been recorded at the cost of acquisition. The purchased management rights are being systematically amortised over twenty years, in accordance with the asset's expected useful life.

Goodwill

Goodwill, representing the excess of the cost of acquisition over the fair value of the identifiable net assets acquired, is amortised on a straight line basis over a period of twenty years.

j) Payables

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

k) Interest-bearing liabilities

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.

l) Provisions

Provisions are recognised when the consolidated entity has a present obligation to make a future sacrifice of economic benefits as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required 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.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

Dividends

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

m) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods and disposal of assets

Revenue from the sale of goods or disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer. Revenue from the sale of gift vouchers is recognised on redemption and revenue from goods held on lay by is only recognised when paid in full (the goods remain the property of the consolidated entity until this point).

Interest

Control of the right to receive the interest payment.

n) Taxes

Income taxes

Tax-effect accounting principles are adopted whereby income tax expense is calculated on pre-tax accounting profits after adjustment for permanent differences. The tax-effect of 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 and deferred tax liabilities, as applicable.

During the financial year ended 30 June 2004, the directors elected that the company and all its wholly-owned entities would join a tax-consolidated group. As a result, all the income tax expenses, revenues, assets and liabilities of the members of the tax-consolidated group are recognised in the financial statements of the parent entity.

Due to the existence of a tax sharing agreement between the entities in the tax consolidated group, the income tax expense/revenue of the parent entity includes the tax contribution amounts paid or payable between the parent entity and the wholly owned entities made in accordance with the agreement. Further information about the tax sharing agreement is detailed in note 4 to the financial statements.

The current and deferred tax assets and liabilities of the parent entity are not reduced by any amounts owing from, or to subsidiary entities in accordance with the tax sharing agreement as these amounts are recognised as intercompany receivables and payables.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- I. where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset, or as part of the expense item as applicable. Receivables and payables are stated with the amount of GST included.
- II. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

o) *Employee benefits*

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date, when it is probable that the settlement will be required and it can be reliably measured. These benefits include wages and salaries, annual leave, and long service leave.

Liabilities arising in respect of wages and salaries, annual leave, and long service leave expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

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

p) *Financial instruments issued by the company*

Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Transaction costs on the issue of equity instruments

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are those that are incurred had those instruments not been issued.

Interest and dividends

Interest and dividends are classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

q) *Derivative financial instruments*

The consolidated entity enters into derivative financial instruments to manage its exposure to interest rate risk, including interest rate swaps. Further details on derivative financial instruments are discussed in note 37 to the financial statements.

Interest rate swaps

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

r) *Comparatives*

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
2. Revenue				
The profit from ordinary activities before income tax includes the following items of revenue and expense:				
(a) Operating Revenue				
Sales revenue	693,943	452,357	-	-
Interest revenue:				
Wholly-owned controlled entities	-	-	4,664	3,711
Other entities	560	356	-	3
Dividends:				
Wholly-owned controlled entities	-	-	7,100	14,000
Equity share of associates' profit	118	-	118	-
	694,621	452,713	11,882	17,714
(b) Non-operating Revenue				
Proceeds from the sale of non-current assets:				
Plant and equipment	52	145	-	-
Other income	343	5	-	-
	395	150	-	-
	695,016	452,863	11,882	17,714

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
3. Expenses				
(a) Expenses from ordinary activities				
Cost of sales	534,474	346,421	-	-
Borrowing costs:				
Other entities	4,393	2,387	3,879	2,129
Finance lease charges	1,129	547	-	-
Debt refinancing costs	183	124	183	124
	5,705	3,058	4,062	2,253
Depreciation of non-current assets:				
Plant and equipment	4,406	2,749	-	-
Leasehold improvements	599	301	-	-
	5,005	3,050	-	-
Amortisation of intangibles	263	118	-	-
Net bad and doubtful debts arising from:				
Other entities	151	62	-	-
Operating lease rental expenses:				
Minimum lease payments	12,217	7,139	-	-
Write-down of inventory to net realisable value and other losses	4,248	1,208	-	-
(b) Net losses on sale of assets				
Property, plant and equipment	28	27	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
4. 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:				
Profit/(loss) from Ordinary Activities	31,278	19,705	7,583	15,262
Income tax expense calculated at 30% of operating profit.	9,383	5,911	2,275	4,579
Permanent Differences:				
Other non-allowable expenses	59	-	-	-
Non assessable amount related to transactions within the tax consolidated group	-	-	(2,166)	(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 received 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	-	-	9,333	5,207
Net income tax expense arising under tax sharing agreements with subsidiaries in the tax consolidated group	-	-	(9,333)	(5,207)
Income tax expense attributable to ordinary activities	9,442	5,899	109	692
<i>Deferred tax assets and liabilities</i>				
Income tax payable	(2,470)	(2,448)	(2,567)	(2,448)
Future income tax benefit	1,531	414	805	414
Provision for deferred income tax	(559)	(323)	(559)	(323)

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

4. Income Tax (continued)

(b) Tax consolidation system (continued)

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 has 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 amounts receivable from or payable to other entities in the tax consolidated group.

5. 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 the executive's resignation, whichever is earlier.

Employee and Executive share option plan

	2005 No.	2004 No.
Balance at beginning of the financial year (I)	2,069,152	1,280,000
Granted during the financial year (II)	2,006,412	1,121,818
Exercised during the financial year (III)	(386,668)	(332,666)
Balance at end of financial year (IV)	3,688,896	2,069,152

(I) Balance at beginning of the financial year

Option – Series	No.	Grant Date	Expiry Date	Exercise Price \$
(1) Issued 7 February 2002	707,334	7/2/02	7/2/07	0.50
(2) Issued 19 September 2002	80,000	19/9/02	19/9/07	1.25
(3) Issued 22 October 2002	80,000	22/10/02	22/10/07	1.25
(4) Issued 22 October 2002	80,000	1/10/02	1/10/07	1.25
(5) Issued 18 September 2003	160,000	18/09/03	18/09/08	1.25
(6) Issued 18 September 2003	585,000	18/09/03	18/09/08	1.45
(7) Issued 29 January 2004	25,818	29/01/04	29/01/09	2.32
(8) Issued 21 March 2004	150,000	21/03/04	21/03/09	2.23
(9) Issued 28 April 2004	201,000	28/04/04	28/04/09	2.25
	2,069,152			

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 the executive's resignation, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

5. Employee and Executive share option plan (continued)

(II) Granted during the financial year

2005 Option – Series	No.	Grant Date	Expiry Date	Exercise Price	Fair Value Received \$
(10) Issued 23 July 2004	1,856,412	23/07/04	23/07/09	2.29	–
(11) Issued 29 October 2004	50,000	29/10/04	27/10/09	2.29	–
(12) Issued 28 January 2005	50,000	28/01/05	28/01/10	3.68	–
(13) Issued 12 April 2005	50,000	12/04/05	12/04/10	3.61	–
	2,006,412				

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

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 the executive's resignation, whichever is earlier.

(III) Exercised during the financial year

2005 Option – Series	No. of options exercised	Grant date	Exercise date	Expiry date	Exercise price \$	No. of shares issued	Fair value of consideration received \$	Fair value of shares at date of issue \$
(1) Issued 7 February 2002	40,000	7/2/02	17/08/04	7/2/07	0.50	40,000	20,000	102,800
(1) Issued 7 February 2002	143,334	7/2/02	16/02/05	7/2/07	0.50	143,334	71,667	546,103
(1) Issued 7 February 2002	96,668	7/2/02	23/02/05	7/2/07	0.50	96,668	48,334	361,538
(1) Issued 7 February 2002	26,667	7/2/02	17/09/04	7/2/07	0.50	26,667	13,334	81,601
(1) Issued 7 February 2002	26,667	7/2/02	15/03/05	7/2/07	0.50	26,667	13,334	113,868
(2) Issued 19 September 2002	26,666	19/09/02	25/10/04	19/09/07	1.25	26,666	33,332	89,864
(4) Issued 22 October 2002	26,666	22/10/02	25/10/04	22/10/07	1.25	26,666	33,332	89,864
	386,668					386,668	233,333	1,385,638

5. Employee and Executive share option plan (continued)

2004 Option – Series	No. of options exercised	Grant date	Exercise date	Expiry date	Exercise price \$	No. of shares issued	Fair value of	Fair value of
							consideration received \$	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	151,988
(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	779,748

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 at the market value at close of trade on the date of their issue.

(IV) Balance at the end of the financial year

2005 Option – Series	No.	Vested No.	Unvested No.	Grant Date	Expiry Date	Exercise Price \$
(1) Issued 7 February 2002	373,998	27,334	346,664	7/2/02	7/2/07	0.50
(2) Issued 19 September 2002	53,334	–	53,334	19/9/02	19/9/07	1.25
(3) Issued 22 October 2002	53,334	–	53,334	22/10/02	22/10/07	1.25
(4) Issued 22 October 2002	80,000	26,667	53,333	22/10/02	01/10/07	1.25
(5) Issued 18 September 2003	160,000	–	160,000	18/09/03	18/09/08	1.25
(6) Issued 18 September 2003	585,000	–	585,000	18/09/03	18/09/08	1.45
(7) Issued 29 January 2004	25,818	–	25,818	29/01/04	29/01/09	2.32
(8) Issued 21 March 2004	150,000	–	150,000	21/03/04	21/03/09	2.23
(9) Issued 28 April 2004	201,000	–	201,000	28/04/04	28/04/09	2.25
(10) Issued 23 July 2004	1,856,412	–	1,856,412	23/07/04	23/07/09	2.29
(11) Issued 29 October 2004	50,000	–	50,000	27/10/04	27/10/09	2.29
(12) Issued 28 January 2005	50,000	–	50,000	28/01/05	28/01/10	3.68
(13) Issued 12 April 2005	50,000	–	50,000	12/04/05	12/04/10	3.61
	3,688,896	54,001	3,634,895			

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			

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

5. Employee and Executive share option plan (continued)

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 the executive's resignation, 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 the financial year as disclosed in the Directors' Report. 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, \$233 thousand (2004: \$166 thousand) was recognised in contributed equity arising from the exercise of executive options.

	Consolidated		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
6. Remuneration of Auditors				
During the year the auditor of JB Hi-Fi Limited and its related practices earned the following remuneration				
(a) Auditor of the parent entity				
Auditing the financial reports	219,000	112,000	-	-
Other services	176,000	51,000	-	-
	<u>395,000</u>	<u>163,000</u>	<u>-</u>	<u>-</u>

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
7. Current Receivables				
Trade receivables	4,324	2,651	1	-
Allowance for doubtful debts	(178)	(77)	-	-
	<u>4,146</u>	<u>2,574</u>	<u>1</u>	<u>-</u>
Non-trade receivables	15,706	10,596	-	-
	<u>19,852</u>	<u>13,170</u>	<u>1</u>	<u>-</u>

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
8. Current Inventories				
Finished goods:				
At cost	105,998	71,099	-	-
Provision for write down	(1,452)	(750)	-	-
	104,546	70,349	-	-
9. Other Current Assets				
Prepayments	1,926	790	-	-
Security deposits	722	187	-	-
Deposit for the purchase of the business assets and stock in trade of the business known as Impact Records-Canberra	-	150	-	-
	2,648	1,127	-	-

10. Investments accounted for using the equity method

Name of entity	Principal activity	Ownership Interest		Company	
		2005 %	2004 %	2005 \$'000	2004 \$'000
Associates					
Rocket Replacements Pty Ltd	Insurance Replacements	50% ⁽ⁱ⁾⁽ⁱⁱ⁾	-	568	-

(i) Pursuant to a shareholder agreement the company has the right to cast 50% of the votes at shareholder meetings.

(ii) The reporting date for Rocket Replacements Pty Ltd is 30 June 2005. JB Hi-Fi Limited acquired a 50% interest in Rocket Replacements Pty Ltd on 8 July 2004.

	Consolidated	
	2005 \$'000	2004 \$'000
Movement in investments in associates:		
Equity accounted amount of investment at the beginning of the financial year	-	-
Initial acquisition of interest in associates	450	-
Share of profit from ordinary activities before income tax expense	169	-
Share of income tax expense related to ordinary activities	(51)	-
	568	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

10. Investments accounted for using the equity method (continued)

	Consolidated	
	2005 \$'000	2004 \$'000
<i>Summarised financial position of associates</i>		
Current assets		
Cash	939	–
Inventories	16	–
Non-current assets		
Property, plant and equipment	–	–
Other	900	–
Current liabilities		
Payables	599	–
Current tax liabilities	120	–
Non-current liabilities		
Provisions	–	–
Net assets	1,136	–
Net profit after tax	236	–
<i>Share of reserves attributable to associates</i>		
Retained profits		
At the beginning of the financial year	–	–
At the end of the financial year	236	–

	Consolidated		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
11. Other Non-Current Financial Assets				
Interest-bearing loans advanced to wholly owned controlled entity	–	–	67,414	65,447
Amounts receivable from entities within the tax consolidated group	–	–	1,272	2,048
At cost:				
Shares in listed entities	6	6	–	–
Shares in controlled entities ⁽ⁱ⁾	–	–	24,316	–
	6	6	93,002	67,495

(i) Investment in subsidiaries at 30 June 2004 was \$2

12. Property, plant and equipment

	Consolidated			
	<i>Leasehold Improvements at cost \$'000</i>	<i>Plant and Equipment at cost \$'000</i>	<i>Equipment Under Finance Lease at cost \$'000</i>	<i>TOTAL \$'000</i>
Gross carrying amount				
Balance at 30 June 2004	1,888	8,083	18,749	28,720
Transfers	-	-	-	-
Additions	1,761	908	13,143	15,812
Disposals	-	(163)	(87)	(250)
Acquisition of business	1,561	1,042	317	2,920
Balance at 30 June 2005	5,210	9,870	32,122	47,202
Accumulated depreciation/amortisation				
Balance at 30 June 2004	(873)	(2,662)	(3,245)	(6,780)
Transfers	-	-	-	-
Disposals	-	122	48	170
Depreciation expense	(599)	(1,077)	(3,329)	(5,005)
Balance at 30 June 2005	(1,472)	(3,617)	(6,526)	(11,615)
Net book value				
As at 30 June 2004	1,015	5,421	15,504	21,940
As at 30 June 2005	3,738	6,253	25,596	35,587

	Consolidated		Company	
	<i>2005 \$'000</i>	<i>2004 \$'000</i>	<i>2005 \$'000</i>	<i>2004 \$'000</i>
13. Intangibles				
Brand Names – at cost	61,382	43,094	-	-
Rights to profit share – at cost (note 1(i))	3,542	3,542	-	-
Accumulated amortisation	(295)	(118)	-	-
	3,247	3,424	-	-
Goodwill – at cost	1,727	-	-	-
Accumulated amortisation	(86)	-	-	-
	1,641	-	-	-
	66,270	46,518	-	-

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
14. Deferred tax assets				
Future income tax benefit				
Timing differences attributable to:				
Parent entity	–	–	–	–
Entities in the tax consolidated group ⁽ⁱ⁾	805	414	805	414
Other	726	–	–	–
	1,531	414	805	414
(i) Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 4 for further information.				
15. Other non-current assets				
Deferred Costs	205	247	205	247
16. Current payables				
Trade payables	65,590	60,371	–	–
Other creditors & accruals	7,317	5,864	773	21
Deferred income	3,968	1,720	–	–
Goods and services tax (GST) payable	1,308	1,007	–	–
	78,183	68,962	773	21
17. Current interest bearing liabilities				
Secured:				
Hire purchase lease liabilities ⁽ⁱ⁾	6,345	4,364	–	–
	6,345	4,364	–	–
(i) Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.				
18. Current tax liabilities				
Income tax payable attributable to:				
Parent	160	–	160	–
Entities in the tax consolidated group ⁽ⁱ⁾	2,407	2,448	2,407	2,448
Other	(97)	–	–	–
	2,470	2,448	2,567	2,448
(i) Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 4 for further information.				

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
19. Current provisions				
Employee benefits (note 23)	6,686	5,170	–	–
20. Non-current interest bearing liabilities				
Secured:				
Bank loans ⁽ⁱ⁾	57,000	32,000	57,000	32,000
Hire purchase liability ⁽ⁱⁱ⁾	14,291	7,235	–	–
	71,291	39,235	57,000	32,000
(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.				
(ii) Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.				
21. Deferred tax liabilities				
Deferred income tax attributable to:				
Entities in the tax consolidated group ⁽ⁱ⁾	559	323	559	323
	559	323	559	323
(i) Entities in the tax consolidated group have entered into a tax sharing agreement. Refer to note 4 for further information.				
22. Non-current provisions				
Employee benefits (note 23)	1,176	825	–	–
23. Employee benefits				
The aggregate employee benefit liability recognised and included in the financial statements is as follows:				
Provision for employee benefits:				
Current (note 19)	6,686	5,170	–	–
Non-current (note 22)	1,176	825	–	–
Accrued wages and salaries ⁽ⁱ⁾	28	9	–	–
	7,890	6,004	–	–
(i) Accrued wages and salaries are included in the current trade payables balance as disclosed in note 16 to the financial report.				
	2005 No.	2004 No.	2005 No.	2004 No.
Number of employees at end of financial year	1,582	1,209	–	–

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

	Consolidated		Company	
	<i>Dividend \$'000</i>		<i>Dividend \$'000</i>	
24. Provision for Dividends				
Balance at 30 June 2004	-		-	
Additional provisions recognised	7,393		7,393	
Reductions arising from payments	(7,393)		(7,393)	
Balance at 30 June 2005	-		-	

The provision for dividends represents the aggregate amount of dividends declared, determined or publicly recommended on or before the reporting date, which remain undistributed as at reporting date, regardless of the extent to which they are expected to be paid in cash.

	Consolidated		Company	
	<i>2005 \$'000</i>	<i>2004 \$'000</i>	<i>2005 \$'000</i>	<i>2004 \$'000</i>
25. Contributed Equity				
(a) Share Capital				
102,839,334 fully paid ordinary shares (2004: 102,452,666)	32,428	32,196	32,428	32,196

	2005		2004	
	<i>No. '000</i>	<i>\$ '000</i>	<i>No. '000</i>	<i>\$ '000</i>
Fully Paid Ordinary Shares				
Balance at beginning of financial year	102,453	32,196	21,900	21,900
Exercise of options to issue shares to initial shareholders	-	-	3,630	10,130
Share split – four shares for every one held	-	-	76,590	-
Issue of shares under executive and employee share option plan (note 5)	386	232	333	166
Balance at end of financial year	102,839	32,428	102,453	32,196

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

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
26. Retained Profits				
Balance at beginning of financial year	16,680	16,562	1,230	348
Net profit attributable to members of the parent entity	20,677	13,806	7,474	14,570
Dividends provided for or paid (note 24)	(7,393)	(13,688)	(7,393)	(13,688)
Balance at end of financial year	29,964	16,680	1,311	1,230

	Consolidated	
	2005 Cents per share	2004 Cents per share
27. Earnings per share		
Basic earnings per share	20.15	16.16
Diluted earnings per share	19.84	15.99

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:

	2005 \$'000	2004 \$'000
Earnings ^(l)	20,677	13,806

	2005 No. '000	2004 No. '000
Weighted average number of ordinary shares	102,638	85,441

- (l) Earnings used in the calculation of basic earning per share reconciles to net profit attributable to members of the parent entity in the Statement of Financial Performance.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

27. Earnings per share (continued)

Diluted Earnings per Share

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

	2005 \$'000	2004 \$'000
Earnings ⁽ⁱ⁾	20,677	13,806

	2005 No. '000	2004 No. '000
Weighted average number of ordinary shares and potential ordinary shares ⁽ⁱⁱ⁾	104,229	86,375

- (i) Earnings used in the calculation of diluted earnings per share reconciles to net profit attributable to members of the parent entity in the Statement of Financial Performance.
- (ii) 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:

	2005 No. '000	2004 No. '000
Weighted average number of ordinary shares used in the calculation of basic EPS	102,639	85,441
Shares deemed to be issued for no consideration in the respect of: Employee options	1,590	934
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted EPS	104,229	86,375

	2005		2004	
	Cents per share	Total \$'000	Cents per share	Total \$'000
28. Dividends				
<i>Recognised Amounts</i>				
Fully Paid Ordinary Shares				
Interim dividend-franked to 30% (prior year 30%) relating to 30 June 2005 year end	3.6	3,702	3.60	3,688
Final dividend-franked to 30% (prior year 30%) relating to 30 June 2004 year end	3.6	3,691	45.66	10,000
		7,393		13,688
		-----		-----

	2005		2004	
	Cents per share	Total \$'000	Cents per share	Total \$'000
28. Dividends				
<i>Unrecognised Amounts</i>				
Fully paid ordinary shares				
Final dividend-franked to 30% ⁽ⁱ⁾ (prior year: 30%)	3.6	3,702	3.60	3,691
		3,702		3,691

(i) The final dividend for the year ended 30 June 2005 has not been recognised because the dividend was declared subsequent to 30 June 2005.

	Company	
	2005 \$'000	2004 \$'000
Adjusted franking account balance (tax paid basis)	8,529	3,889

29. Leases

Hire purchase liabilities

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

	Minimum Future Lease Payments				Present Value of Minimum Future Lease Payments			
	Consolidated		Company		Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
No later than one year	7,464	4,975	-	-	6,345	4,364	-	-
Later than one year and not later than five years	15,667	7,815	-	-	14,291	7,235	-	-
Minimum Lease Payments ⁽ⁱ⁾	23,131	12,790	-	-	20,636	11,599	-	-
Less future finance charges	(2,495)	(1,191)	-	-	-	-	-	-
Present value of minimum lease payments	20,636	11,599	-	-	20,636	11,599	-	-
Included in the financial statements as:								
Current Interest Bearing Liabilities (note 17)					6,345	4,364	-	-
Non-Current Interest-Bearing Liabilities (note 20)					14,291	7,235	-	-
					20,636	11,599	-	-

(i) Minimum future lease payments include the aggregate of all lease payments and any guaranteed residual.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

29. Leases (continued)

Operating Leases

Operating leases relate to stores with new lease terms of between two to ten 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 the right to purchase the leased asset at the expiry of the lease period.

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Non-cancellable operating leases				
Not longer than one year	11,872	7,696	-	-
Longer than one year and not longer than five years	30,669	19,169	-	-
Longer than five years	24,225	14,769	-	-
	66,766	41,634	-	-

30. Controlled entities

Name of Entity	Country of Incorporation	Ownership Interest	
		2005 %	2004 %
Parent Entity			
JB Hi-Fi Limited ⁽ⁱ⁾	Australia	-	-
Controlled Entities			
JB Hi-Fi Group Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100
JB Hi-Fi (A) Pty Ltd ⁽ⁱⁱ⁾	Australia	100	100
Clive Anthonys Pty Ltd ⁽ⁱⁱⁱ⁾	Australia	70	-

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

(ii) These companies are members of the tax consolidated group.

(iii) Acquired a 70% stake on 1 July 2004.

31. Acquisition of business

Name of entity	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition
Controlled entities				
Clive Anthonys Pty Ltd	Retailer	1 July 2004	70%	24,316
Businesses				
Impact Records	Retailer	1 July 2004	100%	2,358
				<u>26,674</u>

The cost of acquisition comprises cash for all acquisitions.

Further details of the acquisition of businesses are disclosed in note 36(d).

	Consolidated	
	2005 \$'000	2004 \$'000
32. Outside equity interests		
Outside equity interests in controlled entities comprises:		
Contributed equity	152	–
Retained profits	3,595	–
Reserves	(5)	–
	3,742	–

33. Segment information

The consolidated entity operates in one segment being the home consumer products retail industry including audiovisual equipment, computing equipment, whitegoods, kitchen appliances and other related equipment, and operates only in Australia.

34. Related party and specified executive disclosures

(a) Equity Interests In Related Parties

Equity Interests in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in note 30 to the financial statements.

(b) Directors and specified executives' remuneration

Details of specified directors' and specified executives' remuneration are disclosed in the Directors' Report.

(c) Directors' and executives' equity holdings

Fully paid ordinary shares issued by JB Hi-Fi Limited

	Balance at 1/7/04 No.	Granted as remuneration No.	Received on exercise of options under ESOP (l) No.	Option Series per note 5 No.	Net other change No.	Balance at 30/6/05 No.	Balance held nominally
Directors							
P. Elliott	238,600	–	–		200,000 ^(l)	438,600	200,000
R. Uechtritz	5,107,096	–	–		–	5,107,096	–
T. Smart	1,798,000	–	–		202,000 ^(l)	2,000,000	–
G. Levin	400,000	–	–		–	400,000	–
W. Fraser	6,451	–	–		–	6,451	6,451
J. King	32,258	–	–		–	32,258	32,258
Executives							
F. Garonzi	224,516	–	80,000	(1)	–	304,516	64,516
R. Murray	3,225	–	–		–	3,225	–
	7,810,146	–	80,000		402,000	8,292,146	303,225

(l) All shares were purchased on market.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

34. Related party and specified executive disclosures (continued)

(c) Directors' and executives' equity holdings (continued)

Share Options issued by JB Hi-Fi Limited

	Balance at 1/7/04 No.	Option Series per note 5	Granted as remuneration No.	Option Series per note 5	Exercised No.	Option Series per note 5	Balance at 30/6/05 No.	Vested and exercisable No.	Options vested during the year No.
Directors									
R. Uechtritz	345,000		519,751	(10)	–		864,751	–	–
T. Smart	240,000		343,035	(10)	–		583,035	–	–
Executives									
F. Garonzi	80,000	(1)	259,875	(10)	80,000	(1)	259,875	–	80,000
R. Murray	100,000		259,875	(10)	–		359,875	–	–
S. Browning	150,000		259,875	(10)	–		409,875	–	–
	915,000		1,642,411		80,000		2,477,411	–	80,000

35. Subsequent events

On 15 August 2005, a final ordinary dividend of 3.6 cents per share was recommended by the Company's Directors, fully franked at the company tax rate of 30% in respect of the year ended 30 June 2005. This final dividend was not declared until 15 August 2005 and is payable to the holders of fully paid ordinary shares on 5 October 2005. Accordingly, no provision for this dividend has been recognised in the financial statements for the year ended 30 June 2005. There has not been any other 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.

36. Notes to Statement of Cash Flows

(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:

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash	1,631	16,432	57	62

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
36. Notes to Statement of Cash Flows (continued)				
(b) Financing Facilities				
Amount Used				
Senior Debt	57,000	32,000	57,000	32,000
Indemnity guarantees	1,636	1,667	-	-
Lease facility	20,636	11,599	-	-
	78,999	45,266	57,000	32,000
Amount Unused				
Senior Debt	-	-	-	-
Bank overdraft	30,000	15,000	-	-
Indemnity guarantees	-	-	-	-
Lease facility	6,364	401	-	-
	36,364	15,401	-	-
(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	21,836	13,806	7,474	14,570
Loss on sale of non-current assets	28	27	-	-
Depreciation/Amortisation	5,268	3,293	-	-
Increase/(decrease) in deferred tax balances	77	249	561	223
Increase/(decrease) in current tax liability	275	368	(170)	2,448
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:				
(Increase)/decrease in assets:				
current receivables	(5,280)	(5,923)	(1)	-
current inventories	(23,028)	(21,275)	-	-
other current assets	(295)	(446)	-	90
other non-current assets	42	410	(18,426)	(25,060)
Increase/(decrease) in liabilities:				
current payables	(3,677)	22,495	(752)	(29)
current provisions	1,112	1,632	-	-
non-current provisions	225	157	-	-
Net cash from/(used in) operating activities	(3,417)	14,793	(11,314)	(7,758)

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

36. Notes to Statement of Cash Flows (continued)

(d) Reconciliation of Payment for businesses

During the financial year, the company acquired a 70% interest in Clive Anthony's Pty Ltd and the business of Impact Records. Details of these acquisitions are as follows:

	Consolidated		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Businesses Acquired				
<i>Clive Anthony's Pty Ltd</i>				
Cash consideration	24,316	-	24,316	-
Fair Value of net assets acquired				
Current Assets				
Cash	5,014	-	-	-
Receivables	1,401	-	-	-
Inventories	10,539	-	-	-
Other	2,184	-	-	-
Non-current assets				
Plant and equipment	2,920	-	-	-
Current liabilities				
Payables	(12,181)	-	-	-
Provisions	(532)	-	-	-
Other	(735)	-	-	-
Net assets acquired pre outside equity interest	8,610	-	-	-
Less outside equity interest share of net assets	(2,582)	-	-	-
Net assets acquired	6,028	-	-	-
Brand name	18,288	-	-	-
	24,316	-	-	-
Net cash outflow of acquisition				
Cash consideration	24,316	-	24,316	-
Less cash balances acquired	(5,014)	-	-	-
	19,302	-	24,316	-
<i>Business assets and stock in trade of Impact Records, Canberra</i>				
Cash consideration	2,358	-	-	-
Fair value of net assets acquired				
Inventories	698	-	-	-
Other net assets	(67)	-	-	-
Net assets acquired	631	-	-	-
Goodwill on acquisition	1,727	-	-	-
	2,358	-	-	-
Net cash outflow on acquisition				
Cash consideration	2,358	-	-	-
Total businesses acquired	21,660		24,316	-

37. Financial Instruments

(a) Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

(b) Objectives of Derivative Financial Instruments

The consolidated entity is exposed to financial risks associated with movements in interest rates. An adverse interest rate movement can have an effect on the overall profitability of the consolidated entity and these risk exposures are managed by using derivative financial instruments to mitigate this risk. The consolidated entity uses interest rate swap contracts to this effect.

(c) Interest Rate Contracts

Interest rate swap contracts

Interest rate swaps allow the consolidated entity to swap floating rate borrowings into fixed rate obligations. Each swap entered into involves the payment or receipt of the net amount of interest between fixed and floating rates on a quarterly basis, calculated by reference to an agreed notional principal amount. The weighted average fixed interest rate on the consolidated entity's interest rate swap contracts for the financial year ending 30 June 2005 was 7.1%.

The consolidated entity does not enter into or trade derivative financial instruments for speculative purposes.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date.

	Average Interest Rate		Notional Principal Amount		Fair Value	
	2005 %	2004 %	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<i>Outstanding Contracts</i>						
Less than one year	7.1	6.7	57,000	32,000	31	170

The average interest rate is based on the outstanding balances at the start of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

37. Financial Instruments (continued)

(d) Interest Rate Risk

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2005:

2005	Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate Maturity		Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000		
Financial Assets						
Cash	4.8%	1,631	-	-	-	1,631
Receivables	-	-	-	-	19,852	19,852
		1,631	-	-	19,852	21,483
Financial Liabilities						
Trade payables	-	-	-	-	65,590	65,590
Bank loans	7.1%	28,500	28,500	-	-	57,000
Hire Purchase lease liabilities	7.2%	-	6,345	14,291	-	20,636
Employee benefits	-	-	-	-	7,890	7,890
		28,500	34,845	14,291	73,480	151,116

The following table details the consolidated entity's exposure to interest rate risk as at 30 June 2004:

2004	Average Interest Rate %	Variable Interest Rate \$'000	Fixed Interest Rate Maturity		Non- Interest Bearing \$'000	Total \$'000
			Less than 1 Year \$'000	1 to 5 Years \$'000		
Financial Assets						
Cash	4.9	16,432	-	-	-	16,432
Receivables	-	-	-	-	13,170	13,170
		16,432	-	-	13,170	29,602
Financial Liabilities						
Trade payables	-	-	-	-	60,371	60,371
Bank loans	6.7	16,000	-	16,000	-	32,000
Hire Purchase lease liabilities	7.4	-	4,364	7,235	-	11,599
Employee benefits	-	-	-	-	5,995	5,995
		16,000	4,364	23,235	66,366	109,965

(e) Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The consolidated entity measures credit risk on a fair value basis.

37. Financial Instruments (continued)

(e) Credit Risk (continued)

The consolidated entity does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

(f) Net Fair Value

The net fair value of cash and cash equivalents and non interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying value.

The net fair value of other monetary assets and financial liabilities is based on market prices where a market exists or by discounting expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles. The carrying amounts of receivables, cash assets, payables, loans and other advances, lease liabilities and provisions approximates net fair value.

38. Impact of adopting Australian equivalents to IFRS

(a) Management of the transition to A-IFRS

JB Hi-Fi Limited will be required to prepare financial statements that comply with Australian equivalents to International Financial Reporting Standards ('A-IFRS') for annual reporting periods beginning on, or after 1 January 2005. Accordingly, JB Hi-Fi Limited's first half-year report prepared under A-IFRS will be for the half-year reporting period ended 31 December 2005, and its first annual financial report prepared under A-IFRS will be for the year ended 30 June 2006.

In 2004, JB Hi-Fi Ltd commenced the project to transition its accounting policies and financial reporting from current Australian Standards to Australian equivalents of International Financial Reporting Standards (A-IFRS). The company allocated internal resources and engaged expert consultants to perform diagnostics and conduct impact assessments to isolate the key areas that would be impacted by the transition to A-IFRS. Risk management and change management has been managed throughout the life of the project.

At the date of this financial report, JB Hi-Fi Limited has substantially completed the project plan, including the assessment of accounting policy alternatives on transition to A-IFRS, the finalisation of the A-IFRS accounting policies that will be adopted from 1 July 2005, and the determination of the likely impact on the results and financial position of the company and the consolidated entity. The company is currently conducting a post-implementation review as the final stage of this project.

As the project plan is substantially complete, in the opinion of the company and its directors, JB Hi-Fi Limited has successfully managed its transition to A-IFRS.

An explanation of how the transition from superseded policies to A-IFRS has affected the company and the consolidated entity's financial position and financial performance is set out in the following tables and notes that accompany the tables.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

38. Impact of adopting Australian equivalents to IFRS (continued)

(b) Proforma Statement of Financial Performance for the year ended 30 June 2005

The following proforma Statement of Financial Performance and Statement of Financial Position outline the likely impacts on the current year result and financial position of the company and consolidated entity had the financial statements been prepared using A-IFRS, based on the directors' accounting policy decisions current at the date of this financial report. Users of the financial report should note that further developments in A-IFRS (for example, the release of further pronouncements by the Australian Accounting Standards Board and the Urgent Issues Group), if any, may result in changes to the accounting policy decisions made by the directors to date, and, consequently, the likely impacts outlined in the following proforma financial statements.

The directors may, at any time until the completion of the consolidated entity's first A-IFRS compliant financial report, elect to revisit, and where considered necessary, revise the accounting policies applied in preparing the proforma financial statements.

	Consolidated			Company			
	Note	AGAAP Actual* \$'000	A-IFRS Impact \$'000	A-IFRS Pro forma \$'000	AGAAP Actual* \$'000	A-IFRS Impact \$'000	A-IFRS Pro forma \$'000
Sales revenue (sales of goods)		693,943	–	693,943	–	–	–
Cost of sales		(534,474)	(493)	(534,967)	–	–	–
Gross profit		159,469	(493)	158,976	–	–	–
Other revenue from ordinary activities	e	955	(52)	903	11,764	–	11,764
Share of net profits of associates accounted for using the equity method		118	–	118	118	–	118
Marketing expenses	f	(84,211)	(520)	(84,731)	–	–	–
Occupancy expenses	h	(22,260)	(306)	(22,566)	–	–	–
Administration expenses		(9,185)	–	(9,185)	(236)	–	(236)
Borrowing costs		(5,705)	–	(5,705)	(4,062)	–	(4,062)
Other expenses from ordinary activities	e	(7,903)	52	(7,851)	(1)	–	(1)
Profit from ordinary activities before income tax expense		31,278	(1,319)	29,959	7,583	–	7,583
Income tax expense relating to ordinary activities	k	(9,442)	177	(9,265)	(109)	–	(109)
Profit from ordinary activities after related income tax expense		21,836	(1,142)	20,694	7,474	–	7,474
Net profit		21,836	(1,142)	20,694	7,474	–	7,474
Net profit attributable to outside equity interests		(1,159)	6	(1,153)	–	–	–
Net profit attributable to members of the parent entity		20,677	(1,136)	19,541	7,474	–	7,474

* Reported financial results for the year ended 30 June 2005.

(c) Proforma Statement of Financial Position as at 30 June 2005

	Consolidated			Company			
	Note	AGAAP Actual* \$'000	A-IFRS Impact \$'000	A-IFRS Pro forma \$'000	AGAAP Actual* \$'000	A-IFRS Impact \$'000	A-IFRS Pro forma \$'000
Current assets							
Cash assets		1,631	–	1,631	57	–	57
Receivables		19,852	–	19,852	1	–	1
Inventories	g	104,546	(1,590)	102,956	–	–	–
Other financial assets		–	–	–	–	–	–
Current tax assets	k	–	762	762	–	–	–
Other		2,648	–	2,648	–	–	–
Total current assets		128,677	–	127,849	58	–	58
Non-current assets							
Investments accounted for using the equity method		568	–	568	568	–	568
Other financial assets		6	–	6	93,002	891	93,893
Property, plant and equipment	d,j	35,587	(412)	35,175	–	–	–
Intangibles	a,c	66,270	18,415	84,685	–	–	–
Deferred tax assets	k	1,531	692	2,223	805	(805)	–
Other		205	–	205	205	–	205
Total non-current assets		104,167	18,003	122,862	94,580	86	94,666
Total assets		232,844	–	250,711	94,638	–	94,724
Current liabilities							
Payables		78,183	–	78,183	773	–	773
Interest-bearing liabilities		6,345	–	6,345	–	–	–
Current tax liabilities		2,470	1,277	3,747	2,567	–	2,567
Provisions	i	6,686	(628)	6,058	–	–	–
Other	h	–	17	17	–	–	–
Total current liabilities		93,684	(666)	94,350	3,340	–	3,340
Non-current liabilities							
Payables		–	–	–	–	–	–
Interest-bearing liabilities		71,291	–	71,291	57,000	–	57,000
Deferred tax liabilities	a,c,k	559	18,415	18,974	559	(559)	–
Provisions	i	1,176	628	1,804	–	–	–
Other	h	–	999	999	–	–	–
Total non-current liabilities		73,026	20,042	93,068	57,559	(559)	57,000
Total liabilities		166,710	18,711	187,418	60,899	(559)	60,340
Net assets		66,134	2,841	63,293	33,739	645	34,384
Equity							
Contributed equity		32,428	–	32,428	32,428	–	32,428
Reserves	f	–	645	645	–	645	645
Retained profits	l	29,964	(3,486)	26,478	1,311	–	1,311
Parent entity interest		62,392	(2,841)	59,551	33,739	645	34,384
Outside equity interest		3,742	–	3,742	–	–	–
Total equity		66,134	(2,841)	63,293	33,739	645	34,384

* Reported financial position for the year ended 30 June 2005.

38. Impact of adopting Australian equivalents to IFRS (continued)

(d) Explanatory notes to the proforma financial statements

The following explanatory notes relate to the proforma financial statements above and describe, for significant items, the differences between the accounting policies under A-IFRS and the current treatment of those items under Australian GAAP ('A-GAAP'):

(a) *Business combinations*

On initial adoption of A-IFRS, the directors have elected to restate business combinations that occurred before 1 July 2004.

Under A-IFRS, deferred tax liabilities and deferred tax assets acquired are measured on a different basis to present (refer (k)), and contingent liabilities that are reliably measurable are required to be recognised as part of the business combination. In addition, intangible assets are required to be recognised separately from goodwill where they meet the criteria for separate recognition – which is consistent with the consolidated entity's current treatment.

During the financial year, JB Hi-Fi Limited acquired a 70% interest in Clive Anthonys Pty Ltd, the business assets of Impact Records, Canberra and an investment in an associate, Rocket Replacements Pty Ltd (refer note 31).

In respect of the acquisitions made during the year, intangible assets relating to brand names and goodwill were recognised from the acquisition of Clive Anthonys Pty Ltd and assets of Impact Records (refer (c) Intangibles below). There were no other intangible assets or contingent liabilities requiring recognition under A-IFRS.

(b) *Financial instruments*

The directors have elected to apply the first-time adoption exemption available to JB Hi-Fi Limited to defer the date of transition of AASB 132 'Financial Instruments: Disclosure and Presentation' and AASB 139 'Financial Instruments: Recognition and Measurement' to 1 July 2005. Accordingly, there are no quantitative impacts on the 30 June 2005 financial statements.

(c) *Intangibles*

The directors have reviewed the acquisition of the business assets of JB Hi-Fi on 1 August 2000. On acquisition, brand names of \$43,094 thousand (company: \$nil) were recognised under A-GAAP. As a result of transition to A-IFRS the value of the brand was increased by \$12,928 thousand (company: \$nil), as a result of recognising the deferred tax liability arising from the recognition of this asset.

The directors have reviewed the acquisition of the consolidated entity's controlling interest in Clive Anthonys Pty Ltd on 1 July 2004. On acquisition, brand names of \$18,288 thousand (company: \$nil) were recognised under A-GAAP. As a result of transition to A-IFRS, the value of the brand was increased by \$5,486 thousand (company: \$nil), as a result of recognising the deferred tax liability arising from the recognition of this asset.

The directors have reviewed the carrying value of both the Clive Antonys brand name and goodwill on consolidation and are satisfied the value of these intangibles has not been impaired during the 2005 financial year and since the acquisition date.

The directors have reviewed the consolidated entity's acquisition of the business assets of Impact Records on 1 July 2004. On acquisition, goodwill of \$1,727 thousand (company: \$nil) was recognised under A-GAAP. Under A-IFRS, the goodwill will not be amortised and will be subject to an annual impairment test. Under the transition to A-IFRS, no adjustment to accumulated amortisation of goodwill has been processed.

(d) Property, plant and equipment

On initial adoption of A-IFRS, the directors have elected to recognise plant and equipment at cost in accordance with AASB 116 (refer (j) Impairment of assets below).

(e) Revenue from ordinary activities

Although not impacting the net profit of the company and the consolidated entity, the adoption of A-IFRS will result in a number of transactions being recorded on a "net" rather than a "gross" basis. In addition, the adoption of A-IFRS results in the reclassification of proceeds from sale of non-current assets from "revenue from ordinary activities" to other income and expense items in the Statement of Financial Performance. As a consequence, revenue from ordinary activities will decrease by \$52 thousand (company: \$nil), other expenses will decrease by \$52 thousand (company: \$nil).

(f) Share-based payments

Equity-settled share based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 are measured at the fair value at grant date. The fair value determined at grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest. As a consequence, reserves will increase by \$645 thousand (company: \$645 thousand), other financial assets will increase by \$nil (company: \$645 thousand) and an additional employee benefit expense of \$520 thousand (company: \$nil) will be recognised in profit and loss for the financial year ended 30 June 2005.

(g) Inventories

Under A-IFRS, inventory balances should be valued at the lower of cost and NRV. The proposed UIG 1002 permits transition adjustment relating to accounting for stretch rebates and early settlement discounts. As a consequence, inventories at 30 June 2005 will decrease by \$1,590 thousand (company: \$nil).

(h) Leases

On initial adoption of A-IFRS, the consolidated entity is required to account for fixed rate increase in operating leases on a straight line basis. As a consequence, other current and non-current provisions at 30 June 2005 will increase by \$1,016 thousand (company: \$nil).

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2005

38. Impact of adopting Australian equivalents to IFRS (continued)

(i) *Employee Benefits*

On initial adoption of A-IFRS, the consolidated entity is required to account for its annual leave provision on a current and non-current basis. As a consequence, at 30 June 2005, the consolidated entity's current provisions decrease \$628 thousand (company: \$nil) and non-current provisions increase \$628 thousand (company: \$nil).

(j) *Impairment of assets*

A-IFRS impairment rules require the recoverable amount of assets to be assessed on a Cash Generating Unit, whereby assets are recognised in respect of the independent cash flows they generate. In addition, future cash flows are required to be discounted under A-IFRS. As a result of this, impairment losses of \$412 thousand (company: \$ nil) will need to be recognised in respect of leasehold improvements for the financial year ended 30 June 2005.

(k) *Income tax*

Under A-IFRS, tax balances are determined using a 'balance sheet' approach, which differs from the current methodology prescribed and applied as described in note 4. Changes in deferred tax assets and deferred tax liabilities can arise as a consequence of the different method of measurement, including increases in deferred tax assets and deferred tax liabilities arising as a consequence of the recognition of deferred taxes associated with fair value adjustments in relation to business combinations, revaluations of land and buildings and investments in associates.

In addition, under A-IFRS, the criteria for recognition of carried forward tax losses is 'probable' as compared to the present 'virtually certain' test.

The cumulative impact on the consolidated financial position at 30 June 2005 of the different methodology to be applied, will be to increase current tax assets by \$762 thousand (company: \$nil), the non-current deferred tax assets by \$692 thousand (company: \$nil) and to increase non-current deferred tax liabilities by \$18,415 thousand (company: \$nil). The impact on the consolidated profit and loss for the financial year ended 30 June 2005, is a decrease in tax expense of \$177 thousand (company: nil).

Tax consolidation

UIG Interpretation 1052 'Tax Consolidation Accounting' requires a significantly different manner of accounting for income taxes in tax-consolidated group compared to the present Australian requirements (refer note 4). The approved Interpretation is expected to be applicable for financial years ending on or after 31 December 2005, and would require that each entity in the tax-consolidated group recognise deferred tax assets (other than unused tax losses and unused tax credits) and deferred tax liabilities relating to its own balances. Accordingly, deferred tax assets of \$805 thousand and deferred tax liabilities of \$559 thousand attributable to members of the tax-consolidated group other than the head entity presently recognised by JB Hi-Fi Limited (the head entity) as at 30 June 2005, would not be recognised under A-IFRS.

Differences between the current tax liability (or asset) and the amount of any funding amount arising under a tax funding arrangement are to be treated as a contribution by (or distribution to) equity participants. Under the existing tax funding arrangement, no tax consolidation contributions by (or distributions to) equity participants are expected to arise.

(l) *Retained earnings*

With limited exceptions (for example, share-based payments), adjustments required on first-time adoption of A-IFRS are recognised directly in retained earnings at the date of transition to A-IFRS. The cumulative effect of these adjustments for the consolidated entity, will be a decrease in retained earnings of \$3,486 thousand (company: \$645 thousand).

	Note	Consolidated		Company	
		30 June 2005 \$'000	1 July 2004 \$'000	30 June 2005 \$'000	1 July 2004 \$'000
Retained earnings under A-GAAP		29,964	16,680	1,311	1,230
Inventory – stretch rebates and early settlement discounts	g	(1,590)	(1,097)	–	–
Expensing of share based payments	f	(645)	(125)	(645)	(125)
Write down of leasehold improvements	d	(412)	(462)	–	–
Leases – impact of annual fixed increases	h	(1,016)	(660)	–	–
Adjustments to tax balances	k	177	693	–	–
Retained earnings under A-IFRS		26,478	15,029	666	1,105

39. Additional company information

Principal Place of Business and Registered Office

JB Hi-Fi Limited is a public company, incorporated and operating in Australia.
 14 Spink Street
 Brighton Victoria 3186
 Australia

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 29 July 2005

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 July 2005.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of share are:

	Listed Ordinary Shares	
	<i>Number of holders</i>	<i>Number of shares</i>
1 – 1,000	1,320	821,586
1,001 – 5,000	2,791	7,776,933
5,001 – 10,000	746	5,633,545
10,001 – 100,000	354	8,057,241
100,001 and over	52	80,550,029
	5,263	102,839,334
The number of shareholders holding less than a marketable parcel of shares are	64	5,051

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

	Listed Ordinary Shares	
	<i>Number of shares</i>	<i>Percentage of ordinary shares</i>
1 Westpac Custodian Nominees Limited	21,446,979	20.9
2 J P Morgan Nominees Australia Limited	13,312,420	12.9
3 National Nominees Limited	7,639,184	7.43
4 Mr Richard Uechtritz	5,107,097	4.97
5 Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C)	4,183,155	4.07
6 Shawville Pty Ltd	4,000,000	3.89
7 Roseville Estate Pty Ltd	3,745,000	3.64
8 Health Super Pty Ltd	2,161,427	2.1
9 Mr Terry Smart	2,000,000	1.94
10 ANZ Nominees Limited	1,895,354	1.84
11 Cogent Nominees Pty Limited	1,615,111	1.57
12 RBC Global Services Australia Nominees Pty Limited (PIIC A/C)	1,323,346	1.29
13 RBC Global Services Australia Nominees Pty Limited (PIPOOLED A/C)	1,265,383	1.23
14 ANZ Nominees Limited (Cash Income A/C)	955,256	0.93
15 RBC Global Services Australia Nominees Pty Limited (BKCUST A/C)	887,183	0.86
16 PSS Board	651,948	0.63
17 Queensland Investment Corporation	648,236	0.63
18 CSS Board	645,248	0.63
19 Cogent Nominees Pty Limited (SMP Accounts)	594,624	0.58
20 Citicorp Nominees Pty Limited (CFSIL CFS Ws Small Comp A/C)	579,575	0.56
	74,656,526	72.59

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	<u>Listed Ordinary Shares</u>	
	<i>Number of shares</i>	<i>Percentage of ordinary shares</i>
Capital Group Companies Inc.	10,398,340	10.11
Concord Capital	9,114,982	8.86
Orion Asset Management Limited	7,863,378	7.65
National Australia Bank Limited	7,533,037	7.33
Commonwealth Bank of Australia	6,001,924	5.84
Richard Uechtritz	5,107,097	4.97
	<u>46,018,758</u>	<u>44.76</u>

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

Deloitte.

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Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for both JB Hi-Fi Limited (the company) and the consolidated entity, for the financial year ended 30 June 2005 as set out on pages 31 to 69. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

The remuneration report included on pages 21 to 28 of the directors report discloses the information about the remuneration of directors and executives required by Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities (AASB 1046). The directors of the company are responsible for the information contained in the remuneration report.

Audit approach

We have conducted an independent audit of the financial report and the remuneration report in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the remuneration report complies with AASB 1046. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report and the remuneration report are presented fairly in accordance with the Corporations Act 2001 and Accounting Standards and other mandatory professional reporting requirements in Australia 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 and whether the remuneration report complies with AASB 1046.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the remuneration report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

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

Audit Opinion

In our opinion, the financial report and the remuneration report of JB Hi-Fi Limited are 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 2005 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia, including Accounting Standard AASB 1046 Director and Executive Disclosures by Disclosing Entities and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



Deloitte Touche Tohmatsu
T Imbesi
Partner
Chartered Accountants
Melbourne, 15 August 2005

Liability limited by the Accountants' Scheme,
approved under the Professional Standards Act 1994 (NSW).

CORPORATE INFORMATION

ABN 80 093 220 136

Directors

Patrick Elliott (Chairman)
Richard Uechtritz (Chief Executive Officer)
Terry Smart (Executive Director)
Gary Levin
Will Fraser
James King

Company Secretary

Richard Murray

Registered Office

14 Spink Street
Brighton, Victoria 3186 Australia
(03) 8530 7333

Bankers

Westpac Banking Corporation Limited

Share Register

Computershare Investor Services Pty Limited
Yarra Falls
452 Johnston Street
Abbotsford, Victoria, 3067 Australia
1300 302 417 (Australia) or
+61 3 9615 5970 (International)

Auditors

Deloitte Touche Tohmatsu

Internet Address

www.jbhifi.com.au

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of JB Hi-Fi Limited is to be held at Computershare Investor Services, Yarra Falls, 452 Johnston Street Abbotsford, Victoria at 11.00am Tuesday 25 October 2005.

JB Hi-Fi Stores*

VIC	Brighton Camberwell Chadstone Dandenong Frankston Heidelberg Highpoint Keilor Knox Melbourne City (Elizabeth Street, Lonsdale Street & Elizabeth Street Cameras store) Melbourne City (Bourke Street) Ringwood Nunawading Narre Warren Pahran Preston Werribee
ACT	Belconnen Canberra City Woden
NSW	Bankstown Bondi Erina Leichhardt Macquarie Miranda Newcastle Parramatta Sydney City Tuggerah
QLD	Brisbane City Capalaba Gold Coast Indooroopilly Kawana Kedron Macgregor Robina
WA	Cannington Osborne Park Perth City Whitford
SA	Adelaide City Marion Modbury
QLD	Carseldine Capalaba Labrador Mt Gravatt Mermaid Waters
NSW	Tweed Heads

* (current as of 8 August 2005)



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