

The logo for JB Hi-Fi, featuring the letters 'JB' in a large, bold, sans-serif font above the letters 'HI-FI' in a smaller, bold, sans-serif font. The entire text is enclosed within a stylized, dark grey bracket-like shape that frames the letters on the left and right sides.

JB
HI-FI

ANNUAL REPORT
2007

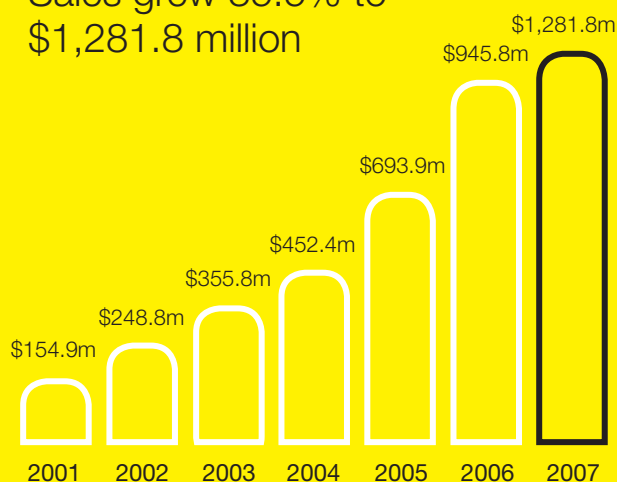
Financial Summary

FINANCIAL PERFORMANCE

Year to 30 June 2007	2003*	2004*	2005	2006	2007	%
Sale revenue (\$m)	355.8	452.4	639.9	945.8	1,281.8	36%
EBIT (\$m)	16.7	22.8	34.7	44.5	65.5	47%
NPAT (\$m)	8.6	13.8	19.5	25.8	40.4	56%
Earnings per share	8.4	13.5	19.0	25.0	38.8	55%

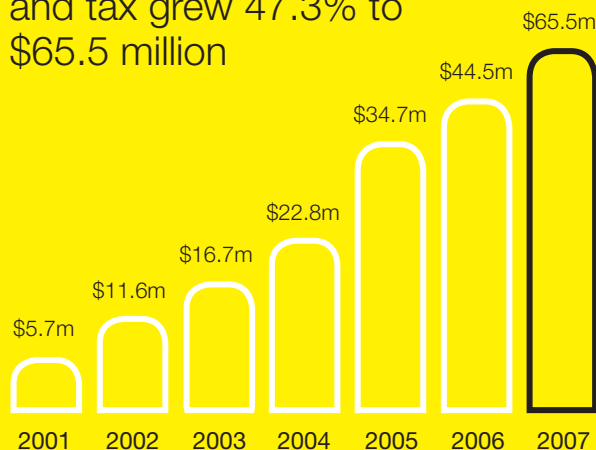
Sales +36%

Sales grew 35.5% to \$1,281.8 million



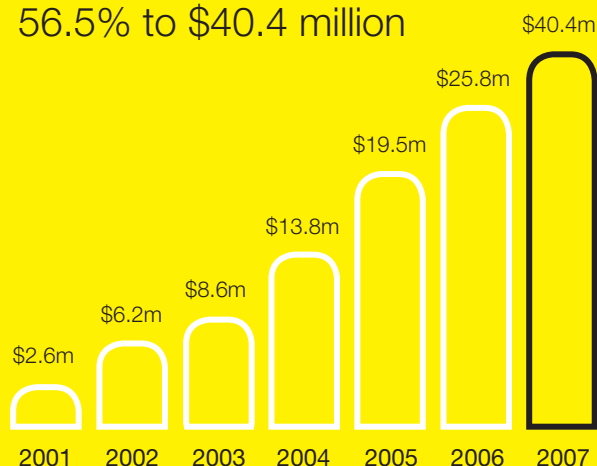
EBIT +47%

Earnings before interest and tax grew 47.3% to \$65.5 million



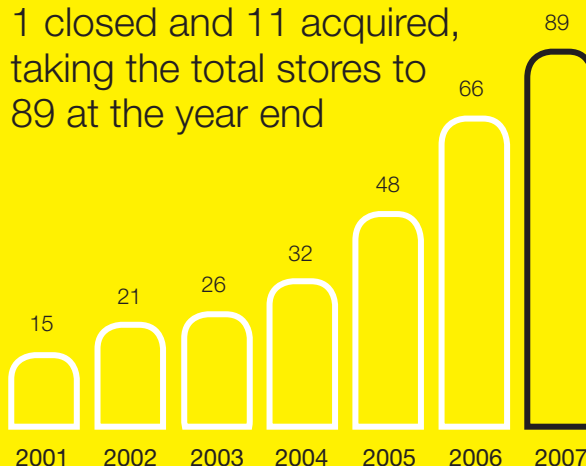
NPAT +56%

Net profit after tax grew 56.5% to \$40.4 million



Stores

13 new stores were opened, 1 closed and 11 acquired, taking the total stores to 89 at the year end



*2001-2004 figures based on AGAAP

Chairman's and Chief Executive Officer's Report

Dear fellow shareholder,

JB Hi-Fi Limited (referred to below as JB Hi-Fi) achieved revenue growth of 36%, EBIT growth of 47% and NPAT growth of 56% for the year ended 30 June 2007. During the year 13 JB Hi-Fi stores were opened.

Result

JB Hi-Fi has delivered another record result with sales up 36% on the prior year. This was achieved through a combination of strong comparative stores sales, continued expansion of our product offering, the maturing of the 18 stores opened last year and the opening of 13 new stores during the year.

Whilst competition remains intense and the product mix has switched to lower margin categories, JB Hi-Fi's low cost of doing business, together with its improved buying, has insulated it from any significant margin pressure. Margin declined slightly by 39 base percentage points to 22.1% over the year. Product mix, in particular the continued rapid expansion of games and JB Hi-Fi's entry into the computer market, has been the main factor contributing to this slight decline.

JB Hi-Fi continued to focus on cost control with the cost of doing business falling to 16.0% (last year 17.1%). This continues to reinforce JB Hi-Fi's ability to deliver on its every day low pricing strategy and makes it increasingly difficult for competitors to offer similar pricing on a consistent basis. We have been successful in lowering our costs at a faster rate than our margin has declined and consequently our EBIT margin has expanded 41 base points to 5.1%.

Cashflow generated from operations was \$64.0 million, reflecting strong cash generation from established stores. These stores continue to generate significant cash, which has financed the 13 new stores and the acquisition of Hill & Stewart Appliances Limited in FY07. Debt remains at conservative levels, with net debt consistent with the prior year at \$95m, interest cover of 8.2 times and a fixed charges cover ratio of 2.9 times. Return on Equity of 36%, up 3% (last year 33%), reflects the low capital intensity of the business model.

13 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 JB Hi-Fi's reliance on advertising and provides a boost to convenience categories such as music, movies, games, phones and accessories.

Of the 13 new stores opened during the year, 4 were opened in Victoria, 3 in Queensland, 2 in New South Wales, 2 in Western Australia and 1 each in South Australia and New Zealand. The rollout will continue in 07/08 financial year. JB Hi-Fi 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. JB Hi-Fi has achieved critical mass now in all the regions in which it operates in Australia such that the store expansion program is likely to continue to help reduce the overall cost of doing business.

JB Hi-Fi continues to be able to attract and retain a knowledgeable and enthusiastic workforce as the rapid growth of the business provides tangible career progression with increased responsibility and compensation prospects. This has been the case even in newer territories where the JB Hi-Fi brand is not as well recognised. JB Hi-Fi believes a key component of its success is the strong relationship it has built with its employees, which continues to be an on going focus for the board and management.

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. Technology continues to drive same store sales growth as JB Hi-Fi is at the forefront of these new categories providing one of the widest ranges of branded products at discounted prices.

JB Hi-Fi has had considerable success expanding into new product categories:

- Games - JB Hi-Fi's success in the games market has continued since its introduction in May 2005. We continue to capture an increasing share of an \$800 million annual market. Management estimate we are now the second largest retailer of electronic games in Australia.

- Computers - In May 2006, JB Hi-Fi announced its entry into the \$1.5 billion computer and IT market, which is growing at 20% per annum. We are very pleased with progress to date with JB Hi-Fi achieving significant sales in this category as we grow to be a substantial player in this category.
- Mobile consumer electronic/telecommunications - In June 2007, JB Hi-Fi announced its entry into the mobile consumer electronic/telecommunications market, which is growing at 20% per annum. While the telecommunications market is a large market in itself, with digital convergence, the market complements many of JB Hi-Fi's existing categories including computers, portable audio, digital camera's and media and suits our customer base of young, mobile and tech savvy consumers. JB Hi-Fi's discount positioning and specialist sales people will ensure competitiveness with other retailers. We have completed our rollout in our Victorian stores with promising early sales. The NSW rollout will be completed before Christmas, with the national rollout to be completed by June 2008.

The new categories of computers and telecommunications are the largest markets in which we operate, and should assist in driving sales in our existing categories.

The outlook for new products remains healthy with the increased affordability and functionality of products such as LCD and Plasma TVs, new gaming consoles, DVD recorders and a broad array of electronic accessories.

Clive Anthonys

The company acquired the remaining 30% of Clive Anthonys from its founder Clive Savage in July 2007 for circa \$7 million. JB Hi-Fi management took operational control of the company early in the second half and has enjoyed some immediate success with second half comparative store growth increasing to 15.7%. We remain encouraged that the Clive Anthonys business provides access to the large whitegoods, cooking and air conditioning markets whilst leveraging JB Hi-Fi's volumes in browngoods, computers and games. The first Clive Anthonys store outside of Queensland was opened at Castle Hill in Sydney in July 2007 and is trading well.

New Zealand Expansion

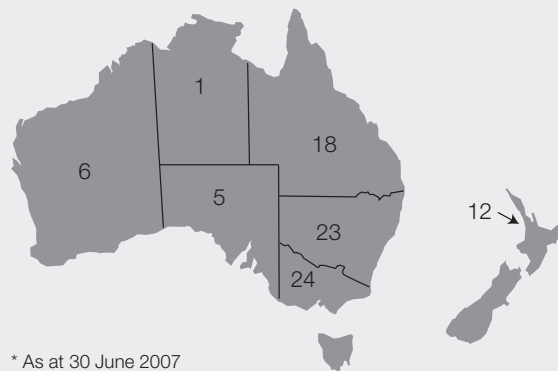
The company's acquisition of the eleven-store New Zealand chain Hill & Stewart was completed on 1 March 2007. The purchase price was A\$19.2 million, a multiple of seven times normalised 06/07 EBIT (year ends 31st March).

The acquisition was a good opportunity for the Company to acquire a solid base and infrastructure for its expansion into the New Zealand market. Hill & Stewart is a well-managed and successful company, with a great presence in Auckland and strong relationships with suppliers.

The New Zealand consumer electrical market is more fragmented than the Australian market. We expect that the discount positioning of JB Hi-Fi will appeal to New Zealand consumers which, together with the Hill & Stewart business, will quickly propel the company to within the top three of electrical retailers in the country.

The first JB Hi-Fi store opened in April 2007 and we expect to open three new JB Hi-Fi stores before Christmas, with five JB Hi-Fi stores expected to be trading by the end of 07/08.

Total Stores: 89*
(JB Aust. 71, CA 6, JB NZ 1, H&S 11)



* As at 30 June 2007

Board, Corporate Governance and Management Approach

The relationship between the Board and management remains engaging and constructive. To date, JB Hi-Fi 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 JB Hi-Fi's employee option plan remains a critical tool in attracting new management, retaining existing management and rewarding performance whilst maintaining a strong alignment of interests with shareholders.

The Directors announced on 28 August 2007 that Mr Patrick Elliott would resume the Chairmanship of the Board of Directors effective 1 September 2007. Mr Elliott joined the Board in July 2000 following the management buy-in and was the Chairman until March

2006. At that time he announced that he would step down as Chairman but remain as a non-executive Director, to allow him to focus on establishing his private investment business. Mr James King who replaced him as Chairman in March 2006 will continue as a Non Executive Director and take on the additional responsibility of Chairman of the Audit Committee. The board thanks Mr King for his valuable stewardship over the past 18 months.

Dividend

JB Hi-Fi will pay a final dividend of 6.0 cents per share fully franked for the year ended 30 June 2007, up 50% from the same payment last year. This brings total dividends for the year to 11.0 cents per share, up 45% on last year. Moving forward it is likely that almost all of the funding required for the company's new store program will be internally generated. In increasing the dividends for the 06/07 financial year, the Board has considered the current and forecast financial performance of the business and anticipated capital requirements in the short to medium term, including the new store rollout program, ongoing capital expenditure, the purchase of the remaining 30% of Clive Anthonys, the recently completed acquisition of Hill & Stewart in New Zealand and current and expected performance against key financial ratios. It is the Board's objective to grow dividends in order to maintain an efficient capital structure.

Outlook

The 2007/08 financial year will again be challenging as higher interest rates, turbulence in global financial markets and the impact of higher fuel prices filter through to the broader economy. However, the

maturing of 31 stores opened in the last two years, our recent expansion into computer and mobile electronics (telecommunications), our expansion into New Zealand, together with JB Hi-Fi's discount positioning and merchandising of new technologies should continue to drive sales growth.

A continued new store opening program with openings in many of Australia's biggest shopping centres will see a more significant presence for JB Hi-Fi outside of its traditional Melbourne base. With sales forecast of around \$1.7 billion in the 07/08 year, the group will reinforce 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 of the business – having the biggest range and the lowest prices, supported by talented and enthusiastic staff.



Patrick Elliott
Chairman



Richard Uechtritz
CEO

Melbourne,
10 September 2007

Annual Financial Report

for the financial year ended **30 June 2007**

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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. This statement describes JB Hi-Fi's approach to 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 in force as at 30 June 2007. The Board believes that it has been compliant with the spirit of The Corporate Governance Principles and Best Practice Recommendations during the 2007 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. In August 2004, the Board completed a process of reviewing and adopting formal policies and procedures with regard to Corporate Governance. The Board continually reviews and monitor developments in respect of 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 responsibilities include the corporate governance of the company, overseeing the business and affairs of the company, communicating with the company's shareholders and the community, evaluating the performance of senior executives, ensuring that appropriate procedures are in place so that company business is conducted in an honest, open and ethical manner and the establishment of a formal and transparent procedure for the selection, appointment and review of Board directors.

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

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

Composition

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

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

JB Hi-Fi maintains a majority of non-executive directors on its Board. The Board currently comprises 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 directors as independent directors 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 at Board meetings or made available in relation to their position as director for a term of 7 years after ceasing to be a director or such longer period as is necessary to determine relevant legal proceedings that commenced during this term.

Code of 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 an employee with guidance on what the company deems is acceptable behaviour.

The key elements of the code are:

As a company:

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

As employees:

- (a) treating customers, the public and fellow employees with honesty, courtesy and respect;
- (b) respecting and safeguarding the property of customers, JB Hi-Fi and fellow workers;
- (c) maintaining confidentiality of all customers, JB Hi-Fi 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 JB Hi-Fi 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 reports represent 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;
- (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
- (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 statements are subject to an annual audit by an independent, professional auditor who also reviews the company's half yearly financial statements. The Audit and Risk Management Committee oversees this process on behalf of the Board. The company's external audit firm was most recently appointed in 2002. The audit engagement partner is rotated every five years in line with the agreement between the audit firm and JB Hi-Fi.

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

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 shareholders. 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 no.12.

The amount of remuneration, both monetary and non-monetary, for the executives who are directly accountable and responsible for the strategic direction and operational management of the company during the year are included in the 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 and included 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, financial reporting and disclosure practices;
- (b) advising the Board on matters of internal control;
- (c) establishing and maintaining processes to ensure that there is compliance with all applicable laws, regulations and company policy; and
- (d) establishing and maintaining 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:

- Patrick Elliott: ongoing member of committee and chairperson;
- James King: ongoing member of committee; and
- Gary Levin: ongoing member of the committee.

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

The Audit and Risk Committee meets regularly.

Details of the meetings held and members' attendance during the 2007 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 remuneration and compensation programs of the Company generally and administration of remuneration and compensation programs.

The Remuneration Committee comprises three directors, two of whom are non-executive directors:

- James King: ongoing member and chairperson of committee;
- Richard Uechtritz: ongoing member of committee; and
- Will Fraser: ongoing member of committee.

The Remuneration Committee meets as required. Details of the meetings held and members' attendance during the 2007 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 succession of the Chief Executive Officer; establishing formal and transparent procedures for the selection and appointment of new directors to the Board; regularly reviewing the succession plans in place for Board membership to ensure that an appropriate balance of skills, experience and expertise is maintained; and instituting internal procedures for evaluating Board performance, individual directors and Board Committees.

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

The directors of JB Hi-Fi Limited submit herewith the annual financial report of the company for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

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

<i>Name</i>	<i>Particulars</i>
James King B.Comm, FAICD Chairman, Non-Executive Director	Mr King has over 25 years experience in major multi-national corporations in Australia and internationally. He was previously with Foster's Group Limited as Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Fosters, he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific). He is currently a non executive director of IBT Education Limited, Babcock & Brown Environmental Investments Limited and Trust Company Ltd. Mr King is also Chairman of Juvenile Diabetes Research Foundation (Victoria) and on the council of Xavier College. Mr King attended a senior Management Program at Harvard University and is a Fellow of the Australian Institute of Company Directors.
Richard Uechtritz Chief Executive Officer and Executive Director	Mr Uechtritz has over 20 years experience in retailing. He was co-founder of Australia's two leading photo chains, Rabbit Photo and 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 Chief Operating Officer and Executive Director	Mr Smart has over 15 years experience in retailing. He is a former director and General Manager of Kodak's retail operations. Mr Smart led the implementation of JB Hi-Fi's management information systems. He is responsible for the group's systems and processes which underpin the store operations. Mr Smart joined the management buy-in of JB Hi-Fi in July 2000.
Patrick Elliott B.Comm LLB, MBA (Hon), CA Non-Executive Director	Mr Elliott is an executive director of Next Capital Pty Limited, a private equity manager. He is also a non-executive director of Steelforce Holdings Pty Limited and RPG Holdings Pty Ltd. Prior to founding Next Capital Pty Limited, Mr. Elliott was an executive director of Macquarie Direct Investment Limited, the private equity division of Macquarie Bank Limited.
Gary Levin B.Comm, LLB Non-Executive Director	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 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 25 years experience running public and private companies in the retail, real estate and renewable energy fields. Mr Levin holds a Bachelor of Commerce and Bachelor of Laws from the University of New South Wales and is a member of the New South Wales Bar Association.
Will Fraser PhD Non-Executive Director	Dr Fraser retired in 1999 as Chairman and Managing Director of Kodak Australasia Pty Ltd; an appointment that followed two years in London as a Corporate Vice President of Eastman Kodak and Regional Business General Manager, Consumer Imaging of Europe, Africa, India and the Middle East region. He is currently a member of the Board of Trustees of the Baker Foundation.

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

<i>Name</i>	<i>Company</i>	<i>Period of directorship</i>
Gary Levin	Babcock & Brown Environmental Investments Limited	Since 2002
James King	IBT Education Limited	Since 2004
	Tattersalls Limited	May 2005 to October 2006
	Babcock & Brown Environmental Investments Limited	Since September 2006
	Trust Company Limited	Since February 2007

Company Secretary

Richard Murray

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

Mr Murray is a Chartered Accountant with over 10 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 Group'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, video cameras, mobile phones and accessories)
- electrical goods (whitegoods, computing equipment, kitchen equipment, air conditioners and small electrical appliances)
- car sound systems (audio and 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 Group during the financial year.

Review of operations

The consolidated profit after tax of the Group for the financial year, that was attributable to members of the parent entity was \$40,389,000 (2006: \$25,813,000) which is 56.5% greater than the consolidated profit after tax for the previous financial year.

Consolidated sales for the financial year were \$1,281,837,000 (2006: \$945,821,000), which is 35.5% 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 Group's business strategies and prospects for future financial years, as they believe it is likely to result in unreasonable prejudice to the Group or any entity that is part of the Group.

A. OVERVIEW

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

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

- Comparable store sales growth;
- Gross margin by store and product category;

- Cost of doing business;
- 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; and
- Return on capital and return on invested capital.

Dynamics of the Group:

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

Opportunities:

- JB Hi-Fi offers one of Australia and New Zealand's largest ranges of home entertainment and electrical products at discounted prices, positioned to appeal to all customers, through its JB Hi-Fi, Clive Anthonys and Hill & Stewart stores. The Group maintains a low cost operating model designed to underpin competitive pricing in its store network.
- JB Hi-Fi's strategic initiatives for growth include:
 - targeting high growth segments of the home entertainment market and expansion into computers and telecommunications;
 - focused expansion of Clive Anthonys stores;
 - continued roll-out of JB Hi-Fi stores in Australia and New Zealand;
 - ensuring recently opened stores mature rapidly and profitably;
 - continuing to improve the efficiency and profitability of existing stores; and
 - opening new stores - the Group has opened 64 new stores over the last seven years, and has plans to continue expanding with a number of new stores forecast to open in the 2008 financial year. JB Hi-Fi has a strong store representation in all mainland Australian states and aims to have five JB Hi-Fi branded stores in New Zealand by 31 December 2007.

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 Group and the outcome of an investment in JB Hi-Fi. There can be no guarantee that JB Hi-Fi will achieve its stated objectives or that forward looking statements will be realised;
- The operating and financial performance of JB Hi-Fi is influenced by a variety of general economic and business conditions, including 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 Group's business or financial condition;

- Competition - the markets in which JB Hi-Fi operates are fragmented and competitive. The Group's financial performance or operating margins could be adversely affected if the actions of competitors or potential competitors become more effective, or if new competitors enter the market, and JB Hi-Fi is unable to counter these actions;
- Leasing arrangements - the ability to identify suitable sites and negotiate suitable leasing terms is key to the Group's growth plans. Further, management's ability to renegotiate acceptable lease terms for existing stores where leases are due to expire is vital to ongoing profitability; and
- Operating costs - the Group's ability to consistently offer low prices and operate profitably is dependent on a combination of the scalability of its operations, relatively high stock turns and low cost operating structure. It is important that the Group maintain these drivers of profitability.

B. REVIEW OF OPERATIONS

Sales and earnings performance:

- The Group recorded a full year net profit after tax of \$40,389,000 for the 12 months ending June 2007, up 56.5% on the previous corresponding period of \$25,813,000;
- Total sales were up 35.5% to \$1,281,837,000 and comparable store growth was 11.4%. JB Hi-Fi stand alone 12.6%, Clive Anthonys 2.7%;
- Gross margin was 22.1% for the period, down 0.4% from the previous period;
- EBIT was \$65,534,000 up from \$44,537,000 last year and the resulting EBIT margin was 5.1%, up from 4.7% for same period last year;
- Cost of doing business continued to improve at 16.0% for the period, improving 102bps from 17.1% for the same period last year; and
- The Group opened 13 new stores and closed 1 store during the 2007 financial year, all branded JB Hi-Fi. A further 11 stores were acquired with the acquisition of Hill & Stewart Appliances Limited bringing the total stores to 89 at year end.

Material developments:

- The Group acquired the Auckland based 11 store electrical chain Hill & Stewart Appliances Limited for \$19,231,000 on 1 March 2007. Hill & Stewart retails white goods, consumer electronics, cooking appliances and electrical smallgoods to both retail and consumer customers.

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 \$34,406,000 were made during the financial year in capital expenditure projects. A majority of this capital expenditure related to the 13 new stores opened during the period and the expansion of existing stores to accommodate our computer offering. These stores are anticipated to contribute towards solid earnings growth in the 2008 financial year.
- The Group's investment in Hill & Stewart will provide it with exposure to the substantial New Zealand white and brown goods markets and provide a base in New Zealand on which to roll out the JB Hi-Fi store model.

D. REVIEW OF FINANCIAL CONDITIONS

- The capital structure of the Group 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 Group's net debt remained stable at \$94,726,000.
- The key financial covenants included in the company's financing facilities are the leverage/gearing ratio and fixed charges cover.
- The Group has total interest bearing liabilities of \$118,434,000 at the end of the period. The Group has a senior debt facility of \$145,000,000 in place, which expires in October 2009, with an option to extend for up to one year to October 2010. In addition, the Group has an annual working capital facility of \$31,814,000 with an additional seasonal facility in February to April each year of \$10,000,000.

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 Group conducts its operations in a manner that manages risk to protect its people, the environment, Group 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 shareholders.

F. DISCUSSION OF PERFORMANCE

Sales and earnings performance:

- Consolidated sales for the financial year were \$1,281,837,000 which is 35.5% greater than the consolidated sales for the previous financial year.
- The consolidated profit after tax for the financial year of \$40,389,000 is 56.5% 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 four 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

	FY03 ⁽¹⁾	FY04 ⁽¹⁾	FY05	FY06	FY07	Movement			
						FY04	FY05	FY06	FY07
1. Earnings per share	8.4	13.5	19.0	25.0	38.8	61%	41%	33%	55%
2. Shareholder Value Created:									
Company share price at the end of the reporting period (\$)	1.71 ⁽²⁾	2.30	3.56	5.08	10.82	35%	55%	43%	113%
Market Capitalisation (\$m)	174.6 ⁽³⁾	235.5	366.0	525.6	1,132.1	35%	55%	44%	115%
Enterprise Value ⁽⁴⁾ (\$m)	201.7 ⁽³⁾	262.8	442.0	621.7	1,226.8	30%	68%	41%	97%
Movement in enterprise value during the financial year (\$m)	-	61.1	179.2	179.7	605.1				
Dividends paid to shareholders during the financial year (\$m)	-	3.7 ⁽⁵⁾	7.4	7.4	9.4				
Shareholder Value Created⁽⁶⁾									
- per annum (\$m)		64.8	186.6	187.1	614.5				
- cumulative (\$m)		64.8	251.4	438.5	1,053.0				

- 2003 and 2004 financial analysis is based on AGAAP results, 2005 onwards is based on A-IFRS results.
- Values are based on a weighted calculation of the retail and institutional IPO issue price applied to total shares on issue.
- 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.
- Measured as the sum of market capitalisation and net debt.
- The dividends paid in the 2004 financial year exclude a special dividend of \$10,000,000 paid to shareholders before the company was listed.
- 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

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

Subsequent events

The remaining 30% of Clive Anthonys was purchased on 2 July 2007 for circa \$7,000,000. There have been no other matters or circumstances occurring subsequent to the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

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

Environmental regulations

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

Dividends

In respect of the financial year ended 30 June 2006, as detailed in the directors' report for that financial year, a final

dividend of 4.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 18 October 2006.

In respect of the financial year ended 30 June 2007, an interim dividend of 5.0 cents per share franked to 100% at 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 16 April 2007.

In respect of the financial year ended 30 June 2007, the directors recommend the payment of a final dividend of 6 cents per share franked to 100% at 30% corporate income tax rate, to be paid to the holders of fully paid ordinary shares on 11 September 2007.

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 financial year, the company has paid a premium in respect of a contract, insuring the 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 the premiums paid are confidential. The company has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 Board meetings, 4 remuneration committee meetings and 5 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>
J. King	12	12	4	4	5	5
P. Elliott	12	12	-	-	5	5
G. Levin	12	12	-	-	5	5
W. Fraser	12	12	4	4	-	-
R. Uechtritz	12	12	4	4	-	-
T. Smart	12	12	-	-	-	-

Directors' shareholdings

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

Directors	Fully paid ordinary shares - direct Number	Fully paid ordinary shares - indirect Number	Executive share options - direct Number	Executive share options - indirect Number
J. King	-	32,258	-	-
P. Elliott	238,600	110,000	-	-
G. Levin	100,000	-	-	-
W. Fraser	-	6,451	-	-
R. Uechtritz ⁽ⁱ⁾	4,000,000	-	763,068	-
T. Smart ⁽ⁱ⁾	1,844,345	-	560,258	-

⁽ⁱ⁾ Excludes any options that may be approved by the Board in August 2007. The issue of these options is also subject to shareholder approval at the company's Annual General Meeting in October 2007.

REMUNERATION REPORT

Details of key management personnel (audited)

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

- J. King Chairman, Board and Remuneration Committee, Non-executive Director
- P. Elliott Chairman, Audit and Risk Management Committee, Non-executive Director
- G. Levin Non-executive Director
- W. Fraser Non-executive Director
- R. Uechtriz Chief Executive Officer and Executive Director
- T. Smart Chief Operating Officer and Executive Director

The highest remunerated company and Group executives for the 2007 financial year were:

- R. Uechtriz Chief Executive Officer and Executive Director
- T. Smart Chief Operating Officer and Executive Director
- F. Garonzi General Manager
- R. Murray Chief Financial Officer
- S. Browning Marketing Director

Remuneration policy for directors and executives (audited)

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 the 2007 financial year for non-executive directors was \$65,000 per annum and \$110,000 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. The remuneration for the 2006 financial year for non-executive directors was \$65,000 per annum and \$110,000 per annum for the Chairman.

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 that their superannuation contributions are received as increased Board fees. Directors also have the right to enter into salary packaging arrangements with the company. The result of these arrangements is no net increase to the cost of directors' remuneration to the company.

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 no.12.

Elements of remuneration	Summary of performance condition
Base salary packages includes base salary, motor vehicle provisions or allowances, other benefits and post employment superannuation	No elements are dependent on performance conditions.

Elements of remuneration**Summary of performance condition**

Cash bonus (short term incentive)	<p>Under the Group's short term incentive program, Group executive directors and Group executives annual cash bonus payments are based on performance against annual budgets, business plans and other relevant qualitative objectives such as corporate governance, investor relations, succession planning and human capital development.</p> <p>The Group undertakes a rigorous and detailed annual planning and budgeting process. The Remuneration Committee in considering the short term performance of Group directors and executives considers the most relevant short term performance conditions are achieving or exceeding annual budgets, business plans and relevant qualitative objectives. Since listing, the management team has met or exceeded its annual targets and as a result, the Board has not had to consider other factors that may have been relevant in determining whether an executive would still be entitled to a proportion of their annual cash bonus.</p>
Equity options (long term incentive)	<p>The options under the Executive Share Option Plan (ESOP) were issued to executives and management as part of the listing of the company. They form part of the Group's long term incentive program, however their vesting is not subject to performance conditions. No options have been issued subsequent to June 2004 to Group directors and executives under this program.</p>
Equity options (long term incentive) with performance conditions	<p>Since July 2004, all options issued to Group directors and executives under the Group's long term incentive program have included a performance hurdle requiring compound annual earnings per share (EPS) growth. The Remuneration Committee considers this equity performance linked remuneration structure is effective in aligning the long term interests of executives and shareholders.</p> <p>It is anticipated that all long term incentives issued to Group directors and executives in subsequent financial periods will continue to be subject to appropriate performance conditions that ensure an alignment of the long term interests of management and shareholders.</p>

All executive officers 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.

Further details of the company's remuneration policy are contained in the Corporate Governance statement contained in the Annual Report. The directors consider the policy appropriate given the Measures of Performance and Shareholder Value as detailed in the Review of Operations.

Key management personnel compensation (audited)

Key management personnel include the directors and the five identified company and Group executives.

The aggregate compensation of the key management personnel of the company and the Group is set out below:

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Short term employee benefits	4,252,117	3,217,930	359,700	359,700
Post-employment benefits	228,485	223,726	-	-
Share-based payments	567,550	507,766	-	-
	5,048,152	3,949,422	359,700	359,700

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

2007	Short-term employee benefits				Post-employment benefits		Share-based payments	Total \$	Consisting of options %
	Salary & fees \$	Bonus \$	Non-monetary \$	Other \$	Superannuation \$	Other \$	Options \$		
Non executive directors									
J. King	120,000	-	-	-	10,800	-	-	130,800	-
P. Elliott	70,000	-	-	-	6,300	-	-	76,300	-
G. Levin	70,000	-	-	-	6,300	-	-	76,300	-
W. Fraser	70,000	-	-	-	6,300	-	-	76,300	-
	330,000	-	-	-	29,700	-	-	359,700	
Executive officers									
R. Uechtritz	756,757	875,000	-	35,000	83,243	8,230	177,717 ⁽ⁱ⁾	1,935,947	9.2
T. Smart	396,000	420,000	-	26,000	43,560	-	135,104 ⁽ⁱⁱ⁾	1,020,664	13.2
F. Garonzi	222,360	210,000	-	25,000	20,012	-	78,914 ⁽ⁱⁱⁱ⁾	556,286	14.2
R. Murray	240,000	210,000	-	25,000	21,600	-	85,766 ⁽ⁱⁱⁱ⁾	582,366	14.7
S. Browning	246,000	210,000	25,000	-	22,140	-	90,049 ^(iv)	593,189	15.2
	1,861,117	1,925,000	25,000	111,000	190,555	8,230	567,550	4,688,452	
	2,191,117	1,925,000	25,000	111,000	220,255	8,230	567,550	5,048,152	

⁽ⁱ⁾ Series #6, 10, 17, 24 and 25

⁽ⁱⁱ⁾ Series #1, 10, 14, 21 and 22

⁽ⁱⁱⁱ⁾ Series #5, 9, 10, 14, 21 and 22

^(iv) Series #8, 10, 14, 21 and 22

2006	Short-term employee benefits				Post-employment benefits		Share-based payments	Total \$	Consisting of options %
	Salary & fees \$	Bonus \$	Non-monetary \$	Other \$	Superannuation \$	Other \$	Options \$		
Non executive directors									
J. King	86,667	-	-	-	7,800	-	-	94,467	-
P. Elliott	103,333	-	-	-	9,300	-	-	112,633	-
G. Levin	70,000	-	-	-	6,300	-	-	76,300	-
W. Fraser	70,000	-	-	-	6,300	-	-	76,300	-
	330,000	-	-	-	29,700	-	-	359,700	-
Executive officers									
R. Uechtritz	630,631	587,000	-	35,000	69,369	8,230	157,950 ⁽ⁱ⁾	1,488,180	10.6
T. Smart	330,000	309,000	-	26,000	36,300	-	115,173 ⁽ⁱⁱ⁾	816,473	14.1
F. Garonzi	185,300	100,000	-	25,000	25,677	-	68,210 ⁽ⁱⁱⁱ⁾	404,187	16.9
R. Murray	200,000	115,000	-	-	27,000	-	79,480 ⁽ⁱⁱⁱ⁾	421,480	18.9
S. Browning	205,000	115,000	25,000	-	27,450	-	86,952 ^(iv)	459,402	18.9
	1,550,931	1,226,000	25,000	86,000	185,796	8,230	507,765	3,589,722	
	1,880,931	1,226,000	25,000	86,000	215,496	8,230	507,765	3,949,422	

⁽ⁱ⁾ Series #6, 10 and 17

⁽ⁱⁱ⁾ Series #1, 10, and 14

⁽ⁱⁱⁱ⁾ Series #5, 9, 10 and 14

^(iv) Series #8, 10 and 14

Share options (audited)

Executive and employee share option plan

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

Shares under option

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

Option series	Number of shares under option	Class of share	Grant date	Grant date share price	Expiry date	Exercise price \$	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date \$
5	47,999	Ordinary	18/09/03	N/A	18/09/08	1.25	53.0%	5.0%	5.31%	0.56
6	195,000	Ordinary	18/09/03	N/A	18/09/08	1.45	53.0%	5.0%	5.31%	0.51
7	17,212	Ordinary	29/01/04	2.33	29/01/09	2.32	24.0%	3.3%	5.04%	0.45
8	100,000	Ordinary	21/03/04	2.20	21/03/09	2.23	24.0%	3.3%	5.17%	0.45
9	134,000	Ordinary	28/04/04	2.22	28/04/09	2.25	24.0%	3.3%	5.65%	0.48
10	1,249,606	Ordinary	23/07/04	2.57	23/07/09	2.29	24.3%	2.8%	5.54%	0.48
11	33,334	Ordinary	27/10/04	3.47	27/10/09	2.29	23.5%	2.1%	5.20%	0.48
12	33,334	Ordinary	28/01/05	3.70	28/01/10	3.68	25.0%	1.9%	5.34%	0.97
13	50,000	Ordinary	12/04/05	3.52	12/04/10	3.61	26.3%	2.0%	5.54%	0.92
14	513,528	Ordinary	22/07/05	3.38	22/07/10	3.33	28.4%	2.1%	5.29%	0.81
15	50,000	Ordinary	08/08/05	3.44	08/08/10	3.37	28.3%	2.1%	5.34%	0.83
16	50,000	Ordinary	26/09/05	3.39	26/09/10	3.29	28.3%	2.1%	5.25%	0.83
17	203,136	Ordinary	22/07/05	3.38	22/07/10	3.33	28.4%	2.1%	5.29%	0.81
18	50,000	Ordinary	03/04/06	4.94	03/04/11	4.89	28.3%	1.5%	5.37%	1.25
19	50,000	Ordinary	26/06/06	4.85	26/06/11	4.98	29.4%	1.5%	5.85%	1.21
20	285,000	Ordinary	15/08/06	4.79	15/08/11	4.81	29.5%	1.6%	5.98%	1.24
21	168,000	Ordinary	15/08/06	4.79	15/08/11	4.81	29.5%	1.6%	5.98%	1.24
22	72,000	Ordinary	15/08/06	4.79	15/08/11	4.81	29.5%	1.6%	5.98%	1.24
23	60,000	Ordinary	13/09/06	4.81	13/09/11	4.81	29.4%	1.6%	5.74%	1.24
24	245,000	Ordinary	15/08/06	4.79	15/08/11	4.81	29.5%	1.6%	5.98%	1.24
25	105,000	Ordinary	15/08/06	4.79	15/08/11	4.81	29.5%	1.6%	5.98%	1.24
26	30,000	Ordinary	29/11/06	5.82	29/11/11	5.73	29.2%	1.4%	5.75%	1.56
27	50,000	Ordinary	28/12/06	6.55	28/12/11	6.48	29.3%	1.2%	6.04%	1.79
28	50,000	Ordinary	19/04/07	8.05	19/04/12	8.01	29.4%	1.1%	6.11%	2.21
29	30,000	Ordinary	07/05/07	8.75	07/05/12	8.47	29.4%	1.0%	6.01%	2.51
30	90,000	Ordinary	04/07/07	11.36	04/07/12	10.90	29.8%	1.1%	6.32%	3.37
31	30,000	Ordinary	01/08/07	11.20	01/08/12	11.25	30.0%	1.1%	6.16%	3.10
3,992,149										

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme. The weighted average fair value of the share options granted during the financial year is \$1.35 (2006: \$0.86). Options were valued using the Black-Scholes model.

Volatility is based on:

Options Granted before ASX listing on 23 October 2003:

- AASB 1046 outlined that where the underlying stock is not publicly traded, "the expected average volatility in the entity's industry" may be used to determine the price volatility. A search identified Australian listed companies that operated in a similar industry to JB Hi-Fi. After appropriate analysis, Harvey Norman Holding Ltd and Brazin Ltd were considered comparable for the purchase of determining price volatility during the period prior to JB Hi-Fi listing on the ASX. This volatility methodology has been applied to Series 1 to 6.

Options Granted after ASX listing on 23 October 2003:

- Series 7 to 9 expected volatility was based on the daily closing share price since listing, which was a period of less than 12 months;
- Series 10 to 13, expected volatility is based on the daily closing share price for the 12 months preceding the issues of the series;
- Series 14 to 29, expected volatility is based on the daily closing share price since listing; and
- Series 30 and onwards, expected volatility is based on the daily closing share price for the 3.44 years preceding the issues of the series.

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

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

2007

Option Series	Grant Date	Exercise date	Number exercised	Number of shares issued	Class of shares	Amount paid per share	Amount unpaid on shares	Share price at exercise date \$
1	07/02/2002	23/10/2006	86,667	86,667	Ordinary	0.50	-	5.60
2	19/09/2002	23/10/2006	26,667	26,667	Ordinary	1.25	-	5.60
3	22/10/2002	13/02/2007	26,666	26,666	Ordinary	1.25	-	6.69
4	22/10/2002	23/10/2006	26,666	26,666	Ordinary	1.25	-	5.60
5	18/09/2003	16/08/2006	5,334	5,334	Ordinary	1.25	-	4.75
5	18/09/2003	23/10/2006	32,000	32,000	Ordinary	1.25	-	5.60
5	18/09/2003	13/02/2007	5,333	5,333	Ordinary	1.25	-	6.63
6	18/09/2003	19/02/2007	80,000	80,000	Ordinary	1.45	-	7.62
6	18/09/2003	23/02/2007	115,000	115,000	Ordinary	1.45	-	7.79
7	29/01/2004	23/10/2006	8,606	8,606	Ordinary	2.32	-	5.60
8	23/03/2004	16/08/2006	50,000	50,000	Ordinary	2.23	-	4.68
9	28/04/2004	16/08/2006	41,999	41,999	Ordinary	2.25	-	4.68
9	28/04/2004	23/10/2006	25,001	25,001	Ordinary	2.25	-	5.60
10	23/07/2004	16/08/2006	289,876	289,876	Ordinary	2.29	-	4.68
10	23/07/2004	23/10/2006	17,335	17,335	Ordinary	2.29	-	5.60
10	23/07/2004	19/02/2007	114,345	114,345	Ordinary	2.29	-	7.62
10	23/07/2004	23/02/2007	173,251	173,251	Ordinary	2.29	-	7.79
10	23/07/2004	05/03/2007	5,000	5,000	Ordinary	2.29	-	7.45
11	27/10/2004	05/03/2007	16,666	16,666	Ordinary	2.29	-	7.45
12	28/01/2006	13/02/2007	16,666	16,666	Ordinary	3.68	-	7.10
			1,163,078	1,163,078				

2006

Option Series	Grant Date	Exercise date	Number exercised	Number of shares issued	Class of shares	Amount paid per share	Amount unpaid on shares	Share price at exercise date \$
1	07/02/2002	29/8/2005	20,000	20,000	Ordinary	0.50	-	3.37
1	07/02/2002	31/10/2005	667	667	Ordinary	0.50	-	3.37
1	07/02/2002	15/02/2006	266,664	266,664	Ordinary	0.50	-	4.35
2	19/09/2002	31/10/2005	26,667	26,667	Ordinary	1.25	-	3.37
3	22/10/2002	22/02/2006	26,667	26,667	Ordinary	1.25	-	4.50
4	22/10/2002	22/02/2006	53,334	53,334	Ordinary	1.25	-	4.50
5	18/09/2003	31/10/2005	21,334	21,334	Ordinary	1.25	-	3.37
5	18/09/2003	22/02/2006	16,000	16,000	Ordinary	1.25	-	4.50
6	18/09/2003	31/10/2005	80,000	80,000	Ordinary	1.45	-	3.37
6	18/09/2003	22/02/2006	115,000	115,000	Ordinary	1.45	-	4.50
			626,633	626,633				

Long Term Incentive 2007 (audited)

Since July 2004, certain Group directors and executives have been 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 between 10% and 15% per annum. If the performance hurdle is achieved, a third of the options will vest on each of the second, third and fourth anniversary of issue. The following table details the current options outstanding which feature performance hurdles:

Option Series	Grant Date	Performance Condition - Cumulative EPS Growth per annum	Date for testing Performance Condition	Relevant Financial Year	Vested Subject to Performance Condition	Vested due to achievement of Performance Condition
10.1	23/07/2004	10.0%	23/07/2006	2006	Yes	Yes
10.2	23/07/2004	10.0%	23/07/2007	2007	Yes	Yes
10.3	23/07/2004	10.0%	23/07/2008	2008	No	No
14.1	22/07/2005	10.0%	22/07/2007	2007	Yes	Yes
14.2	22/07/2005	10.0%	22/07/2008	2008	No	No
14.3	22/07/2005	10.0%	22/07/2009	2009	No	No
17.1	22/07/2005	10.0%	22/07/2007	2007	Yes	Yes
17.2	22/07/2005	10.0%	22/07/2008	2008	No	No
17.3	22/07/2005	10.0%	22/07/2009	2009	No	No
21.1	15/08/2006	10.0%	15/08/2008	2008	No	No
21.2	15/08/2006	10.0%	15/08/2009	2009	No	No
21.3	15/08/2006	10.0%	15/08/2010	2010	No	No
22.1	15/08/2006	15.0%	15/08/2008	2008	No	No
22.2	15/08/2006	15.0%	15/08/2009	2009	No	No
22.3	15/08/2006	15.0%	15/08/2010	2010	No	No
24.1	15/08/2006	10.0%	15/08/2008	2008	No	No
24.2	15/08/2006	10.0%	15/08/2009	2009	No	No
24.3	15/08/2006	10.0%	15/08/2010	2010	No	No
25.1	15/08/2006	15.0%	15/08/2008	2008	No	No
25.2	15/08/2006	15.0%	15/08/2009	2009	No	No
25.3	15/08/2006	15.0%	15/08/2010	2010	No	No

Director and executive equity holdings (audited)

Fully paid ordinary shares of JB Hi-Fi Limited

2007	Balance at 1 July 2006 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2007 No.	Balance held nominally No.
J. King	32,258	-	-	-	32,258	32,258
P. Elliott	498,600	-	-	(150,000)	348,600	110,000
G. Levin	300,000	-	-	(200,000)	100,000	-
W. Fraser	6,451	-	-	-	6,451	6,451
R. Uechtritz	4,000,000	-	288,251	(288,251)	4,000,000	-
T. Smart	2,080,000	-	194,345	(430,000)	1,844,345	-
F. Garonzi	240,000	-	86,625	-	326,625	160,000
R. Murray	21,334	-	119,958	(21,333)	119,959	-
S. Browning	-	-	136,625	-	136,625	-
	7,178,643	-	825,804	(1,089,584)	6,914,863	308,709

2006	Balance at 1 July 2005 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2006 No.	Balance held nominally No.
J. King	32,258	-	-	-	32,258	32,258
P. Elliott	438,600	-	-	60,000	498,600	260,000
G. Levin	400,000	-	-	(100,000)	300,000	-
W. Fraser	6,451	-	-	-	6,451	6,451
R. Uechtritz	5,107,096	-	115,000	(1,222,096)	4,000,000	-
T. Smart	2,000,000	-	80,000	-	2,080,000	-
F. Garonzi	304,516	-	-	(64,516)	240,000	160,000
R. Murray	3,225	-	21,334	(3,225)	21,334	-
S. Browning	-	-	-	-	-	-
	8,292,146	-	216,334	(1,329,837)	7,178,643	458,709

Share options of JB Hi-Fi Limited

2007	Balance at 1 July 2006 No.	Granted as compensation No.	Exercised No.	Balance at 30 June 2007 No.	Balance vested at 30 June 2007 No.	Vested and exercisable No.	Options vested during year No.
R. Uechtritz [®]	851,319	200,000	(288,251)	763,068	-	-	288,251
T. Smart [®]	604,603	150,000	(194,345)	560,258	-	-	194,345
F. Garonzi [®]	336,051	80,000	(86,625)	329,426	-	-	86,625
R. Murray [®]	414,717	80,000	(119,958)	374,759	12,000	12,000	119,958
S. Browning [®]	486,051	80,000	(136,625)	429,426	50,000	50,000	136,625
	2,692,741	590,000	(825,804)	2,456,937	62,000	62,000	825,804

[®] Excludes any options that may be approved by the Board in August 2007. The issue of any options to R. Uechtritz and T. Smart, both group executive directors of the company, is also subject to shareholder approval at the company's Annual General Meeting in October 2007.

2006	Balance at 1 July 2005 No.	Granted as compensation No.	Exercised No.	Balance at 30 June 2006 No.	Balance vested at 30 June 2006 No.	Vested and exercisable No.	Options vested during year No.
R. Uechtritz	864,751	101,568	(115,000)	851,319	-	-	115,000
T. Smart	583,035	101,568	(80,000)	604,603	-	-	80,000
F. Garonzi	259,875	76,176	-	336,051	-	-	-
R. Murray	359,875	76,176	(21,334)	414,717	-	-	21,334
S. Browning	409,875	76,176	-	486,051	50,000	50,000	50,000
	2,477,411	431,664	(216,334)	2,692,741	50,000	50,000	266,334

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

During the financial year 825,804 (2006: 216,334) options were exercised by key management personnel at a weighted average exercise price of \$2.06 for 825,804 (2006: 216,334) ordinary shares in JB Hi-Fi Limited (2006: \$1.43). No amounts remain unpaid on the options exercised during the financial year at year end.

Value of options issued to directors and executives (audited)

The following table summarises the value of options granted, exercised or lapsed during the annual reporting period to the identified directors and executives:

	Value of options granted at the grant date ⁽ⁱ⁾ \$	Value of options exercised at the exercise date ⁽ⁱⁱ⁾ \$	Value of options lapsed at the date of lapse \$	Total \$
R. Uechtritz	962,000	1,681,981	-	2,643,981
T. Smart	721,500	1,099,859	-	1,821,359
F. Garonzi	384,800	213,098	-	597,898
R. Murray	384,800	335,896	-	720,696
S. Browning	384,800	122,500	-	507,300
	2,837,900	3,453,334	-	6,291,234

(i) The value of options granted during the period is recognised in compensation over the vesting period of the grant, in accordance with Australian accounting standards.

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

Value of options - basis of calculation

Options exercised during the year were granted between 18 September 2003 and 23 August 2004.

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.

The total value of options included in remuneration for the year is calculated in accordance with Australian Accounting Standards. This requires that the value of the option is determined at grant date, and is included in remuneration on a proportionate basis from grant date to vesting date. Where the options immediately vest, the full value of the option is recognised in remuneration in the current year.

Proceedings on behalf of the company

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

Non-audit services

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

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

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

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

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

Auditor's independence declaration

The auditor's independence declaration is included on page 27, of the annual 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, unless otherwise indicated.

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

On behalf of the Directors



James King
Chairman



Richard Uechritz
Chief Executive Officer

Melbourne,
14 August 2007

Deloitte.

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

14 August 2007

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 2007, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



B Porter

Partner
Chartered Accountants



Deloitte Touche Tohmatsu
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JB HI FI LIMITED

Report on the Financial Report and AASB 124 Compensation Disclosures in the Directors' Report

We have audited the accompanying financial report of JB Hi Fi Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 30 to 66.

We have also audited the compensation disclosures contained in the directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures ("AASB 124"), under the heading "remuneration report" on pages 18 to 25 of the directors' report, and not in the financial report. These compensation disclosures are identified in the directors' report as being subject to audit.

Directors' Responsibility for the Financial Report and the AASB 124 Compensation Disclosures Contained in the Directors' Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. The directors are also responsible for the compensation disclosures contained in the directors' report. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and notes complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report and compensation disclosures contained in the directors' report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and the compensation disclosures comply with AASB 124.

Deloitte.

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion on the Financial Report

In our opinion:

- (a) the financial report of JB Hi Fi Limited is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2.

Auditor's Opinion on the AASB 124 Compensation Disclosures Contained in the Directors' Report

In our opinion, the compensation disclosures that are contained on pages 18 to 25 under the heading "remuneration report" of the directors' report and identified as being subject to audit, comply with paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 Related Party Disclosures.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU



B Porter

Partner

Chartered Accountants

Melbourne,

14 August 2007

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

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

In the directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 29 to the financial statements will, as a Group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



James King
Chairman



Richard Uechritz
Chief Executive Officer

Melbourne,
14 August 2007

INCOME STATEMENT
for the financial year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue	4	1,281,837	945,821	–	–
Cost of sales	6	(998,478)	(733,395)	–	–
Gross profit		283,359	212,426	–	–
Other income	4	1,933	1,550	10,033	10,474
Share of profits of associates accounted for using the equity method	14	–	170	–	–
Sales and marketing expenses		(142,020)	(113,921)	(936)	(743)
Occupancy expenses		(46,815)	(33,181)	–	–
Administration expenses		(15,699)	(12,231)	(360)	(340)
Finance costs		(7,457)	(6,410)	–	(1,297)
Other expenses		(13,922)	(9,603)	–	–
Profit before tax	6	59,379	38,800	8,737	8,094
Income tax expense	7	(18,003)	(11,954)	(86)	(407)
Profit for the year		41,376	26,846	8,651	7,687
Profit attributable to minority interest		(987)	(1,033)	–	–
Profit attributable to members of the parent entity		40,389	25,813	8,651	7,687
Earnings per share					
Basic (cents per share)	26	38.78	25.03		
Diluted (cents per share)	26	38.08	24.53		

KEY STATISTICAL DATA	Consolidated	
	2007	2006
Gross margin percentage (%)	22.11%	22.46%
Rent for trading stores as a percentage of sales (%) ⁽ⁱ⁾	2.01%	1.98%
Cost of doing business as a percentage of sales (%)	16.05%	17.07%
EBIT margin (%)	5.11%	4.71%
Number of stores at end of the period	89	66

(i) Based on actual rent and outgoings for the financial year, excluding the impact of A-IFRS straight-line rent adjustment. If this adjustment had been included, rent as a percentage of sales would be 2.07% (2006: 2.05%).

Notes to the financial statements are included on pages 35 to 66.

BALANCE SHEET
as at 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Current assets					
Cash and cash equivalents	34	23,707	4,493	–	1
Trade and other receivables	11	45,177	28,282	–	100
Inventories	12	211,311	161,137	–	–
Other	13	3,549	2,845	–	–
Total current assets		283,744	196,757	–	101
Non-current assets					
Investments accounted for using the equity method	14	689	689	450	450
Other financial assets	15	847	674	44,423	39,137
Plant and equipment	16	80,858	57,206	–	–
Deferred tax assets	7	7,094	4,867	–	–
Goodwill	17	34,110	20,015	–	–
Intangible assets	18	46,636	46,636	–	–
Total non-current assets		170,234	130,087	44,873	39,587
Total assets		453,978	326,844	44,873	39,688
Current liabilities					
Trade and other payables	19	185,288	122,762	10	8
Borrowings	20	702	519	–	–
Current tax liabilities	7	7,576	4,453	7,196	4,449
Provisions	21	15,166	9,508	–	–
Other	22	1,244	1,102	–	–
Total current liabilities		209,976	138,344	7,206	4,457
Non-current liabilities					
Borrowings	20	117,732	100,042	–	–
Provisions	21	682	771	–	–
Other	22	6,786	4,030	–	–
Total non-current liabilities		125,200	104,843	–	–
Total liabilities		335,176	243,187	7,206	4,457
Net assets		118,802	83,657	37,667	35,231
Equity					
Issued capital	23	35,883	33,036	35,883	33,036
Reserves	24	2,344	2,036	1,711	1,387
Retained earnings	25	74,883	43,880	73	808
Equity attributable to equity holders of the parent		113,110	78,952	37,667	35,231
Minority interest		5,692	4,705	–	–
Total equity		118,802	83,657	37,667	35,231

Notes to the financial statements are included on pages 35 to 66.

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 30 June 2007

	Note	Consolidated		Company	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
(a) Retained earnings	25				
Retained earnings at the beginning of the year		43,880	25,494	808	549
Net profit attributable to members of the parent entity		40,389	25,813	8,651	7,687
Dividends		(9,386)	(7,428)	(9,386)	(7,428)
Retained earnings at the end of the year		74,883	43,880	73	808
(b) Reserves	24				
Reserves at the beginning of the year		2,036	644	1,387	644
Movements in reserves:					
Hedge:					
- interest rate swap		(107)	649	-	-
- net investment		(233)	-	-	-
Equity-settled benefits		324	743	324	743
Foreign currency translation		324	-	-	-
Reserves at the end of the year		2,344	2,036	1,711	1,387
(c) Issued capital	23				
Issued capital at the beginning of the year		33,036	32,428	33,036	32,428
Issue of shares under share option plan		2,847	608	2,847	608
Share capital at the end of the year		35,883	33,036	35,883	33,036
(d) Total recognised income and expenses for the year					
Net profit for the year		41,376	26,846	8,650	7,687
Profit attributable to minority interest		(987)	(1,033)	-	-
Net profit attributable to members of the parent entity		40,389	25,813	8,650	7,687
Net income/(expense) recognised directly in equity:					
- interest rate swap		(107)	649	-	-
- net investment		(233)	-	-	-
- foreign currency translation		324	-	-	-
Total recognised income and expenses for the year		40,373	26,462	8,650	7,687

Notes to the financial statements are included on pages 35 to 66.

CASH FLOW STATEMENT
for the financial year ended 30 June 2007

	Note	Consolidated		Company*	
		2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash flows from operating activities					
Receipts from customers		1,397,827	1,038,663	–	–
Payments to suppliers and employees		(1,311,465)	(1,006,089)	–	–
Dividend received		–	118	9,386	7,718
Interest and bill discounts received		1,289	672	635	2,756
Interest and other costs of finance paid		(8,393)	(6,410)	–	(527)
Income taxes paid		(15,229)	(11,333)	(14,221)	(9,887)
Net cash provided by/(used in) operating activities	34(d)	64,029	15,621	(4,200)	60
Cash flows from investing activities					
Proceeds from repayment of related party loans		–	–	11,350	63,704
Payments for plant and equipment		(34,406)	(29,046)	–	–
Proceeds from sale of plant and equipment		180	200	–	–
Payment for businesses	34(b)	(19,231)	–	–	–
Net cash (used in)/provided by investing activities		(53,457)	(28,846)	11,350	63,704
Cash flows from financing activities					
Borrowing activities:					
Repayment of lease liabilities		–	(20,117)	–	–
Proceeds/(repayments) from borrowings		15,793	43,024	–	(57,000)
Equity activities:					
Proceeds from issue of equity securities		2,235	608	2,235	608
Dividends paid to members of the parent entity		(9,386)	(7,428)	(9,386)	(7,428)
Net cash provided by/(used in) financing activities		8,642	16,087	(7,151)	(63,820)
Net increase/(decrease) in cash and cash equivalents		19,214	2,862	(1)	(56)
Cash and cash equivalents at the beginning of the financial year		4,493	1,631	1	57
Cash and cash equivalents at the end of the financial year	34(a)	23,707	4,493	–	1

* All cash movements are conducted through the JB Hi-Fi Group Pty Ltd bank account and are included here for disclosure purposes only.

Notes to the financial statements are included on pages 35 to 66.

1. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

- | | |
|---|--|
| ● AASB 7 'Financial Instruments: Disclosures' and consequential amendments to other accounting standards resulting from its issue | Effective for annual reporting periods beginning on or after 1 January 2007 |
| ● AASB 101 'Presentation of Financial Statements' - revised standard | Effective for annual reporting periods beginning on or after 1 January 2007 |
| ● Interpretation 10 'Interim Financial Reporting and Impairment' | Effective for annual reporting periods beginning on or after 1 November 2006 |
| ● AASB 8 'Operating Segments' | Effective for annual reporting periods beginning on or after 1 January 2009 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the company or the Group. The circumstances addressed by Interpretation 10, which prohibits the reversal of certain impairment losses, do not affect either the company's or the Group's previously reported results and accordingly, there will be no impact to these financial statements on adoption of the Interpretation.

The application of AASB 101 (revised), AASB 7 and AASB 2005-10 will not affect any of the amounts recognised in the financial statements, but will change the disclosures presently made in relation to the company's and the Group's financial instruments and the objectives, policies and processes for managing capital. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement, which will be the company's annual reporting period beginning on 1 July 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law. The financial report includes the separate financial statements of the company and the consolidated financial statement of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS'). The parent entity financial statements and notes also comply with IFRS except for the disclosure requirements in IAS 32 'Financial Instruments: Disclosure and Presentation' as the Australian equivalent Accounting Standard, AASB 132 'Financial Instruments: Disclosure and Presentation' does not require such disclosures to be presented by the parent entity where its separate financial statements are presented together with the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 14 August 2007.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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, unless otherwise indicated.

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

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation. Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

(b) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their Intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their Intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(c) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. Cash equivalents are short-term, highly liquid Investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

(e) Derivative financial instruments

The Group enters into financial instruments, including derivative financial instruments, to manage its exposure to interest rate and foreign exchange risk. Refer to note 35 for further details. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The Group designates certain financial Instruments as hedges of highly probable forecast transactions (cash flow hedges) or hedges of net investments in foreign operations.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Hedges of net investments on foreign operations

Hedges of net investments on foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in the foreign currency translation reserve; the gain or loss relating to the ineffective portion is recognised immediately in profit and loss. Gains and losses deferred in the foreign currency translation reserve are recognised in profit or loss when the foreign operation is disposed.

(f) Dividends

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

(g) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Contributions to defined contribution superannuation plans are expensed when incurred.

(h) Goods and services tax

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

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

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

(i) Impairment of other tangible and intangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value, less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation income.

(j) Income tax

Current tax

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

Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

Current and deferred tax for the period

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

Tax consolidation

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

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

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

(k) Intangible assets

Intangible assets acquired in a business combination

All potential intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair value can be measured reliably.

Brand names and trademarks

Brand names recognised by the company have an indefinite life and are not amortised. Each period, the useful life of this asset is reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy stated in note 2(i).

Rights to Profit Share

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

(l) Inventories

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

(m) Investments

Investments in subsidiaries 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.

(n) Leased assets

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

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

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy or borrowing costs. Finance leased assets are amortised on a straight line basis over the estimated useful life of the asset.

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

Lease incentives

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

(o) Payables

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

(p) Plant and equipment

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

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

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

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

(q) Provisions

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

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

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

(r) Revenue

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 be met before revenue is recognised.

Sale of goods

Revenue from the sale of goods is recognised when the consolidated entity has transferred to the buyer the significant risks and rewards of ownership of the goods.

Dividend and interest revenue

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

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

(s) Trade Receivables

Trade receivables are carried at cost less provision for impairment.

(t) Financial Instruments Issued by the Company

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

Transaction costs arising from 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 the costs that are incurred directly in connection with the issue of these equity instruments and which would not have been incurred had those instruments not been issued.

Interest and dividends are classified as expenses or as distributions of profit consistent with the balance sheet classification of the related debt or equity instrument or component parts of compound instruments.

(u) Share Based Payments

Equity-settled share-based payments granted after 7 November 2002, which were unvested as at 1 January 2005, are measured at fair value of the equity instrument at the date of grant. Fair value is measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations. Future details on how the fair value of equity-settled share based transactions has been determined can be found in note 24.

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

(v) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at its cost less any impairment losses.

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

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

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

(w) Foreign currency

The individual financial statements of each Group entity are presented in the currency of the primary economical environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Australian dollars, which is the functional currency of JB Hi-Fi Limited, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, and which are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

On consolidation, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into Australian dollars at exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity on or after the date of transition to A-IFRS are treated as assets and liabilities of the foreign entity and translated at exchange rates prevailing at the reporting date. Goodwill arising on acquisitions before the date of transition to A-IFRS is treated as an Australian dollar denominated asset.

(x) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out as appropriate in the Notes to the Financial Statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates and underlying assumptions are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. REVENUE

An analysis of the Group's revenue for the year is as follows:

Revenue from the sale of goods

Interest:

Loans and receivables

Other entities

Dividends:

Subsidiaries

Other entities

Other income

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Revenue from the sale of goods	1,281,837	945,821	-	-
Interest:				
Loans and receivables	-	-	635	2,756
Other entities	1,302	672	-	-
Dividends:				
Subsidiaries	-	-	9,386	7,600
Other entities	-	-	-	118
Other income	631	878	12	-
	1,933	1,550	10,033	10,474
	1,283,770	947,371	10,033	10,474

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
5. FINANCE COSTS				
Interest on loans	7,305	5,683	–	1,092
Other interest expense	136	279	–	205
Finance lease charge	16	448	–	–
	7,457	6,410	–	1,297

The weighted average effective interest rate on loans was 6.8% (2006: 6.0%).

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
6. PROFIT FOR THE YEAR				
(a) Gains and losses				
Profit for the year has been arrived at after crediting/(charging) the following gains and losses:				
Gain/(loss) on disposal of plant and equipment	(1,935)	(46)	–	–
Net foreign exchange gains/(losses)	(5)	–	–	–
	(1,940)	(46)	–	–
(b) Other expenses				
Profit for the year includes the following expenses:				
Cost of sales	998,478	733,395	–	–
Inventory:				
Shrinkage	5,699	6,332	–	–
Impairment of trade receivables	132	183	–	–
Depreciation of non-current assets	10,854	7,439	–	–
Operating lease rental expenses:				
Minimum lease payments	28,074	16,872	–	–
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	9,606	7,461	–	–
Share-based payments:				
Equity settled share-based payments	937	743	937	743
Other employee benefits	123,928	96,915	–	–
	134,471	105,119	937	743

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
7. INCOME TAXES				
Income tax recognised in profit or loss				
Tax expense comprises:				
Current tax expense	19,795	14,725	86	407
Adjustments recognised in the current year in relation to the current tax of prior years	(122)	113	–	–
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	(1,670)	(2,884)	–	–
Total tax expense/(income)	18,003	11,954	86	407
The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows:				
Profit from operations	59,379	38,800	8,737	8,094
Income tax expense calculated at 30%	17,814	11,640	2,621	2,428
Effect of expenses that are not deductible in determining taxable profit	311	201	281	223
Effect of transactions within the tax-consolidated Group that are exempt from taxation	–	–	(2,816)	(2,244)
	18,125	11,841	86	407
(Over)/under provision of income tax in previous year	(122)	113	–	–
	18,003	11,954	86	407

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Income tax recognised directly in equity

The following current and deferred amounts were charged/(credited) directly to equity during the period:

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Deferred tax				
Tax effect of hedge gains/(losses) in reserves	132	–	–	–
	132	–	–	–
Current tax liabilities				
Income tax payable attributable to:				
Parent entity	86	407	86	407
Entities in the tax-consolidated group	7,110	4,042	7,110	4,042
Other	380	4	–	–
	7,576	4,453	7,196	4,449

7. INCOME TAXES (cont.)

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following:

	Consolidated			
	<i>Opening balance \$'000</i>	<i>Charged to income \$'000</i>	<i>Acquisitions \$'000</i>	<i>Closing balance \$'000</i>
2007				
Temporary differences				
Gross deferred tax liabilities				
Trade and other receivables	(798)	72	–	(726)
Plant and equipment	(288)	(626)	–	(914)
Cash flow Hedge	(200)	(52)	–	(252)
	(1,286)	(606)	–	(1,892)
Gross deferred tax assets				
Trade and other receivables	85	(22)	–	63
Inventories	1,242	385	199	1,826
Plant and equipment	347	(118)	248	477
Tax bases without an asset carrying amount	195	(195)	–	–
Other financial liabilities	–	106	–	106
Trade and other payables	642	312	–	954
Provisions	3,644	1,808	108	5,560
	6,155	2,276	555	8,986
	4,869	1,670	555	7,094

	Consolidated			
	<i>Opening balance \$'000</i>	<i>Charged to income \$'000</i>	<i>Acquisitions \$'000</i>	<i>Closing balance \$'000</i>
2006				
Temporary differences				
Gross deferred tax liabilities				
Trade and other receivables	(1,374)	576	–	(798)
Plant and equipment	(334)	46	–	(288)
Cash flow Hedge	–	(200)	–	(200)
	(1,708)	422	–	(1,286)
Gross deferred tax assets				
Trade and other receivables	54	31	–	85
Inventories	268	973	–	1,241
Plant and equipment	125	222	–	347
Tax bases without an asset carrying amount	–	195	–	195
Trade and other payables	494	148	–	642
Provisions	2,751	893	–	3,644
	3,692	2,462	–	6,155
	1,984	2,884	–	4,868

The company has no taxable and deductible temporary differences in the current or prior report periods.

7. INCOME TAXES (cont.)

Tax consolidation

Relevance of tax consolidation to the group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2003 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is JB Hi-Fi Limited. The members of the tax-consolidated group are identified at note 29.

Nature of tax funding arrangements and tax sharing agreements

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

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

8. KEY MANAGEMENT PERSONNEL REMUNERATION

Details of key management personnel

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

J. King	Chairman, Board and Remuneration Committee, Non-executive Director
P. Elliott	Chairman, Audit and Risk Management Committee, Non-executive Director
G. Levin	Non-executive Director
W. Fraser	Non-executive Director
R. Uechtritz	Chief Executive Officer and Executive Director
T. Smart	Chief Operating Officer and Executive Director

The highest remunerated company and Group executives for the 2007 financial year were:

R. Uechtritz	Chief Executive Officer and Executive Director
T. Smart	Chief Operating Officer and Executive Director
F. Garonzi	General Manager
R. Murray	Chief Financial Officer
S. Browning	Marketing Director

Key management personnel compensation

The aggregate compensation of the key management personnel of the consolidated entity and the company is set out below:

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
Short term employee benefits	4,252,117	3,217,930	359,700	359,700
Post-employment benefits	228,485	223,726	–	–
Share-based payments	567,550	507,766	–	–
	5,048,152	3,949,422	359,700	359,700

9. SHARE-BASED PAYMENTS

Executive and employee share option plan

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

	2007		2006	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of the financial year	4,009,227	1.51	3,688,896	1.91
Granted during the financial year	1,095,000	5.16	946,664	3.50
Exercised/lapsed during the financial year	(1,232,078)	1.94	(626,333)	0.97
Balance at end of the financial year ⁽ⁱ⁾	3,872,149	3.36	4,009,227	2.43
Exercisable at end of the financial year	842,077	2.36	228,272	1.51

⁽ⁱ⁾ the share options outstanding at the end of the financial year had a weighted exercise price of \$3.36 (2006: \$2.43), and a weighted average remaining contractual life of 1,050 days (2006: 1,114 days).

	Consolidated		Company	
	2007 \$	2006 \$	2007 \$	2006 \$
10. REMUNERATION OF AUDITORS				
Auditor of the parent entity				
Audit of the financial report				
– Current year	266,500	275,000	–	–
Taxation services including due diligence	128,763	38,570	–	–
Other non-audit services:				
Due diligence on business acquired ⁽ⁱ⁾	65,792	–	–	–
Review on transition to A-IFRS	–	26,900	–	–
Other	5,000	–	–	–
	466,055	340,470	–	–
Other auditors				
Audit of the financial report				
– Current year	24,889	–	–	–
Other non-audit services:				
Review on business acquired	19,419	–	–	–
	44,308	–	–	–
	510,363	340,470	–	–

⁽ⁱ⁾ paid to Deloitte NZ

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

The auditor of JB Hi-Fi Group (NZ) Limited (formerly Hill & Stewart Appliances Limited) is KPMG.

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
11. TRADE AND OTHER RECEIVABLES				
Trade receivables	13,867	5,946	-	-
Allowance for doubtful debts	(211)	(284)	-	-
	13,656	5,662	-	-
Goods and services tax (GST) recoverable	469	983	-	-
Non-trade receivables	31,052	21,637	-	100
	45,177	28,282	-	100
12. INVENTORIES				
Finished goods	211,311	161,137	-	-
13. OTHER ASSETS				
Current				
Prepayments	2,407	1,714	-	-
Other deposits	1,142	1,131	-	-
	3,549	2,845	-	-
14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD				
Investments in associates (Company: at cost)	689	689	450	450

Name of entity	Principal activity	Country of incorporation	Ownership interest		Published fair value	
			2007 %	2006 %	2007 \$'000	2006 \$'000
Rocket Replacements Pty Ltd	Insurance replacements	Australia	50% ⁽ⁱ⁾	50% ⁽ⁱ⁾	n/a	n/a

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

	Consolidated	
	2007 \$'000	2006 \$'000
Summarised financial information in respect of the Group's associates is set out below:		
Financial position:		
Total assets	5,723	5,346
Total liabilities	(4,505)	(4,106)
Net assets	1,218	1,240
Total Group's share of associates net assets	609	620
Financial performance:		
Total revenue	9,315	7,998
Total profit for the year	-	340
Group's share of associates' profit before tax	-	239
Group's share of associates income tax expense	-	(69)
Group's share of associate's profit/(loss)	-	170

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
15. OTHER NON-CURRENT FINANCIAL ASSETS				
Investments in subsidiaries	–	–	24,316	24,316
Shares in listed entities	3	6	–	–
	3	6	24,316	24,316
Loans to subsidiaries	–	–	20,107	14,821
	–	–	20,107	14,821
Interest rate swap	844	668	–	–
	847	674	44,423	39,137

	Consolidated			
	<i>Leasehold improvements at cost</i> \$'000	<i>Plant and equipment at cost</i> \$'000	<i>Equipment under finance lease at cost</i> \$'000	<i>Total</i> \$'000
16. PLANT AND EQUIPMENT				
Gross carrying amount				
Balance at 1 July 2005	5,670	11,004	32,229	48,903
Additions	10,062	18,983	–	29,046
Disposals	(5)	(252)	(392)	(649)
Transfers	7,571	23,160	(30,731)	–
Balance at 1 July 2006	23,298	52,895	1,107	77,300
Additions	13,187	21,219	–	34,406
Disposals	(1,136)	(3,003)	–	(4,139)
Acquisitions through business combinations	1,848	274	–	2,122
Net foreign currency exchange differences	72	20	–	92
Transfers	–	827	(827)	–
Balance at 30 June 2007	37,269	72,232	280	109,781
Accumulated depreciation /amortisation and impairment				
Balance at 1 July 2005	(2,301)	(4,060)	(6,634)	(12,995)
Disposals	4	136	200	341
Depreciation expense	(2,356)	(5,075)	(8)	(7,439)
Transfers	(1,221)	(4,860)	6,081	–
Balance at 1 July 2006	(5,874)	(13,859)	(360)	(20,093)
Disposals	895	1,129	–	2,024
Depreciation expense	(3,763)	(7,005)	(86)	(10,854)
Transfers	–	(248)	248	–
Balance at 30 June 2007	(8,742)	(19,983)	(198)	(28,923)
Net book value				
As at 30 June 2006	17,425	39,036	747	57,206
As at 30 June 2007	28,526	52,250	82	80,858

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
17. GOODWILL				
Gross carrying amount				
Balance at beginning of financial year	20,015	20,015	–	–
Additional amounts recognised from business combinations occurring during the period	13,840	–	–	–
Effect of FX translation of subsidiary	255	–	–	–
Balance at end of financial year	34,110	20,015	–	–
Net book value				
At the beginning of the financial year	20,015	20,015	–	–
At the end of the financial year	34,110	20,015	–	–

The goodwill relates to the Group's acquisition of Clive Anthonys and Impact Records (Canberra) on 1 July 2004 and Hill and Stewart on 1 March 2007. The recoverable amount is based on the cash flow generated by the respective businesses. During the period, there has been no indication of impairment to the current value of goodwill. The company used a discount rate of 15% in determining value in use of goodwill. On 1 March 2007, the Group acquired Hill & Stewart Appliances Limited for \$19,231,000. Refer to note 30 for further details.

	Consolidated		Company	
	Brand Names \$'000	Rights to profit share \$'000	Total \$'000	Total \$'000
18. OTHER INTANGIBLE ASSETS				
Gross carrying amount				
Balance at 1 July 2005	43,094	3,542	46,636	–
Additions	–	–	–	–
Balance at 1 July 2006	43,094	3,542	46,636	–
Additions	–	–	–	–
Balance at 30 June 2007	43,094	3,542	46,636	–
Net book value				
As at 30 June 2006	43,094	3,542	46,636	–
As at 30 June 2007	43,094	3,542	46,636	–

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
19. TRADE AND OTHER PAYABLES				
Trade payables	168,196	114,650	–	–
Other creditors and accruals	9,573	4,014	10	8
Deferred income	6,611	4,098	–	–
Goods and services tax (GST) payable	908	–	–	–
	185,288	122,762	10	8

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
20. BORROWINGS				
Secured - at amortised cost				
<i>Current</i>				
Hire purchase lease liabilities ⁽ⁱ⁾ (note 28)	67	519	-	-
Bank overdraft ⁽ⁱⁱ⁾	635	-	-	-
	702	519	-	-
<i>Non-current</i>				
Hire purchase lease liabilities ⁽ⁱ⁾ (note 28)	18	-	-	-
Bank loans ⁽ⁱⁱⁱ⁾	117,714	100,042	-	-
	117,732	100,042	-	-
	118,434	100,561	-	-

(i) Secured by the assets leased, the current market value of which exceeds the value of the hire purchase liability.

(ii) Secured by a fixed and floating charge over the assets of JB Hi-Fi Group (NZ) Limited, the current market value of which exceeds the value of the overdraft.

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

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
21. PROVISIONS				
Current				
Employee benefits	15,166	9,508	-	-
Non-current				
Employee benefits	682	771	-	-
	15,848	10,279	-	-
22. OTHER LIABILITIES				
Current				
Lease accrual	291	1,020	-	-
Lease incentive	953	82	-	-
	1,244	1,102	-	-
Non-current				
Lease accrual	2,125	660	-	-
Lease incentive	4,661	3,370	-	-
	6,786	4,030	-	-
	8,030	5,132	-	-

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
23. ISSUED CAPITAL				
104,628,745 fully paid ordinary shares (2006: 103,465,667)	35,883	33,036	35,883	33,036

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

	2007		2006	
	No. '000	\$'000	No. '000	\$'000
Fully paid ordinary shares				
Balance at beginning of the financial year	103,466	33,036	102,840	32,428
Issue of shares under employee & executive share option plan (note 9)	1,163	2,235	626	608
Transfer from equity settled benefits reserve (note 24)	–	613	–	–
Balance at end of the financial year	104,629	35,884	103,466	33,036

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

Share options

In accordance with the provisions of the employee and executive share option plan, as at 30 June 2007, employees and executives have options over 3,872,149 ordinary shares (of which 3,030,072 were unvested), in aggregate, with various expiry dates. As at 30 June 2006, employees and executives had options over 4,009,227 ordinary shares (of which 3,780,955 were unvested), in aggregate, with various expiry dates.

Share options granted under the employee and executive share options plan carry no rights to dividends and no voting rights. Further details of the employee and executive share option plan are contained in the Director's Report.

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
24. RESERVES				
Equity-settled benefits	1,711	1,387	1,711	1,387
Foreign currency translation	324	–	–	–
Hedge – interest rate swap	542	649	–	–
Hedge – net investment	(233)	–	–	–
	2,344	2,036	1,711	1,387
Equity-settled benefits reserve				
Balance at beginning of the financial year	1,387	644	1,387	644
Share-based payment	937	743	937	743
Transfer to share capital	(613)	–	(613)	–
Balance at end of the financial year	1,711	1,387	1,711	1,387

24. RESERVES (cont.)

The equity-settled benefits reserve arises on the grant of share options to employees and executives under the employee and executive share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised. Further information about share-based payments to employees is made in note 9 to the financial statements.

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Foreign currency translation reserve				
Balance at beginning of the financial year	-	-	-	-
Translation of foreign operations	324	-	-	-
Balance at end of the financial year	324	-	-	-

Exchange differences relating to the translation of the Group's foreign controlled entities from their functional currencies into Australian dollars are brought to account directly to the foreign currency translation reserve.

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Hedging Reserve - Interest rate swaps				
Balance at beginning of the financial year	649	-	-	-
Gain/(loss) recognised:				
Interest Rate Swaps	29	669	-	-
Transferred to profit or loss:				
Interest Rate Swaps	(136)	(20)	-	-
Balance at end of the financial year	542	649	-	-

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

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Hedging Reserve - net investment				
Balance at beginning of the financial year	-	-	-	-
Gain/(loss) recognised:				
Foreign currency net investment loan	(233)	-	-	-
Balance at end of the financial year	(233)	-	-	-

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

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
25. RETAINED EARNINGS				
Balance at beginning of the financial year	43,880	25,495	808	549
Net profit attributable to members of the parent entity	40,389	25,813	8,651	7,687
Dividends provided for or paid (note 27)	(9,386)	(7,428)	(9,386)	(7,428)
Balance at end of the financial year	74,883	43,880	73	808

	Consolidated	
	2007 Cents per share	2006 Cents per share
26. EARNINGS PER SHARE		
Basic earnings per share	38.78	25.03
Diluted earnings per share	38.08	24.53

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:

	Consolidated	
	2007 \$'000	2006 \$'000
Earnings used in the calculation of basic earnings per share	40,389	25,813
	2007 No '000	2006 No '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	104,145	103,117

Diluted earnings per share

The earnings used in the calculation of diluted earnings per share are as follows:

	2007 \$'000	2006 \$'000
Earnings used in the calculation of diluted earnings per share	40,389	25,813

The weighted average number of ordinary shares for the purposes 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:

	2007 No. '000	2006 No. '000
Weighted average number of ordinary shares for the purposes of basic earnings per share	104,145	103,117
Shares deemed to be issued for no consideration in respect of:		
Employee options	1,909	2,136
Weighted average number of ordinary shares for the purpose of diluted earnings per share	106,054	105,253

	2007		2006	
	Cents per share	Total \$'000	Cents per share	Total \$'000
27. DIVIDENDS				
Recognised amounts				
<i>Fully paid ordinary shares</i>				
Interim dividend:	5.0	5,231	3.6	3,725
Franked to 30% (Prior year: 30%)				
Final dividend:	4.0	4,155	3.6	3,703
Franked to 30% (Prior year: 30%)		9,386		7,428
Unrecognised amounts				
<i>Fully paid ordinary shares</i>				
Final dividend				
Franked to 30% (Prior year: 30%)	6.0	6,278	4.0	4,138

In respect of the financial year ended 30 June 2007, the directors have recommended the payment of a final dividend of 6 cents per share franked to 100% at 30% corporate income tax rate. The record date is 21 August 2007.

	Company	
	2007 \$'000	2006 \$'000
Adjusted franking account balance	28,347	16,739
Impact on franking account balance of dividends not recognised	2,691	1,241
Income tax consequences of unrecognised dividends	-	-

28. LEASES

Hire purchase liabilities

Leasing arrangements

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

Finance Lease Liabilities

	Minimum Future Lease Payments				Present Value of Minimum Future Lease Payments			
	Consolidated		Company		Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
No later than one year	80	522	-	-	67	519	-	-
Later than one year and not later than five years	20	-	-	-	18	-	-	-
Later than five years	-	-	-	-	-	-	-	-
Minimum future lease payments*	100	522	-	-	85	519	-	-
Less future finance charges	(15)	(3)	-	-	-	-	-	-
Present value of minimum lease payments	85	519	-	-	85	519	-	-
Included in the financial state- ments as: (note 20)								
Current other liabilities					67	519	-	-
Non-current other liabilities					18	-	-	-
					85	519	-	-

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

28. LEASES (cont.)

Operating leases

Leasing arrangements

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 company/Group exercises its option to renew. The company/Group does not have an option to purchase the leased asset at the expiry of the lease period.

Non-cancellable operating lease commitments

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Not longer than one year	29,394	20,237	-	-
Longer than one year and not longer than five years	73,977	52,003	-	-
Longer than five years	73,845	47,138	-	-
	177,216	119,378	-	-

29. SUBSIDIARIES

Name of Entity	Country of Incorporation	Ownership Interest	
		2007 %	2006 %
Parent entity			
JB Hi-Fi Limited ⁽ⁱ⁾	Australia		
Subsidiaries			
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	70
JB Hi-Fi Group (NZ) Limited ^(iv)	New Zealand	100	-
JB Hi-Fi NZ Limited ^(v)	New Zealand	100	-

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

(ii) These wholly-owned subsidiaries are members of the tax consolidated group. These subsidiaries have also entered into a deed of cross guarantee with JB Hi-Fi Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

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

(iv) Formerly known as Hill & Stewart Appliances Limited. Acquired on 1 March 2007. Refer to note 30 for further details.

(v) JB Hi-Fi NZ Limited was incorporated in FY07 and is the holding company of JB Hi-Fi Group (NZ) Limited.

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

	Consolidated	
	2007 \$'000	2006 \$'000
Income statement		
Revenue	1,148,183	837,544
Cost of sales	(894,837)	(650,931)
Gross profit	253,346	186,613
Other income	1,920	1,172
Sales and marketing expenses	(124,492)	(98,821)
Occupancy expenses	(42,492)	(30,118)
Administration expenses	(12,634)	(10,474)
Finance costs	(7,936)	(6,389)
Other expenses	(12,810)	(8,249)
Profit before tax	54,902	33,734
Income tax expense	(16,722)	(10,452)
Profit for the year	38,180	23,282

29. SUBSIDIARIES (cont.)

	Consolidated	
	2007 \$'000	2006 \$'000
Balance sheet		
Current assets		
Cash and cash equivalents	13,713	(1,661)
Trade and other receivables	43,327	24,132
Inventories	186,244	147,695
Other	3,461	2,678
Total current assets	246,745	172,844
Non-current assets		
Investments accounted for using the equity method	450	450
Other financial assets	42,977	24,989
Plant and equipment	70,496	51,750
Deferred tax assets	5,729	4,206
Goodwill	1,727	1,727
Intangible assets	46,636	46,636
Total non-current assets	168,015	129,758
Total assets	414,760	302,602
Current liabilities		
Trade and other payables	162,490	109,675
Borrowings	–	314
Current tax liabilities	7,196	4,449
Provisions	13,366	8,419
Other	1,205	1,065
Total current liabilities	184,257	123,922
Non-current liabilities		
Borrowings	117,714	100,042
Provisions	623	896
Other	6,676	3,876
Total non-current liabilities	125,013	104,814
Total liabilities	309,270	228,736
Net assets	105,490	73,866
Equity		
Issued capital	35,883	33,036
Reserves	2,020	2,036
Retained earnings	67,587	38,794
Total equity	105,490	73,866

30. ACQUISITION OF BUSINESSES

<i>Name of businesses acquired</i>	<i>Principal activity</i>	<i>Date of acquisition</i>	<i>Proportion of shares acquired %</i>	<i>Cost of acquisition \$'000</i>	<i>Contribution to NPAT \$'000</i>
2007					
Hill & Stewart Appliances Limited	Retailer	1 March 2007	100%	19,231	(93)
				<u>19,231</u>	<u>(93)</u>
2006					
None				-	-

<i>Net assets acquired</i>	Hill & Stewart Appliances Limited		
	<i>Book value \$'000</i>	<i>Fair value adjustment \$'000</i>	<i>Fair value on acquisition \$'000</i>
Current assets:			
Trade & other receivables	2,701	-	2,701
Inventories	7,589	-	7,589
Other	124	-	124
Non-current assets:			
Plant & Equipment	2,122	-	2,122
Other	556	-	556
Current liabilities:			
Trade & other payables	(4,383)	-	(4,383)
Provisions	-	(891)	(891)
Other	(2,427)	-	(2,427)
	<u>6,282</u>	<u>(891)</u>	<u>5,391</u>
Goodwill on acquisition			<u>13,840</u>

The initial accounting for the acquisition of Hill & Stewart Appliance Limited has only been provisionally determined as at the reporting date as the fair value of certain assets and contingent liabilities have yet to be finally determined.

31. SEGMENT INFORMATION

Information on business segments

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

Information on geographical segments

The Group operates in two principal geographical segments - Australia and New Zealand (2006: Australia).

The Group's revenue from external customers and information about its segment assets by geographical location is detailed below:

	Revenue from external customers		Net profit after tax		Segment assets		Acquisition of segment assets	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Australia	1,259,908	945,821	41,469	26,846	420,144	326,845	34,585	29,046
New Zealand	21,929*	-	(93)	-	33,834	-	15,962	-

* Business was acquired on 1 March 2007. Historical revenue for the 12 months to 30 June 2007 was \$61,420,000.

32. RELATED PARTY TRANSACTIONS

(a) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries and associates are disclosed in note 29 to the financial statements.

(b) Key management personnel compensation and equity holdings

Details of key management personnel equity holdings are as follows:

Director and executive equity holdings

Fully paid ordinary shares of JB Hi-Fi Limited

2007	Balance at 1 July 2006 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2007 No.	Balance held nominally No.
J. King	32,258	–	–	–	32,258	32,258
P. Elliott	498,600	–	–	(150,000)	348,600	110,000
G. Levin	300,000	–	–	(200,000)	100,000	–
W. Fraser	6,451	–	–	–	6,451	6,451
R. Uechtritz	4,000,000	–	288,251	(288,251)	4,000,000	–
T. Smart	2,080,000	–	194,345	(430,000)	1,844,345	–
F. Garonzi	240,000	–	86,625	–	326,625	160,000
R. Murray	21,334	–	119,958	(21,333)	119,959	–
S. Browning	–	–	136,625	–	136,625	–
	7,178,643	–	825,804	(1,089,584)	6,914,863	308,709

2006	Balance at 1 July 2005 No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June 2006 No.	Balance held nominally No.
J. King	32,258	–	–	–	32,258	32,258
P. Elliott	438,600	–	–	60,000	498,600	260,000
G. Levin	400,000	–	–	(100,000)	300,000	–
W. Fraser	6,451	–	–	–	6,451	6,451
R. Uechtritz	5,107,096	–	115,000	(1,222,096)	4,000,000	–
T. Smart	2,000,000	–	80,000	–	2,080,000	–
F. Garonzi	304,516	–	–	(64,516)	240,000	160,000
R. Murray	3,225	–	21,334	(3,225)	21,334	–
S. Browning	–	–	–	–	–	–
	8,292,146	–	216,334	(1,329,837)	7,178,643	458,709

Share options of JB Hi-Fi Limited

2007	Balance at 1 July 2006 No.	Granted as compensation No.	Exercised No.	Balance at 30 June 2007 No.	Balance vested at 30 June 2007 No.	Vested and exercisable No.	Options vested during year No.
R. Uechtritz ⁽ⁱ⁾	851,319	200,000	(288,251)	763,068	–	–	288,251
T. Smart ⁽ⁱ⁾	604,603	150,000	(194,345)	560,258	–	–	194,345
F. Garonzi ⁽ⁱ⁾	336,051	80,000	(86,625)	329,426	–	–	86,625
R. Murray ⁽ⁱ⁾	414,717	80,000	(119,958)	374,759	12,000	12,000	119,958
S. Browning ⁽ⁱ⁾	486,051	80,000	(136,625)	429,426	50,000	50,000	136,625
	2,692,741	590,000	(825,804)	2,456,937	62,000	62,000	825,804

⁽ⁱ⁾ Excludes any options that may be approved by the Board in August 2007. The issue of any options to R. Uechtritz and T. Smart, both group executive directors of the company, is also subject to shareholder approval at the company's Annual General Meeting in October 2007.

32. RELATED PARTY TRANSACTIONS (cont.)

	<i>Balance at 1 July 2005 No.</i>	<i>Granted as compensation No.</i>	<i>Exercised No.</i>	<i>Balance at 30 June 2006 No.</i>	<i>Balance vested at 30 June 2006 No.</i>	<i>Vested and exercisable No.</i>	<i>Options vested during year No.</i>
2006							
R. Uechtritz	864,751	101,568	(115,000)	851,319	–	–	115,000
T. Smart	583,035	101,568	(80,000)	604,603	–	–	80,000
F. Garonzi	259,875	76,176	–	336,051	–	–	–
R. Murray	359,875	76,176	(21,334)	414,717	–	–	21,334
S. Browning	409,875	76,176	–	486,051	50,000	50,000	50,000
	2,477,411	431,664	(216,334)	2,692,741	50,000	50,000	266,334

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

During the financial year 825,804 (2006: 216,334) options were exercised by key management personnel at a weighted average exercise price of \$2.06 for 825,804 (2006: 216,334) ordinary shares in JB Hi-Fi Limited (2006: \$1.43). No amounts remain unpaid on the options exercised during the financial year at year end.

(c) Terms and conditions

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

33. SUBSEQUENT EVENTS

The remaining 30% of Clive Anthonys was purchased on 2 July 2007 for circa \$7.0m. There have been no other matters or circumstances occurring subsequent to the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

34. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

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

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Cash and cash equivalents	23,707	4,493	–	1

(b) Businesses acquired

During the financial year, the Group acquired Hill & Stewart Appliances Limited. The net cash outflow on acquisition was \$19,231,000. Refer note 30 for further details of this acquisition.

34. NOTES TO THE CASH FLOW STATEMENT (cont.)

(c) Financing facilities

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Secured bank overdraft facility:				
amount used	635	–	–	–
amount unused	31,179	30,000	–	–
	31,814	30,000	–	–
Secured indemnity guarantees:				
amount used	1,957	1,957	–	–
amount unused	–	–	–	–
	1,957	1,957	–	–
Secured bank loan facilities (senior debt):				
amount used	117,714	100,561	–	–
amount unused	27,286	9,958	–	–
	145,000	110,519	–	–

(d) Reconciliation of profit for the period to net cash flows from operating activities

	Consolidated		Company	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Profit for the period	41,376	26,846	8,651	7,687
(Gain)/loss on sale or disposal of non-current assets	1,935	46	–	–
Share of associates' profit	–	(170)	–	–
Depreciation and amortisation	10,854	7,439	–	–
Equity settled share-based payment	937	743	937	743
Income tax paid in relation to other entities in the tax consolidated group	–	–	(16,637)	(9,778)
Increase/(decrease) in current tax liability	2,774	2,169	2,747	2,067
Increase/(decrease) in deferred tax balances	(1,671)	(2,883)	–	–
Changes in net assets and liabilities, net of effects from acquisition of businesses:				
(Increase)/decrease in assets:				
Current receivables	(14,319)	(8,430)	100	(99)
Current inventories	(42,585)	(58,980)	–	–
Other current assets	(580)	(197)	–	–
Other non-current assets	(335)	–	–	205
Increase/(decrease) in liabilities:				
Current payables	58,142	44,896	2	(765)
Current provisions	4,767	2,380	–	–
Other current liabilities	141	259	–	–
Non-current payables	–	96	–	–
Non-current provisions	(89)	37	–	–
Other non-current liabilities	2,682	1,370	–	–
Net cash from operating activities	64,029	15,621	(4,200)	60

35. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives

The Group's Corporate Treasury function provides services to the business, co-ordinates access to domestic and international financial market monitors and manages the financial risks relating to the operations of the Group.

These risks included currency and cash flow interest risk.

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

(b) 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 income 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.

(c) Foreign currency risk management

The Group operates internationally and is exposed to foreign exchange risk arising, primarily with respect to the NZ dollar. The Group has sought to hedge its net investment in their New Zealand operations. Refer to note 2(e) for further details.

(d) Interest rate risk management

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

Interest rate swap contracts

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

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

	Average Contracted		Notional Principal		Fair Value	
	Fixed Interest Rate		Amount			
<i>Outstanding floating for fixed contracts</i>	2007	2006	2007	2006	2007	2006
	%	%	\$'000	\$'000	\$'000	\$'000
1 to 2 years	5.7	–	55,000	–	843	–
2 to 5 years	–	5.7	–	55,000	–	668
			55,000	55,000	843	668

The interest rate swap settles on a quarterly basis and the Group settles the difference on a net basis. The interest rate swap contract is designated a cash flow hedge in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swap and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the loan period.

35. FINANCIAL INSTRUMENTS (cont.)

Maturity profile of financial instruments

The maturity profile of financial assets and financial liabilities held by the company and the Group are detailed below. The following table details the Group's exposure to interest rate risk as at 30 June 2007:

	Weighted average effective interest rate %	Variable interest rate \$'000	Fixed maturity dates						Non interest bearing \$'000	Total \$'000
			Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	5+ years \$'000		
2007										
Financial assets:										
Cash and cash equivalents	5.8%	23,707	-	-	-	-	-	-	-	23,707
Trade receivables	-	-	-	-	-	-	-	-	45,177	45,177
Other deposits	-	-	-	-	-	-	-	-	1,142	1,142
		23,707	-	-	-	-	-	-	46,319	70,026
Financial liabilities:										
Trade payables	-	-	-	-	-	-	-	-	168,196	168,196
Bank loans	6.8%	62,714	-	55,000	-	-	-	-	-	117,714
Bank overdraft	9.75%	635	-	-	-	-	-	-	-	635
Hire purchase lease liabilities	7.2%	-	67	18	-	-	-	-	-	85
Employee benefits	-	-	-	-	-	-	-	-	15,848	15,848
		63,349	67	55,018	-	-	-	-	184,044	302,478

The following table details the Group's exposure to interest rate risk as at 30 June 2006:

	Weighted average effective interest rate %	Variable interest rate \$'000	Fixed maturity dates						Non interest bearing \$'000	Total \$'000
			Less than 1 year \$'000	1-2 years \$'000	2-3 years \$'000	3-4 years \$'000	4-5 years \$'000	5+ years \$'000		
2006										
Financial assets:										
Cash and cash equivalents	4.9%	4,493	-	-	-	-	-	-	-	4,493
Trade receivables	-	-	-	-	-	-	-	-	28,282	28,282
Other deposits	-	-	-	-	-	-	-	-	1,131	1,131
		4,493	-	-	-	-	-	-	29,413	33,906
Financial liabilities:										
Trade payables	-	-	-	-	-	-	-	-	114,650	114,650
Bank loans	6.0%	45,042	-	-	55,000	-	-	-	-	100,042
Hire purchase lease liabilities	7.2%	-	519	-	-	-	-	-	-	519
Employee benefits	-	-	-	-	-	-	-	-	10,279	10,279
		45,042	519	-	55,000	-	-	-	124,929	225,491

35. FINANCIAL INSTRUMENTS (cont.)

(e) Credit risk management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group entity. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the audit and risk committee annually.

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

(f) Fair value of financial instruments

The directors consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values (2006: net fair value).

(g) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, who has built an appropriate liquidity management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

36. GENERAL INFORMATION

The parent entity is JB Hi-Fi Limited, a listed public company, incorporated and operating in Australia and New Zealand.

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

Distribution of holders of equity securities

	<i>Total Holders</i>	<i>Units</i>	<i>% Issued Capital</i>
1 – 1,000	3,227	1,633,883	1.56
1,001 – 5,000	2,924	7,497,805	7.17
5,001 – 10,000	562	4,142,168	3.96
10,001 – 100,000	300	7,510,836	7.18
100,001 and over	47	83,844,053	80.13
Total	7,060	104,628,745	100
Holding less than a marketable parcel	45	1,005	

Substantial shareholders

<i>Ordinary shareholders</i>	Fully paid ordinary shares	
	<i>Number</i>	<i>%</i>
Barclays Global Investors Australia Limited	8,231,330	7.87
Concord Capital	8,192,083	7.83
National Australia Bank Limited	7,707,934	7.37
Capital Group Companies	6,508,002	6.22
	30,639,349	29.28

Twenty largest holders of ordinary securities:

<i>Ordinary shareholders</i>	Fully paid ordinary shares	
	<i>Number</i>	<i>%</i>
1. J P Morgan Nominees Australia Limited	19,624,243	18.76
2. HSBC Custody Nominees (Australia) Limited	15,840,804	15.14
3. National Nominees Limited	9,405,947	8.99
4. ANZ Nominees Limited	6,350,113	6.07
5. Mr Richard Uechtritz	4,000,000	3.82
6. Citicorp Nominees Pty Ltd	3,756,989	3.59
7. Cogent Nominees Pty Limited	3,650,434	3.49
8. Australian Reward Investment Alliance	2,271,658	2.17
9. Queensland Investment Corporation	1,597,151	1.53
10. Mr Terry Smart	1,494,345	1.43
11. Neweconomy Com AU Nominees Pty Limited	1,293,600	1.24
12. UBS Nominees Pty Ltd	1,248,271	1.19
13. Shawville Nominees Pty Ltd	1,178,100	1.13
14. Citicorp Nominees Pty Limited	1,163,099	1.11
15. Citicorp Nominees Pty Limited	1,065,693	1.02
16. Roseville Estate Pty Ltd	950,000	0.91
17. HSBC Custody Nominees (Australia) Limited - GSI ECSA	873,302	0.83
18. Cogent Nominees Pty Limited	811,304	0.78
19. HSBC Custody Nominees (Australia) Limited - A/C 2	778,784	0.74
20. Morgan Stanley Australia Securities (Nominee) Pty Limited	625,873	0.60
	77,979,710	74.53

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COMPANY SECRETARY

Richard Murray

SHARE REGISTRY

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 Yarra Falls 452 Johnston Street Abbotsford, Victoria, 3067, Australia
 1300 302 417 (Australia)
 +61 3 9615 5970

REGISTERED & PRINCIPAL ADMINISTRATION OFFICE

14 Spink Street Brighton, Victoria, 3186, Australia
 +61 3 8530 7333

STORE LOCATIONS**JB HI-FI STORES*****VIC**

Ballarat
 Brighton
 Broadmeadows
 Camberwell
 Chadstone
 Dandenong
 Epping
 Essendon
 Frankston
 Geelong
 Heidelberg
 Highpoint
 Keilor
 Knox
 Maribyrnong
 Melb City (Bourke Street,
 Melb City (Elizabeth Street,
 Lonsdale Street & Elizabeth Street
 Cameras)
 Narre Warren
 Nunawading
 Prahran
 Preston
 Ringwood
 Southland
 Watergardens
 Werribee

NSW

Bondi
 Castle Hill
 Chatswood
 Erina
 Glendale
 Hornsby
 Leichhardt
 Liverpool
 Macarthur Square

Macquarie
 Miranda
 Mt Druitt
 Newcastle
 Parramatta
 Penrith
 Sydney City
 Tuggerah
 Warringah Mall
 Woolongong

QLD

Brisbane City
 Capalaba
 Carindale
 Chermside
 Gold Coast
 Indooroopilly
 Ipswich
 Kawana
 Kedron
 Loganholme
 Macgregor
 Robina

WA

Cannington
 Midland Central
 Myree
 Osborne Park
 Perth City
 Whitford

SA

Adelaide City
 Colonnades
 Elizabeth
 Marion
 Modbury

ACT

Belconnen
 Canberra City
 Woden

NT

Casuarina

New Zealand

Queen St

CLIVE ANTHONYS***QLD**

Carseldine
 Capalaba
 Labrador
 Mt Gravatt
 Mermaid Waters

NSW

Tweed Heads

HILL & STEWART***Auckland**

Mt Wellington
 St Lukes
 Albany
 Wairau Park
 New Lynn
 WestCity
 Hobsonville
 Botany Downs
 Manukau City
 Pukekohe
 Takanini

* Current as of 30 June 2007



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