JB HI-FI

ANNUAL REPORT

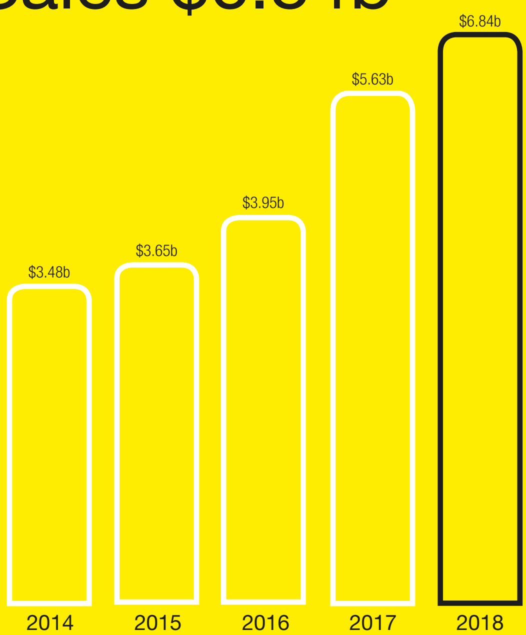
2018

Financial Summary

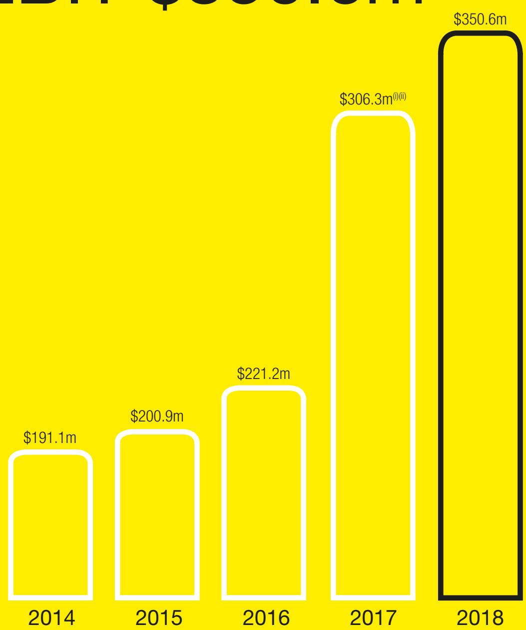
FINANCIAL PERFORMANCE

	2014 Statutory	2015 Statutory	2016 Statutory	2017[i] Statutory	2017[i] Underlying[ii]	2018 Statutory	Growth Underlying
Sales	$3.48b	$3.65b	$3.95b	$5.63b	$5.63b	$6.84b	21.8%
EBIT	$191.1m	$200.9m	$221.2m	$268.2m	$306.3m	$350.6m	14.5%
NPAT[iii]	$128.4m	$136.5m	$152.2m	$172.4m	$207.7m	$233.2m	12.3%
Earnings per share	128.4cps	137.9cps	153.8cps	154.3cps	186.0cps	203.1cps	9.2%
Total dividend - fully franked	84.0cps	90.0cps	100.0cps	118cps	118cps	132cps	11.9%

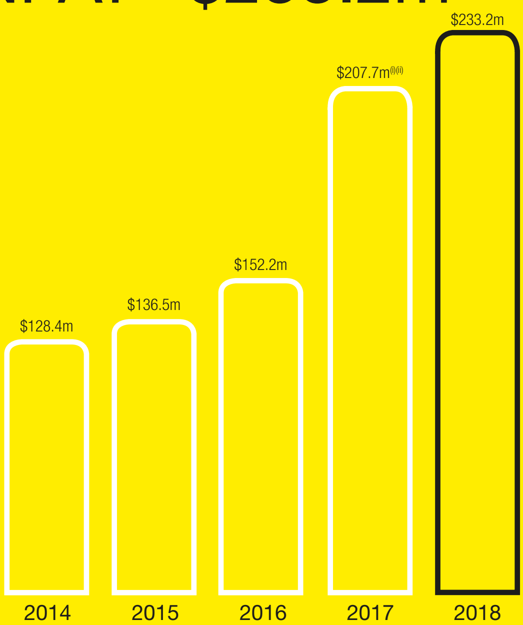
Sales $6.84b



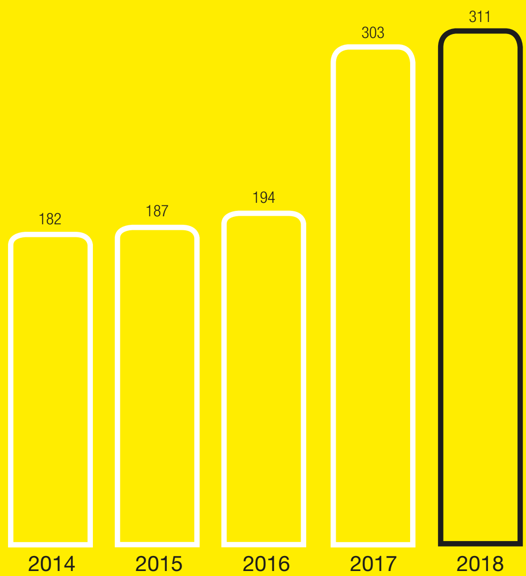
EBIT $350.6m



NPAT[iii] $233.2m



Stores



(i) JB Hi-Fi acquired The Good Guys on 28 November 2016, all amounts disclosed for the 2017 financial year include The Good Guys for the period under JB Hi-Fi ownership.
(ii) Underlying results exclude transaction fees and implementation costs totaling $22.4m associated with the acquisition of The Good Guys in November 2016 and $15.8m of fixed asset and goodwill impairments in New Zealand.
(iii) Profit attributable to the owners of JB Hi-Fi Limited, excludes non-controlling interests.

Chairman's and Group Chief Executive Officer's Report[1]

Dear fellow shareholder,

FY18 has been another solid year for JB Hi-Fi Limited. It is very satisfying to report that the year ended 30 June 2018 was another record year with sales, profits and dividends all up on the prior year. The 2018 result was driven by a combination of sales growth, a continued focus on growth in gross profit dollars and our low cost of doing business, underpinned by our ongoing emphasis on customer service.

Group Overview

JB Hi-Fi Limited and its subsidiaries (the "Group"), comprises two leading retail brands; JB Hi-Fi, with a focus on Technology and Consumer Electronics, and The Good Guys with a focus on Home Appliances and Consumer Electronics.

The value proposition for each brand centres around ranging the best brands at low prices supported by exceptional customer service across a 311 store network, online and through our commercial channels, JB Hi-Fi Solutions and The Good Guys Commercial.

The dual branded retail approach is underpinned by five key enablers that provide the Group with a unique competitive advantage, that being:

- scale;
- a low cost operating model evidenced by the Group's low CODB;
- quality store locations;
- strong supplier partnerships; and
- our multichannel capabilities.

The Group achieved sales of $6.9 billion in FY18, up 21.8% on the prior year. Group EBIT was up 14.5% on the prior year to $350.6 million. Group NPAT was $233.2 million, up 12.3% on Underlying NPAT in the prior year and up 35.3% on Statutory NPAT in the prior year. Earnings per share was up 9.2% to 203.1 cents per share and the total dividend for FY18 was up 14 cents per share on the prior year to 132 cents per share.

Brand Overview

JB Hi-Fi Australia

JB Hi-Fi Australia total sales grew 9.4% to $4.54 billion, with comparable sales up 6.2%. Online sales grew 32.1% to $209.9 million or 4.6% of total sales, as the Online offer continues to improve. JB Hi-Fi Solutions recorded strong sales growth and remains on track to deliver on its longer term aspirational sales target of approximately $500 million per annum.

Gross profit increased by 9.1% to $1.0 billion resulting in a gross margin of 22.2%. CODB was 14.8%, down 14 bps on the prior year. Total operating costs were in line with our expectations and remained well controlled as the business managed increased volumes through the store network driven by new products, Click and Collect, Online and Commercial order fulfilment. The business's low CODB remains a competitive advantage and is maintained through our continued focus on productivity and minimising unnecessary expenditure.

Strong sales growth, combined with operating cost leverage, drove strong earnings growth. EBIT was up 11.4% on the prior year to $292.3 million while EBIT margin was up 11 bps at 6.4%.

JB Hi-Fi New Zealand

Total sales were down 1.1% to NZD231.5 million, with comparable sales up 2.4%. Following the launch of the new website in August 2017, Online sales in New Zealand grew 96.3% to NZD9.6 million or 4.1% of total sales. Gross margin was down 49 bps on the prior year at 17.7%.

We continue to reposition the New Zealand business as part of our strategy to improve performance. During FY18 we closed one store and exited Whitegoods (JB Hi-Fi HOME), rebranding the stores to JB Hi-Fi.

The Good Guys

Total sales for the twelve months to 30 June 2018 were $2.10 billion. The Good Guys was acquired on 28 November 2016 and accordingly for FY17 we consolidated approximately seven month's sales. As a result of a full year of ownership in FY18, sales on a statutory basis were up 67.0%. For comparative purposes for the same twelve months, total sales were up 1.5% with comparable sales up 0.9%. Online sales for FY18 were up 7.4% to $126.8 million or 6.0% of total sales.

Gross profit was $426.1 million with gross margin at 20.3%, down on the prior year primarily as a result of heightened price competition in 2HY18. CODB was 16.6%, with operating costs in line with expectations and store wages well controlled. EBIT was $60.9 million.

Stores

We had 311 stores in Australia and New Zealand at 30 June 2018. Eight new JB Hi-Fi Australia stores were opened and in New Zealand one JB Hi-Fi store was closed. The Good Guys opened two new stores and closed one store.

We continue to both review our existing store portfolio and to apply stringent store selection criteria to potential new sites to ensure that they offer a high level of foot traffic and convenient access for customers. This considered approach to our existing and new store locations means stores should continue to deliver comfortably in excess of their cost of capital.

[1] Unless otherwise stated, all FY17 results disclosed in this report are underlying results which exclude transaction fees and implementation costs totalling $22.4m associated with the acquisition of The Good Guys in November 2016 and $15.8m of fixed asset and goodwill impairments in New Zealand.

Total Stores: 311*
(JB Hi-Fi Australia: 193, JB Hi-Fi New Zealand: 15,
The Good Guys: 103)

* As at 30 June 2018

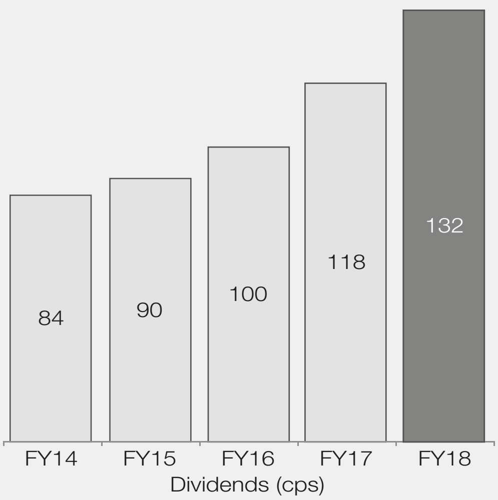
Group Balance Sheet, Capital Management and Dividends

The balance sheet continues to grow in strength with relatively low financial and operating leverage, evidenced by our solid fixed charges cover of 2.9 times, gearing of 1.1 and interest cover of 21.1 times.

JB Hi-Fi Limited regularly reviews all aspects of its capital structure with a focus on maximising returns to shareholders. Continued solid earnings growth and prudent management of our balance sheet, including relatively low gearing, provides the ability to maintain and optimise our capital structure.

The Board has declared a final dividend of 46 cents per share fully franked, bringing the total dividend for FY18 to 132 cents per share, up 14 cents per share on the prior year. The Board believes that our dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders and the reinvestment of earnings for future growth.

FY18 dividend up 11.9% to 132 cps



Board and Management Approach

The Board recognises the importance of governance, environmental and social matters to our shareholders, suppliers and customers and continually reviews and monitors developments in corporate governance which are relevant to the Group. The Board is committed to ensuring that the Group's business is conducted ethically and in accordance with high standards of corporate governance. To this end, the Group has a Code of Conduct that provides guidance on what the Group deems to be acceptable behaviour.

The relationship between the Board and management is strong and remains engaging and constructive. It continues to be an integral part of the Board's strategy to encourage innovation and diversification with new products, technology, merchandising formats, advertising and property locations in a controlled and responsible manner. This approach provides opportunities to increase revenue, margin and productivity.

The Board firmly believes that equity participation for management through the Group's share ownership-based remuneration schemes maintains a strong alignment with shareholders and is a critical tool in attracting new management, retaining existing management and rewarding performance.

The Group recognises the importance of diversity. The Board believes that the different perspectives arising from diversity encourage an innovative, responsive, productive and competitive business and create value for our customers and shareholders. The Group has a Diversity Policy and the Board set objectives in relation to gender diversity.

The Group has introduced a number of initiatives to encourage gender diversity and assist in achieving our diversity objectives, including the introduction in FY18 of a paid maternity leave scheme for employees.

Workplace Giving Programs

The Group has workplace giving programs in place that enable directors, executives and employees to donate to registered charitable organisations through our payroll system. The Group matches dollar for dollar these regular employee contributions, effectively doubling the financial benefit to our community partners.

Workplace giving programs have proved to be a very effective way for employers and employees to join together to support the community. Through the combined giving of the Group and its employees, we believe we make a real difference to the charities in the program.

[1] Unless otherwise stated, all FY17 results disclosed in this report are underlying results which exclude transaction fees and implementation costs totalling $22.4m associated with the acquisition of The Good Guys in November 2016 and $15.8m of fixed asset and goodwill impairments in New Zealand.

JB Hi-Fi Australia

The JB Hi-Fi business' workplace giving program, was established in 2008 and is known as Helping Hands. In November 2016 and November 2017, the Helping Hands program was awarded Best Overall Program and Most Innovative Charity/Employer Partnership at the Workplace Giving Awards.

Each week over 6,200 or 81% of the JB Hi-Fi Australia employees give to the program, which makes it one of the most successful workplace giving programs in Australia. This year over $2.4 million has been raised and, since its inception, the JB Hi-Fi business and its employees are proud to have raised more than $13.7 million.

JB Hi-Fi New Zealand

The Helping Hands program was launched in New Zealand in May 2012 and involves over 280 employees (approximately 60% of JB Hi-Fi New Zealand employees) each making weekly contributions. This year over $94,000 was raised and, since its inception, over $400,000 has been raised.

The Good Guys

The Good Guys workplace giving program was launched in July 2017 and is known as The Good Guys Doing Good. In its inaugural year, the program has donated approximately $0.4 million to 14 national charity partners. Participation in the program as at 30 June 2018 is 51.6% with a goal to reach 70% by the end of 2019.

Executive Appointment

In August 2018, we announced the appointment of Cameron Trainor to the newly created position of Managing Director Group Merchandise. In this role Cameron will have overall responsibility for the strategic direction of the merchandise function across the entire Group.

Support Office Co-location

In April 2019, the Company will be bringing the support office teams of The Good Guys and JB Hi-Fi together in Southbank, Melbourne. The move will enable the Group to share best practices and leverage each team's respective strengths.

Outlook

We continue to invest in our store network, online offering and Solutions business. These initiatives, coupled with a strong promotional plan, will position us well for growth in FY19.

In FY19 we expect:

- To open five new JB Hi-Fi Australia stores and two The Good Guys stores. One JB Hi-Fi New Zealand store was closed in July 2018.
- Total Group sales to be circa $7.1 billion comprising:
    - JB Hi-Fi Australia $4.75 billion;
    - JB Hi-Fi New Zealand (NZD) $0.22 billion; and
    - The Good Guys $2.15 billion.

The key success drivers of the Group continue to be having the biggest range and the lowest prices, supported by a talented and enthusiastic team. Your Board and management team remain committed to maintaining this.

We look forward to another exciting and successful year in FY19.

Greg Richards
Chairman

Richard Murray
Group Chief Executive Officer

Melbourne,
27 August 2018

Annual Report

for the financial year ended **30 June 2018**

JB Hi-Fi Limited ("the Company" or "JB Hi-Fi") recognises the importance of Governance, Environmental and Social matters to our shareholders, suppliers and customers. The Board continually reviews and monitors developments in corporate governance which are relevant to the Group (being the consolidated entity consisting of the Company and the entities it controls).

CORPORATE GOVERNANCE STATEMENT

The directors and management of the Group are committed to ensuring that the Group's business is conducted ethically and in accordance with high standards of corporate governance.

The Board believes that, except as otherwise disclosed in this Corporate Governance Statement (see section entitled "Code of Conduct"):

- the Group's policies and practices comply in all material respects with the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (the "ASX Recommendations"); and
- during the 2018 financial year, it has been compliant with the spirit of the principles contained in the ASX Recommendations.

This Corporate Governance Statement has been approved by the Board and is effective as at 13 August 2018.

THE BOARD

Role

The primary role of the Board is to protect and enhance long-term shareholder value. The Board is accountable to shareholders for the performance of the Company and it directs and monitors the business and affairs of the Group on behalf of shareholders.

The Board's responsibilities include: overseeing the business and affairs of the Group; setting (in consultation with management) the strategic and financial objectives of the Group and overseeing management's implementation of these objectives; monitoring the performance of management; approving the adoption of the Group's major corporate governance policies; reviewing the Group's policies on risk oversight and management; overseeing the reliability and integrity of the Group's accounting, financial reporting and financial management and disclosure practices; overseeing the Group's process for making disclosure to the market; and the establishment of a formal and transparent procedure for the selection, appointment and review of directors.

The Group 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 investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

Composition of the Board / Selection and appointment of directors

The Board seeks to ensure that the combination of its members provides an appropriate range of experience, skills, diversity, knowledge and perspective to enable it to carry out its obligations and responsibilities.

The Board believes that having a range of different skills, backgrounds, experience and gender ensures a diversity of viewpoints which facilitate effective governance and decision making.

The Company believes that skills and experience in the areas listed below are desirable for the Board to perform its role effectively. The Board considers that its current composition possesses an effective blend of these skills and experience which enables it and its Committees to effectively govern the business, operate effectively and add value in the context of the Company's strategy.

- Executive/Management experience
- Retail expertise and experience
- Operational Management expertise and experience
- Financial expertise
- Property expertise
- Mergers & Acquisitions expertise and experience
- Governance expertise and experience
- Other board experience
- Experience in setting executive remuneration
- Risk Management expertise and experience

The Company maintains a majority of non-executive directors on its Board. The Board currently comprises seven directors, being six non-executive directors, including the Chairman, and one executive director, being the Group Chief Executive Officer. The Company has written agreements with each director setting out the terms of their appointment. Apart from the Group Chief Executive Officer, directors are subject to shareholder re-election by rotation at least every three years. The Company provides shareholders with all material information in its possession relevant to the election or re-election of a director.

A copy of the Company's Board Composition & Succession Policy, which includes the procedure for the selection and appointment of directors, can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections. The Board will undertake appropriate checks before appointing any person or putting forward to shareholders a candidate for election as a director.

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

Independence

The Company considers that each of its directors (including the Chairman) is independent with the exception of Richard Murray, the Group Chief Executive Officer.

The Board regards directors as independent directors if they: do not have a material relationship with the Company other than solely as a result of being a director; are independent of management; and do not have any business or other relationship that could compromise the independent exercise of their judgement and their ability to act in the best interests of the Company. The independence of each director is considered on a case-by-case basis.

Richard Uechtritz was Chief Executive Officer of the Company between July 2000 and May 2010 and a consultant to the Company from May 2010 to November 2013. Given the nature of the consultancy arrangements (and that Richard was not provided with remuneration for that role but was, instead, allowed to retain options granted to him whilst he was CEO) and the passage of time, the Board is of the opinion that Richard is an independent director, and that neither these previous roles, nor his relationship with current management, compromises his ability to exercise independent, unfettered judgement or act in the best interests of the Company.

Beth Laughton is a non-executive director and chair of the audit, compliance & risk management committee of GPT Funds Management Limited ("GPTFM"), the responsible entity for the GPT Wholesale Shopping Centre Fund. Wai Tang is a non-executive director and member of the audit committee and the risk & compliance committee of Vicinity Limited. Mark Powell is a non-executive director and member of the audit & risk management committee of Kiwi Property Group Limited. The Board notes that each of the GPT Wholesale Shopping Centre Fund, Vicinity Limited and Kiwi Property Group Limited have ownership interests in shopping centres in which the Company currently leases stores. The Board is of the opinion that Beth, Wai and Mark are independent directors on the basis that individual leasing arrangements at the Company, GPTFM, Vicinity Limited and Kiwi Property Group Limited are generally determined at a managerial level rather than Board level. In addition, the Company's internal protocols provide that Beth, Wai and Mark would be excluded from any discussion and decision making where any conflict of interest arises between their roles as a director of the Company and of GPTFM/Vicinity Limited/Kiwi Property Group Limited.

Conflict of interest

If a conflict of interest arises, the director concerned does not receive the relevant Board papers, is not present at the meeting whilst the item is considered and takes no part in decision making. 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 any other material personal interests in a matter relating to the Company's affairs.

Board meetings

The Board meets regularly, dependent on business requirements. Prior to any meeting, the directors receive all necessary Board papers. As well as holding regular Board meetings, the Board also meets to comprehensively review business plans and the strategy of the Group.

Access to information and independent advice

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

Professional development of directors

The Company recognises the need for its directors to develop and maintain the skills and knowledge needed to perform their roles as directors effectively. The Company provides the directors with briefings and advice on developments in both the law and current practice in areas relevant to the Company and their role as directors (including, for example, corporate governance, accounting and remuneration). The Company does this using both the Company's external advisors (including the Company's auditors, legal and remuneration advisors) and management (including the Group Chief Financial Officer and the Company Secretary & General Counsel). Individual directors also take advantage of professional development opportunities provided by third parties such as the Australian Institute of Company Directors and major accounting and legal firms.

The Company has an induction program for new directors.

BOARD COMMITTEES

Details of the Committees established by the Board are set out below.

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee.

The Audit and Risk Management Committee is charged primarily with assisting the Board in its:

- oversight of the reliability and integrity of the Group's financial management, financial reporting and disclosure, and related non-financial reporting and disclosure practices;
- oversight of the independence, performance, appointment and removal of the external auditor; and
- review of the Group's policies on risk oversight and management, and in discharging its responsibility to satisfy itself that an adequate and sound system of risk management and internal control has been implemented to manage the material risks affecting the Group's business, including compliance with all applicable laws.

A copy of the Audit and Risk Management Committee Charter can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

During the 2018 financial year, the Audit and Risk Management Committee comprised the following non-executive directors, all of whom were independent with relevant financial, commercial and risk management experience, including an independent chair who is not the Chair of the Board:

- Beth Laughton: Ongoing member and Chair of Committee;
- Wai Tang: Ongoing member of Committee;
- Stephen Goddard: Ongoing member of Committee; and
- Mark Powell: Ongoing member of Committee.

Details of the background and experience of each of these non-executive directors are outlined in the Directors' Report.

The Audit and Risk Management Committee meets regularly. Details of the meetings held and members' attendance during the 2018 financial year are listed in the Directors' Report. Directors who are not members of the Audit and Risk Management Committee may attend any Audit and Risk Management Committee meeting.

Remuneration Committee

The Board has established a Remuneration Committee.

The Remuneration Committee is charged primarily with reviewing and making recommendations to the Board regarding the framework, structure and quantum of remuneration of executive officers and non-executive directors.

A copy of the Remuneration Committee Charter can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

During the 2018 financial year, the Remuneration Committee comprised the following directors, each of whom are considered by the Company to be independent:

- Greg Richards: Ongoing member and Chair of Committee;
- Beth Laughton: Ongoing member of Committee; and
- Wai Tang: Ongoing member of Committee.

The Remuneration Committee meets as required. Details of the meetings held and members' attendance during the 2018 financial year are listed in the Directors' Report. Directors who are not members of the Remuneration Committee may attend a Remuneration Committee meeting at the invitation of the Chairman when considered appropriate.

Nominations Committee

The Board has decided not to establish a Nominations Committee. Rather, the Board itself is responsible for:

- establishing formal and transparent procedures for the selection and appointment of new directors to the Board;
- appointment of directors to fill vacancies or as additional directors and ensuring that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively (including the process for recruiting new directors);
- induction programs for new directors;
- selecting, appointing and regularly evaluating the performance of, and planning for the succession of, the Group Chief Executive Officer; and
- ensuring that internal procedures are in place for evaluating Board performance and the performance of individual directors and Board Committees.

A copy of the Board Charter and the Board Composition & Succession Policy can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

COMPANY SECRETARY

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

CODE OF CONDUCT

The Group acknowledges the need for directors, executives and employees to observe the highest ethical standards of corporate behaviour. The Group has adopted a Code of Conduct to provide directors, executives and employees with guidance on what the Group deems to be acceptable behaviour. During a transitional period following the acquisition of The Good Guys business by the Group, the JB Hi-Fi business and The Good Guys business each had their own separate Codes of Conduct which applied to their respective executives and employees. Accordingly, to the extent that the Group did not have a single Code of Conduct which applied to all directors, executives and employees of the Group during this transitional period, the Group may not technically have complied with recommendation 3.1 of the ASX Recommendations for the entire 2018 financial year.

A copy of the Code of Conduct can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

DIVERSITY

The Group recognises the importance of diversity and values the competitive advantage that is gained from a diverse range of skills, backgrounds, experience and gender at all levels of the organisation. The Group has a Diversity Policy which is available on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

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

Gender diversity

As at 30 June 2018, the proportion of women engaged by the Group was as follows:

- Board: 29% being 2 of 7 directors (2017:29%).
- Senior Management/Executive (excluding the executive director/Group CEO): 17% being 8 of 46 employees (2017: 18%). For these purposes, Senior Management/Executive means:
  - the 5 executives listed on page 34 of this Report who were employed on 30 June 2018 and were classified as key management personnel of the Company as at 30 June 2018, excluding the executive director/Group CEO; and
  - the 41 next most senior managers of the Group.
- Group: 40.9% being 5,001 of 12,229 employees (2017:40.6%).

The Board set measurable objectives in relation to gender diversity. These objectives, and the progress towards achieving them are set out in the table below:

Objective	*June 2018*	*June 2017*
To improve the percentage of female to male commissioned store sales staff	29%	27%
To improve the percentage of female to male store managers	15%	14%
To improve the percentage of female to male territory/area managers	19%	13%
To increase the percentage of female to male senior managers	17%	18%

The JB Hi-Fi business has implemented the following initiatives to assist in achieving its diversity objectives:

- introduced a paid maternity leave scheme for employees;
- developed systems to enable regular reporting and assessment of progress towards the adopted gender diversity objectives;
- regularly reviewed employee pay to consider whether any gender based disparity exists;
- developed part time and flexible work practices, with specific focus on return to work from maternity leave;
- reorganised the managerial structure within stores, aimed at achieving greater female representation at management level over the medium term;
- ensured that female participation in leadership development programs is at least equivalent to the proportion of female employees at that level in the organisation; and
- conducted a Group-wide employee survey with specific focus on equal opportunity and diversity.

Additionally, The Good Guys business has implemented the following gender diversity initiatives:

- introduced a paid maternity leave scheme for employees and reviewed the rate of return of women from parental leave;
- reviewed employee pay to consider whether any gender based disparity exists;
- reviewed the gender composition of its workforce, in particular the representation of women in leadership roles;
- conducted focus groups to determine potential barriers to women's progression to leadership and/or return from parental leave;
- established an equal opportunity policy which outlines the business' commitment to equal opportunity throughout the employee lifecycle; and
- established a flexible work arrangements policy and practices with a focus on return to work from maternity leave.

SHAREHOLDINGS OF DIRECTORS AND EMPLOYEES

Directors' current shareholdings are detailed in the Directors' Report and are updated by notification to the ASX as required. The Board has approved and adopted a Securities Trading Policy setting out the rules and procedures applying to directors, officers and employees dealing in securities.

Subject to certain specific and limited exceptions, directors and key employees may only trade in the Company's shares, and any other securities of the Company, during designated Trading Windows. These four week Trading Windows follow the release of the Company's Final Results (August/September), Interim Results (February/March) and the Annual General Meeting (October/November). Directors and Group executives are required to obtain the Chairman's consent in advance of any such trading and any transaction conducted by directors in shares of the Company is notified to the ASX.

A copy of the Securities Trading Policy can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

INTEGRITY OF REPORTING

The Company has put in place controls designed to ensure the integrity of its financial reporting and that the Company complies with all regulatory requirements relevant to this reporting.

In accordance with the Corporations Act and the ASX Recommendations, the Group Chief Executive Officer and Group Chief Financial Officer have stated in writing to the Board that, in their opinion:

(a) the financial records of the consolidated entity (consisting of the Company and the entities it controlled for the financial year ended 30 June 2018) for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;

(b) the financial statements for the financial year and the notes required by the accounting standards give a true and fair view of the consolidated entity's financial position and performance, and comply with the accounting standards;

(c) the statements in (a) and (b) above are founded on a sound system of risk management and internal control which is operating effectively; and

(d) subsequent to 30 June 2018, no changes or other matters have arisen that would have a material effect on the operation of the risk management and internal control systems of the Group.

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. Deloitte has been the Company's external auditor since 2002. The audit engagement partner is rotated every five years.

Information on procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners can be found in the Charter of the Audit and Risk Management Committee on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

CONTINUOUS DISCLOSURE

The Company seeks to provide relevant and timely information to its shareholders and is committed to fulfilling its continuous disclosure obligations.

The Board has approved a Continuous Disclosure Policy to ensure that the procedures for identifying and disclosing material price sensitive information in accordance with the Corporations Act and ASX Listing Rules are clearly articulated. This policy sets out the obligations of employees in respect of such information. The Group Chief Executive Officer, in consultation with the Chairman where appropriate, is responsible for communication with the ASX.

A copy of the Continuous Disclosure Policy can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

SHAREHOLDER COMMUNICATIONS

The Company's investor website https://investors.jbhifi.com.au contains an overview of the Group's businesses and their history and the following information for shareholders:

- all market announcements and related documents, which are posted immediately after release to the ASX;
- details relating to the Company's directors and executives;
- Board and Board Committee charters and other corporate governance documents;
- a calendar of forthcoming key dates such as the date of results releases and the Company's AGM;
- a summary of the Company's dividend policy and its dividend payment history; and
- details of how investors can contact the Company and its share registry.

Shareholders can elect to receive communications from the Company's share registry electronically which also gives shareholders the opportunity to manage their account details and holdings electronically. Shareholders are also able to send communications to the Company and receive responses to these communications electronically.

A copy of the Company's Shareholder Communication Policy can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

The Company has an investor relations program which involves regular meetings with significant current and potential investors, and with analysts and the financial media.

The Company holds its Annual General Meeting in Melbourne, to which all shareholders are invited. Shareholders who are unable to attend can appoint a proxy to attend and vote or, alternatively, can vote electronically in advance of the Meeting. The Company ensures that the external auditor attends its Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

RISK IDENTIFICATION AND MANAGEMENT

The Group'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.

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 adequately manages risk to protect its people, the environment and the Group's assets and reputation. The Group has an effective risk management framework in line with ISO31000 which enables management to identify and manage risk appropriately. The Committee regularly reviews and revises this framework and it is approved by the Board on an annual basis. The risk management framework was last approved by the Board in May 2018.

Risk identification and management is also a key focus of the executive and management teams.

The JB Hi-Fi business does not have an internal audit function. Instead, risk identification and management for the JB Hi-Fi business is managed on a day-to-day basis by a dedicated risk management team. Risk identification and management for The Good Guys business as well as internal audit is managed on a day-to-day basis by a dedicated business assurance team.

A copy of the Group's Risk Management Policy can be found on the Company's investor website at https://investors.jbhifi.com.au via the "Investors" and "Corporate Governance" sections.

ECONOMIC, ENVIRONMENTAL & SOCIAL SUSTAINABILITY RISKS

Economic sustainability risks

Economic sustainability risks are risks to the Group's ability to continue operating at its current level of economic production over the long term.

The Group is exposed to a number of economic sustainability risks, which have a real possibility of substantively impacting on the Group's ability to create or preserve value for its shareholders over the short, medium or long term. These economic sustainability risks (together with the Group's strategies for managing these risks) are discussed in the "Business Strategies and Prospects" section of the Operating and Financial Review commencing on page 27.

Environmental sustainability risks

Environmental sustainability risks are risks to the Group's ability to continue operating in a manner that does not compromise the health of the ecosystems in which it operates over the long term.

The Group does not believe that it is exposed to any environmental sustainability risks which have a real possibility of substantively impacting on the Group's ability to create or preserve value for its shareholders over the short, medium or long term.

Notwithstanding this, environmental sustainability is important to the Group and, accordingly, the Group has implemented several initiatives to minimise the impact of its operations on the environment. These initiatives are discussed in the Environmental Statement on page 14 and include participation by the JB Hi-Fi business in the Carbon Disclosure Project and the Australian Packaging Covenant.

Social sustainability risks

Social sustainability risks are risks to the Group's ability to continue operating in a manner that meets accepted social norms and needs over the long term.

The Group does not believe that it is exposed to any social sustainability risks which have a real possibility of substantively impacting on the Group's ability to create or preserve value for its shareholders over the short, medium or long term.

Notwithstanding this, the Group prides itself on conducting its business in a socially responsible manner and believes that it is important to give back to the community. The Group's initiatives in this regard are discussed in the Social Statement on page 15, the most significant of which are the Group's workplace giving programs.

BOARD AND EXECUTIVE PERFORMANCE

JB Hi-Fi monitors and evaluates the performance of its Board, Board Committees, individual directors, and executives in order to fairly review, and actively encourage enhanced, Board and management effectiveness.

In June/July of each year, each director completes a written board review and assessment document, and subsequent one-on-one interviews then take place between the Chair and each director which cover:

- review of Board performance as a whole;
- review of the individual director's performance; and
- review of the Chair's performance.

The Chair reports back to the Board on the discussions and the Board considers any issues as necessary.

Directors may also discuss the Chair's performance with the Chair of the Company's Audit & Risk Management Committee, who will report back to the Board if necessary.

The Chair provides informal feedback to directors throughout the year as necessary.

Each Board Committee reviews its performance and reports the results of the review to the Board. Where necessary, recommendations will be made to the Board for improving the effectiveness of the relevant Committee.

Review of the Group CEO's performance is evaluated by the Chair, with ultimate oversight by the Board. This involves an assessment against both financial and non-financial performance measures. All other Group executives are evaluated by the Group CEO including: (i) assessment against both financial and non-financial performance measures; and (ii) a one-on-one meeting between the Group CEO and executive to discuss the executive's performance. The Group CEO provides a summary of the evaluation of each executive to the Board and the Remuneration Committee.

Evaluation of the Board, Board Committees, individual directors and Group executives has been conducted in respect of the 2018 financial year.

DIRECTORS' FEES AND EXECUTIVE REMUNERATION

Directors' fees

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

Executive remuneration

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

ENVIRONMENTAL STATEMENT

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

Carbon disclosure project

The Carbon Disclosure Project ("CDP") is a not-for-profit organisation that collates and reports company environmental actions to external users such as investors and other corporations. The Group has systems in place to ensure it is reporting and monitoring energy consumption and greenhouse gas emissions. In addition, the Group seeks to identify opportunities and implement solutions to reduce energy consumption and greenhouse gas emissions whilst maintaining its low cost of doing business.

The JB Hi-Fi business' 2017 response to the CDP was assessed as a C-, the same assessment as it received for its 2016 response. Group reporting in 2018 will include energy consumption and greenhouse gas emissions associated with The Good Guys business.

Promotion of energy efficient products

The Group supports the Smarter Choice program in conjunction with the Victorian and New South Wales State Governments. This program educates employees of the Group on how to best advise customers about the energy efficiency of products.

The Good Guys business also works with state-based organisations that provide home energy assistance. These include Energex in Queensland (which promotes PeakSmart air-conditioners, which help reduce peak electricity demand), Power to Save in New South Wales (which assists eligible residents to reduce energy bills by rewarding consumers for energy efficient product upgrades) and Brotherhood of St Laurence in Victoria (which assists low income and vulnerable households in replacing some of their appliances with more energy efficient ones).

Australian Packaging Covenant

The Group is a signatory to the Australian Packaging Covenant. This is a voluntary program involving both Government and industry to ensure the environmental impact from packaging is reduced, measured and understood. Each signatory to the Australian Packaging Covenant is required to have an action plan which sets out what the signatory proposes to do to contribute to the Australian Packaging Covenant's objectives and goals.

Due to changes in the Australian Packaging Covenant reporting framework, signatories are no longer given a rating out of 5 for their progress against their action plans. Instead, signatories are rated against 13 key criteria and their overall progress against their action plans is assessed as falling within one of five levels. For the 2017 calendar year, the JB Hi-Fi business was assessed as making "Good Progress" (level 2) and The Good Guys business was assessed as "Getting Started" (level 1).

As part of the Group's Australian Packaging Covenant action plan, the Group has committed to support the REDCycle Program, which enables plastics such as plastic bags to be returned to over 1800 sites around Australia and New Zealand and converted into furniture for schools and communities.

Cartridges 4 Planet Ark

The Group is a Cartridges 4 Planet Ark collection partner. This program enables consumers to drop used printer cartridges in stores, where they are collected and returned for recycling and remanufacturing, ensuring landfill is avoided. In FY2018, almost 44,000 cartridges were recycled through the Group's participation in this program. Since the commencement of the Group's participation in this program approximately 223,000 cartridges have been recycled (in addition to cartridges recycled by The Good Guys prior to its acquisition by the Group).

TAKE2

The Group has committed to participate in Sustainability Victoria's TAKE2 program, which is a collective climate change program supporting individuals, government, business and other organisations to help Victoria achieve net zero emissions by 2050.

Store initiatives

A majority of the Group's stores have been fitted with LED lighting. Waste from business operations is recycled where possible. All stores have paper and cardboard recycling bins.

SOCIAL STATEMENT

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

JB Hi-Fi's workplace giving program – "Helping Hands"

Established in 2008, Helping Hands is the JB Hi-Fi business' workplace giving program. In November 2016 and November 2017, the Helping Hands program was awarded Best Overall Program and Most Innovative Charity/Employer Partnership at the Workplace Giving Awards. Through this program, JB Hi-Fi directors, executives and employees are able to donate to registered charitable organisations. The JB Hi-Fi business matches dollar for dollar regular employee contributions through its payroll system, effectively doubling the financial benefit to its community partners.

The JB Hi-Fi business works with Workplace Giving Australia (formerly The Australian Charities Fund) in Australia to develop and maintain the program and, in doing so, contributes to the Group's vision of seeing significant social impact through employers and community organisations working together. Through the combined giving of the JB Hi-Fi business and its employees, the Group believes it makes a real difference to the charities in the program.

Helping Hands – Australia

The Helping Hands program in Australia involves over 6,200 JB Hi-Fi Australia employees (approximately 81% of total JB Hi-Fi Australia employees) each making weekly contributions. This year over $2,400,000 has been raised and, since its inception, the JB Hi-Fi business and its employees are proud to have raised more than $13,700,000.

The current charity partners to which contributions are made are Bush Heritage Australia, ReachOut.com, Medicins Sans Frontieres (Doctors Without Borders), Sunrise Children's Village (Cambodia), The Song Room, RedKite, Fred Hollows Foundation, Oxfam and the Animal Welfare League Australia ("AWLA").

Helping Hands – New Zealand

The Helping Hands program was launched in New Zealand in May 2012 and involves over 280 employees (approximately 60% of JB Hi-Fi New Zealand employees) each making weekly contributions. This year over $94,000 was raised and, since its inception, over $400,000 has been raised. The current charity partners in New Zealand are ShelterBox, Kenzies Gift, Forest and Bird, Youthline and Plunket.

The Good Guys' "Doing Good" workplace giving program

The Good Guys business launched its workplace giving program in July 2017, under which it matches dollar for dollar regular contributions which are made by employees, effectively doubling the benefit to its national charity partners. In its inaugural year, the program has donated approximately $360,000 to 14 national charity partners.

Participation in the program as at 30 June 2018 is 51.6% with a goal to reach 70% by the end of 2019.

Donations were made to the following charities in FY2018: Berry Street, Circus Oz, Orange Sky Laundry, The Good Foundation, Whitelion, KickStart for Kids, McGrath Foundation, Soldier On, Prostate Cancer Foundation of Australia, EdConnect, Perth Children's Hospital Foundation, Daniel Morcombe Foundation, HeartKids and RSPCA.

"Change for Change" – donation boxes in JB Hi-Fi stores

The Helping Hands program has driven the placement of "Change for Change" boxes in all JB Hi-Fi stores across Australia and New Zealand. These boxes have been placed at point of sale locations to encourage donations from customers. All donations collected are shared evenly amongst the Helping Hands program's charity partners. This year over $51,000 has been collected in Australia and, since inception, the program has raised over $594,000. In New Zealand approximately $31,000 has been collected since boxes were first introduced into stores.

“Art for AWLA” – fundraising campaign

The Helping Hands program also ran an “Art for AWLA” campaign during the financial year, in which postcards designed by JB Hi-Fi team members were sold in JB Hi-Fi’s Australian stores to raise funds for AWLA. The campaign was well supported, raising almost $225,000 for AWLA through the creative talents of JB Hi-Fi team members and the generosity of JB Hi-Fi customers.

“Employer Leadership Group” – founding partner

In addition to its contribution through Helping Hands, the JB Hi-Fi business is a founding partner of Workplace Giving Australia’s “Employer Leadership Group” (“ELG”) that was formed in October 2010 to generate awareness of the benefits of workplace giving programs across the leadership of Australian businesses. The Group’s CEO, Richard Murray, is Chairman of the ELG. The recent addition of the Business Council of Australia as a member of Workplace Giving Australia is an exciting step forward in the continued growth of workplace giving in Australia and towards the realisation of Workplace Giving Australia’s vision of one million Australians giving to charity through their place of work by 2020. Members of the ELG have demonstrated best practice in engaging with their employees around community issues and are committed to leading the growth of the sector alongside Workplace Giving Australia. As a founding partner, the JB Hi-Fi business seeks to play its part in encouraging workplace giving as a low cost and highly efficient way of generating funds for the charitable sector. In addition to the Group’s workplace giving programs and Change for Change contributions detailed above, from 2012 to 2018 the Group has made contributions to Workplace Giving Australia totalling $275,000 in order to support its initiatives.

The directors of JB Hi-Fi Limited (the "Company") submit herewith the annual financial report of the consolidated entity consisting of the Company and the entities it controlled (the "Group") for the financial year ended 30 June 2018. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

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

Name	*Particulars*
Mr Greg Richards Chairman Non-Executive Director B.Ec (Hons)	Greg was appointed to the Board in December 2007 and was appointed Chairman of the Board in June 2012. Greg is a member and Chairman of the Remuneration Committee and was Chairman of the Audit and Risk Management Committee from February 2010 until May 2012. Prior to 2006, Greg had over 25 years' experience in the investment banking industry. Most recently he was with Goldman Sachs JBWere for over 19 years where he was an equity partner for 17 years, working primarily in equity capital markets. Greg was previously the non-executive chairman of Vitaco Holdings Limited.
Mr Stephen Goddard Non-Executive Director MSc. BSc (Hons)	Stephen was appointed to the Board in August 2016 and is a member of the Audit and Risk Management Committee. Stephen has more than 30 years' retail experience having held senior executive positions with some of Australia's best known retailers. These include Finance Director and Operations Director for David Jones, founding Managing Director of Officeworks, and various senior management roles with Myer. Stephen is currently a non-executive director and Chair of the Audit and Risk Management Committee of both GWA Group Limited and Accent Group Limited and a non-executive director of Nick Scali Limited. He was previously a non-executive director and Chair of the Audit and Risk Management Committees of Pacific Brands and Surfstitch Group Ltd.
Ms Beth Laughton Non-Executive Director B.Ec, FAICD, FCA	Beth was appointed to the JB Hi-Fi Board in May 2011, became Chair of the Audit & Risk Management Committee in June 2012 and is also a member of the Company's Remuneration Committee. After qualifying as a Chartered Accountant, Beth spent over 25 years in corporate finance, providing mergers and acquisition advice and arranging equity funding for companies in a range of industries including specialty retail. For 12 years her primary focus was on information technology, telecommunications and entertainment. She is also a member of the Board of GPT Funds Management Limited and Chair of its Audit, Compliance & Risk Management Committee. Beth was previously a member of the Defence SA Advisory Board and its Audit & Risk Management Committee, a non-executive director of Port Adelaide Maritime Corporation, a non-executive director and Chair of the Audit Committee of both Sydney Ferries and CRC Care Pty Ltd, and a non-executive director and member of the Audit Committee of the ASX listed Australand Property Group companies.
Mr Mark Powell Non-Executive Director BSc (Hons), MSc, MBA (Distinction), BApp. Theol, MA (Hons)	Mark was appointed to the Board in March 2017 and is a member of the Audit & Risk Management Committee. Mark has over 25 years' executive experience in retail, logistics and wholesale distribution in the UK, Spain, North America, Australia and New Zealand. This includes being UK Logistics Operations Director for Tesco Plc, running Wal-Mart Canada's logistics operations and CEO of Warehouse Stationery in NZ. Mark also spent five years as Group CEO for The Warehouse Group, New Zealand's largest listed retail group which includes Noel Leeming, NZ's largest technology and appliances retailer. He was an advisor to the board of The Good Guys for 18 months prior to its acquisition by JB Hi-Fi. Mark is currently a non-executive director and member of the Audit and Risk Committee of NZX listed Kiwi Property Group Limited. He is also involved on a voluntary basis on the boards of several not-for-profit organisations.
Ms Wai Tang Non-Executive Director BAppSC, MBA, GAICD	Wai was appointed to the Board in September 2015 and is a member of the Company's Audit & Risk Management Committee and Remuneration Committee. Wai has extensive retail industry experience and knowledge gained through senior executive and board roles. Her former senior executive roles included Operations Director for Just Group and Chief Executive Officer of the Just Group sleepwear business, Peter Alexander. Prior to joining the Just Group, Wai was General Manager of Business Development for Pacific Brands. Wai was co-founder of the Happy Lab retail confectionery concept. Wai is also a non-executive director and member of the Audit Committee and the Risk & Compliance Committee of Vicinity Limited, and a non-executive director of PMP Limited, the Melbourne Festival and Visit Victoria. Wai's former directorships include Speciality Fashion Group and the Melbourne Fashion Festival.

Mr Richard Uechtritz Non-Executive Director	Richard has over 30 years' experience in retailing. He was co-founder of Australia's two leading photo chains, Rabbit Photo and Smiths Kodak Express. He was also a director of Kodak (Australasia) Pty Ltd. Richard led the management buy-in of JB Hi-Fi in July 2000 and was CEO and Managing Director until his resignation from these positions in May 2010. Richard re-joined the Board in April 2011 as a non-executive director. He is also a non-executive director of Seven Group Holdings Limited.
Mr Richard Murray Group Chief Executive Officer and Executive Director B.Comm, Grad.Dip. Applied Finance & Investment, FCA	Richard became Chief Executive Officer on 1 July 2014 having been appointed to the Board in June 2012. Richard has 25 years' experience in retail and finance. He joined JB Hi-Fi as CFO in 2003 and took the business through the IPO process. Prior to this Richard worked with Deloitte for 10 years. He is currently Chairman of Workplace Giving Australia's Leadership Group, which aims to encourage Australian businesses to set up workplace giving programs.

Each of the aforementioned directors held office for the whole financial year and since the end of the financial year.

Company Secretary	*Particulars*
Mr Doug Smith BA (Hons). Admitted to legal practice in Victoria & in England & Wales.	Doug was appointed Company Secretary in June 2012. Doug joined JB Hi-Fi as General Counsel in September 2010 and has over 20 years' legal and company secretarial experience in-house and in private practice.

Directorships of other listed companies

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

Name	*Company*	*Period of Directorship*
Greg Richards	Vitaco Holdings Limited	August 2015 (listed September 2015) – December 2016
Stephen Goddard	GWA Group Limited	Since October 2016
	Accent Group Limited	Since November 2017
	Nick Scali Limited	Since March 2018
	Pacific Brands Limited	May 2013 – July 2016
	Surfstitch Group Limited	November 2014 (listed December 2014) – December 2016
Mark Powell	Kiwi Property Group Limited (NZX)	Since October 2017
Wai Tang	Vicinity Limited	Since May 2014
	PMP Limited	Since October 2017
Richard Uechtritz	Seven Group Holdings Limited	Since June 2010

Principal activity

The Group's principal activity in the course of the financial year was the retailing of home consumer products. The Group offers a wide range of leading brands with particular focus on consumer electronics, software (including music, games and movies), whitegoods and appliances.

There have been no significant changes in the nature of the principal activity of the Group during the financial year other than as detailed herein.

Operating and Financial Review

The Operating and Financial Review, which forms part of this Directors' Report, is presented separately on pages 22 to 30.

Changes in state of affairs

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

Subsequent events

There have been no matters or circumstances occurring subsequent to the end of the financial year, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Future developments

Information regarding likely developments in the operations of the Group in future financial years is set out in the Operating and Financial Review and elsewhere in the Annual 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 2017, as detailed in the Directors' Report for that financial year, an interim dividend of 72.0 cents per share and a final dividend of 46.0 cents per share, both franked to 100% at the 30% corporate income tax rate, were paid to the holders of fully paid ordinary shares on 10 March 2017 and 8 September 2017 respectively.

In respect of the financial year ended 30 June 2018, an interim dividend of 86.0 cents per share was paid to the holders of fully paid ordinary shares on 9 March 2018 and the directors have declared the payment of a final dividend of 46.0 cents per share, to be paid to the holders of fully paid ordinary shares on 7 September 2018. Both dividends are franked to 100% at the 30% corporate income tax rate. The total dividend for the financial year of 132.0 cents per share represents a payout ratio of approximately 65% of net profit after tax.

Indemnification of officers and auditors

The Company indemnifies current and former directors and officers for any loss arising from any claim by reason of any wrongful act committed by them in their capacity as a director or officer (subject to certain exclusions as required by law). During the financial year, the Company has paid premiums in respect of contracts insuring the directors and officers against any liability of this nature. In accordance with normal commercial practices, under the terms of the insurance contracts the nature of the liabilities insured against and the amount of the premiums paid are confidential. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such by 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 2018 financial year and the number of meetings attended by the members of the Board or the relevant Committee. During the financial year, 13 Board meetings, 5 Remuneration Committee meetings and 5 Audit and Risk Management Committee meetings were held.

	Board of Directors		Remuneration Committee		Audit and Risk Management Committee	
Directors	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*
G. Richards	13	13	5	5	–	–
S. Goddard	13	13	–	–	5	5
B. Laughton	13	13	5	5	5	5
M. Powell	13	12	–	–	5	5
W. Tang	13	13	5	5	5	5
R. Uechtritz	13	12	–	–	–	–
R. Murray	13	13	–	–	–	–

Directors' shareholdings

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

	Fully paid ordinary shares			Executive share options		
Directors	*Direct number*	*Indirect number*	*Total*	*Direct number*	*Indirect number*	*Total*
G. Richards	3,455	23,031	26,486	–	–	–
S. Goddard	1,500	–	1,500	–	–	–
B. Laughton	4,304	–	4,304	–	–	–
M. Powell	1,000	–	1,000	–	–	–
W. Tang	–	5,000	5,000	–	–	–
R. Uechtritz	11,516	–	11,516	–	–	–
R. Murray(i)	107,953	2,304	110,257	270,823	–	270,823

(i) Excludes any deferred shares that may be granted by the Board in August 2018 pursuant to achievement of FY2018 short term incentives.

Remuneration Report

The Remuneration Report, which forms part of this Directors' Report, is presented separately on pages 31 to 53.

Proceedings on behalf of the Company

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

Non-audit services

Given the size and complexity of the Group, it can be in the interests of the Group to engage the services of its 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 the Company's auditor.

The directors have not engaged the auditor to provide any non-audit services in the 2018 financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 54 of the Annual Report.

Rounding off of amounts

The Company is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

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

On behalf of the directors

Greg Richards
Chairman

Richard Murray
Group Chief Executive Officer

Melbourne

13 August 2018

OVERVIEW OF OPERATIONS

The Group, which includes both the JB Hi-Fi and The Good Guys businesses, sells the following products:

- consumer electronics including televisions, audio equipment, computers and cameras;
- telecommunications products and services;
- whitegoods, cooking products, heating & cooling products, small appliances and kitchen accessories; and
- software (CDs, DVDs, Blu-ray discs and games) and musical instruments (JB Hi-Fi business only).

The Group also provides information technology and consulting services.

The Group holds significant market-share in many of its product categories.

The Group's sales are primarily from its branded retail store networks (193 JB Hi-Fi/JB Hi-Fi Home stores in Australia, 15 JB Hi-Fi/JB Hi-Fi Home stores in New Zealand and 103 The Good Guys stores in Australia as at 30 June 2018) and online operations (JB Hi-Fi and The Good Guys websites). Sales are also generated from the Group's commercial and education solutions offer, JB Hi-Fi Solutions.

GROUP FINANCIAL PERFORMANCE – HIGHLIGHTS

Unless otherwise stated, all comparative FY2017 results disclosed in this Operating and Financial Review are underlying results which exclude transaction fees and implementation costs totalling $22.4 million associated with the acquisition of The Good Guys in November 2016 and goodwill and fixed asset impairment charges in relation to the JB Hi-Fi New Zealand business totalling $15.8 million. All FY2018 results are statutory results.

	FY2018	*FY2017*[1]	*Mvt*
Total Sales ($m)	6,854.3	5,628.0	+21.8%
Earnings before interest and tax ($m)	350.6	306.3	+14.5%
Net profit after tax ($m)	233.2	207.7	+12.3%
Earnings per share (basic ¢)	203.1	186.0	+9.2%
Dividend per share (¢)	132.0	118.0	+11.9%

[1] Underlying results which exclude transaction fees and implementation costs totalling $22.4 million associated with the acquisition of The Good Guys in November 2016 and goodwill and fixed asset impairment charges in relation to the JB Hi-Fi New Zealand business totalling $15.8 million.

Total sales grew by 21.8% to $6,854.3 million, underlying earnings before interest and tax grew by 14.5% to $350.6 million and underlying net profit after tax grew by 12.3% to $233.2 million. Underlying earnings per share were up 9.2% to 203.1 cps.

This strong growth has been achieved through a combination of the organic growth of the JB Hi-Fi business and the full year contribution of The Good Guys business in FY2018 (compared to approximately 7 months' contribution in FY2017).

DIVISIONAL PERFORMANCE

JB Hi-Fi Australia

	FY2018	*FY2017*[1]	*Mvt*
Total Sales ($m)	4,539.7	4,148.6	+9.4%
Gross Profit ($m)	1,006.5	922.8	+9.1%
Gross Margin (%)	22.17%	22.24%	(7 bps)
Cost of Doing Business (%)	14.82%	14.96%	(14 bps)
EBIT ($m)	292.3	262.4	+11.4%
EBIT Margin (%)	6.44%	6.33%	+11 bps
Stores (#)	193	185	+8 stores

[1] Underlying results excluding transaction fees and implementation costs associated with the acquisition of The Good Guys in November 2016.

Total sales were up 9.4% to $4,539.7 million (FY2017: $4,148.6 million) and comparable sales growth was 6.2%. Sales momentum was solid throughout FY2018, with total sales growth of 7.8% and comparable sales growth of 4.4% in the second half of FY2018 (following on from total sales growth of 10.8% and comparable sales growth of 7.8% in the first half of FY2018).

Hardware and services sales (all sales excluding Music, Movies and Games Software categories) were up 11.9% for the financial year, with comparable sales up 8.6%, driven by the Communications, Computers, Audio, Games Hardware and Drones categories. Software sales were -8.5% and on a comparable basis were -11.2% as a result of an acceleration in the decline in the Movies category which was partially offset by growth in the Games Software category. By value, sales were split between hardware and services at 90.0% and software at 10.0% (FY2017: 88.0%/12.0%).

Online sales in Australia grew 32.1% to $209.9 million or 4.6% of total sales (FY2017: 3.8%), as the JB Hi-Fi Australia business continues to invest in its online offer. During the financial year, enhanced “click and collect” and delivery options were introduced for JB Hi-Fi’s Australian online customers.

Strong growth in sales and gross profit, combined with operating cost leverage, drove strong EBIT growth. EBIT was up 11.4% to $292.3 million from $262.4 million in the previous financial year. EBIT Margin was up 11 bps to 6.44%.

A continued focus on growing gross profit dollars saw gross profit increase by 9.1% to $1,006.5 million. Gross margin decreased by 7 bps to 22.17%, driven primarily by sales mix as the business manages the growth of low margin categories and the decline in higher margin software categories, and price investment to reinforce the business’ market leadership. The JB Hi-Fi Australia business continues to be a sales led organisation with a focus on growing top line sales and gross profit dollars.

Cost of Doing Business (“CODB”) decreased by 14 bps to 14.82%. In absolute terms, CODB grew 8.4%. Total operating costs remained well controlled as the JB Hi-Fi Australia business managed increased volumes through the store network driven by new products, Click and Collect, Online and Commercial order fulfilment. The JB Hi-Fi Australia business’ low CODB remains a competitive advantage and is maintained through continued focus on productivity and minimising unnecessary expenditure.

JB Hi-Fi New Zealand

	FY2018	FY2017[1]	Mvt
Total Sales (NZ$m)	231.5	234.0	(1.1%)
Gross Profit (NZ$m)	40.9	42.5	(3.8%)
Gross Margin (%)	17.66%	18.15%	(49 bps)
Cost of Doing Business (%)	17.28%	17.89%	(61 bps)
EBIT (NZ$m)	(2.9)	(2.7)	(6.9%)
EBIT Margin (%)	(1.24%)	(1.15%)	(9 bps)
Stores (#)	15	16	(1 store)

[1] Underlying results excluding goodwill and fixed asset impairment charges.

Total sales were down 1.1% to NZ$231.5 million, with comparable sales up 2.4%.

Online sales in New Zealand for FY2018 grew 96.3% to NZ$9.6 million or 4.1% of total sales (FY2017: 2.1%) following the launch of the new JB Hi-Fi New Zealand website in August 2017.

Gross margin was down 49 bps on FY2017 to 17.7%.

The Group continues to reposition the JB Hi-Fi New Zealand business as part of its strategy to improve performance and during FY2018 exited whitegoods (rebranding 4 JB Hi-Fi Home stores to JB Hi-Fi) and closed one JB Hi-Fi store.

The Good Guys

	FY2018	FY2017[1]	Mvt
Total Sales ($m)	2,101.3	1,258.4	+67.0%
Gross Profit ($m)	426.1	267.6	+59.2%
Gross Margin (%)	20.28%	21.27%	(99 bps)
Cost of Doing Business (%)	16.60%	16.69%	(9 bps)
EBIT ($m)	60.9	46.4	+31.1%
EBIT Margin (%)	2.90%	3.69%	(79 bps)
Stores (#)	103	102	+1 store

[1] The comparative FY2017 results presented are underlying results for the period of the Group's ownership (28 November 2016 to 30 June 2017) and exclude transaction and implementation costs associated with the acquisition.

The Group benefited from a full year's contribution in FY2018 from The Good Guys business as compared to approximately 7 months' contribution in FY2017 following the acquisition on 28 November 2016.

On a statutory basis, total sales were up 67.0% compared to FY2017 (when only the sales for the 7 months during which The Good Guys business was under the ownership of the Group were consolidated into the Group's results) to $2,101.3 million. For comparative purposes, compared to the previous 12 month period (1 July 2016 to 30 June 2017), total sales in FY2018 were up 1.5% with comparable sales up 0.9%. Both the Home Appliances and Consumer Electronics categories recorded sales growth.

Online sales for FY2018 were up 7.4% compared to the previous 12 month period (1 July 2016 to 30 June 2017) to $126.8 million or 6.0% of total sales.

Gross profit was $426.1 million for FY2018, with gross margin at 20.3%, down from FY2017 primarily as a result of heightened price competition in the second half of FY2018 as The Good Guys business continued to focus on sales and market share.

CODB was 16.6%, with total operating costs in line with expectations and store wages remained well controlled.

Earnings for FY2018 of $60.9 million were impacted by challenging conditions in the home appliance market in the second half of FY2018 due to unfavourable weather conditions coupled with heightened price competition.

GROUP BALANCE SHEET, CAPITAL MANAGEMENT AND DIVIDENDS

The Group's total net assets at the end of the financial year were $947.6 million, which was $94.1 million higher than at the end of FY2017.

In June 2018, the Group restructured its multi-tranche term debt facilities, resulting in a reduction in its multi-tranche term debt facilities by $100.0 million to $550.0 million. In conjunction with this restructure of the term debt facilities, the Group also entered into a new $30.0 million trade finance facility which is renewable annually.

The Group now has term debt facilities as follows:

- $248.0 million with an expiry date of September 2019;
- $60.0 million with an expiry date of September 2020; and
- $242.0 million with an expiry date of July 2021.

The Group has overdraft facilities of $80.0 million and NZ$10.0 million which are renewable annually, and an additional seasonal bank overdraft facility of $50.0 million available during certain periods each year.

The financial covenants included in the Group's financing facilities are leverage and fixed charges cover ratios. The Group has complied with each of its financial covenants throughout the period.

At the end of the financial year the Group had total interest bearing liabilities of $469.4 million and cash on hand of $72.0 million resulting in net debt of $397.4 million, a reduction of $88.6 million from the prior year.

The total dividend for the 2018 financial year of 132.0 cents per share represents a payout ratio of approximately 65% of the full year earnings. The Board currently believes a 65% dividend payout ratio appropriately balances the distribution of profit to shareholders and reinvestment of earnings for future growth. The final dividend for the 2018 financial year of 46.0 cents per share fully franked will be paid on 7 September 2018 with a record date of 24 August 2018.

INVESTMENTS FOR FUTURE PERFORMANCE

Net cash outflow on investing activities was $54.0 million (down from $885.5 million in the prior year, which included cash outflows related to the acquisition of The Good Guys).

Investments of $54.4 million were made during the financial year in capital expenditure projects, an increase of $5.3 million from $49.1 million during the previous financial year. Capital expenditure remains well controlled as the Group continues to invest in the store portfolio and digital projects.

These investing activities are anticipated to contribute towards earnings growth in FY2019 and beyond.

WORKING CAPITAL

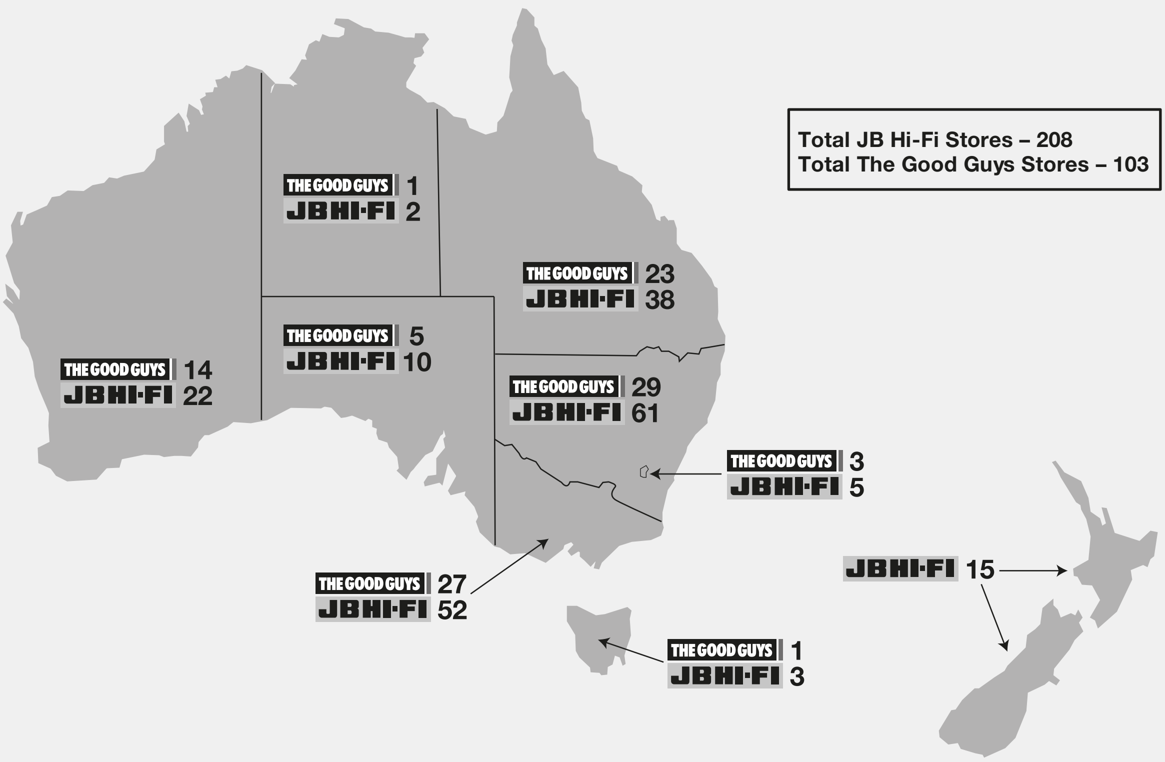
Inventory levels were in line with internal expectations. Total inventory on hand increased from the previous financial year by $31.4 million and trade and other payables increased by $20.6 million as the business continued to grow. Inventory turnover was 6.2 times.

Financial and operating leverage remains low as is evidenced by solid fixed charges cover of 2.9 times (FY2017: 3.2 times) and interest cover of 21.1 times (FY2017: 28.8 times). The Company's gearing ratio decreased to 1.1 (FY2017: 1.6).

STORES

The Group's sales are primarily from its branded retail store networks, located both in stand-alone destination sites and shopping centre locations.

The store locations as at 30 June 2018 are set out below.



In Australia, 8 new JB Hi-Fi stores were opened in FY2018. One JB Hi-Fi store was closed in New Zealand during FY2018.

Two new The Good Guys stores were opened and one The Good Guys store was closed during FY2018.

JB HI-FI SOLUTIONS (COMMERCIAL, EDUCATION & INSURANCE)

The Group's commercial, insurance and education business, JB Hi-Fi Solutions (which includes both the JB Hi-Fi and The Good Guys Commercial divisions), comprises:

- Corporate, Government & Education sales of products and services; and
- Insurance replacements.

The business recorded strong sales growth in FY2018 and remains on track to deliver on its longer term aspirational sales target of approximately $500m per annum, through both organic growth and strategic acquisitions.

BUSINESS STRATEGIES AND PROSPECTS

The following factors are considered important in understanding the strategy of the Group and the main opportunities and threats that may have a significant effect on its results and its prospects for future years. These factors are listed regardless of whether they were significant in FY2018.

Business risks

There are a number of factors, both specific to the Group and of a general nature, which may threaten both the future operating and financial performance of the Group and the outcome of an investment in the Group. There can be no guarantee that the Group will achieve its stated objectives or that forward looking statements will be realised. The operating and financial performance of the Group is influenced by a variety of general economic and business conditions, including levels of consumer spending, inflation, interest and exchange rates, access to debt and capital markets, and government fiscal, monetary and regulatory policies.
A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, may have an adverse impact on the Group's business or financial condition. The specific material business risks faced by the Group, and how the Group manages these risks, are set out below.

- Competition – the markets in which the Group operates remain highly competitive and any increased competition from new and existing competitors may lead to price deflation and a decline in sales and profitability. As the #1 player in a fragmented Australian market, the Group's scale allows it to maintain focus on market share and absorb margin pressure during periods of heightened market price activity and consolidation. The Group also believes that its competitive advantages and the plans for growth set out below will allow it to maintain its market leading position.
- A loss or erosion of reputation – both the JB Hi-Fi business and The Good Guys business enjoy a high level of loyalty and trust with customers. The JB Hi-Fi business has been consistently ranked among Australia's most reputable companies in the Corporate Reputation Index released by the Reputation Institute and AMR (6th in 2018, 1st in 2014 and 2016 and 3rd in 2012, 2013, 2015 and 2017). The JB Hi-Fi business was also awarded the Roy Morgan Customer Satisfaction Award for Furniture/Electrical store of the year for 2017, whilst The Good Guys business won the same award for 2011, 2012, 2013, 2014 and 2016. Additionally, The Good Guys Business won the Canstar Blue Most Satisfied Customers Electronic Retailers Award from 2011 to 2017. A decline in this high level of loyalty and trust could compromise the market leading positions of the JB Hi-Fi business and The Good Guys business and adversely affect the Group's operating and financial performance. This could occur as a result of a wide range of factors or events, including:
  - a loss or erosion of the reputation of the JB Hi-Fi and The Good Guys businesses for price leadership and high levels of customer service. The Group seeks to mitigate this risk through careful monitoring of its competitors' pricing and market share data, senior management monitoring of customer complaints, and use of customer service and engagement analytics;
  - a major information security breach of the Group's IT systems. The Group seeks to mitigate this risk through investment in IT security measures, including incident response planning and testing;
  - a major workplace health and safety incident or customer injury. The Group seeks to mitigate this risk through having appropriate occupational health and safety procedures in place for all of its sites; or
  - a significant breach of regulatory or legislative requirements. The Group seeks to mitigate this risk through appropriate staff training on key regulatory and legislative requirements relevant to its business, as well as making legal and regulatory compliance a key focus of the management team.
- Consumer discretionary spending and changes in consumer demands – the Group is exposed to consumer spending cycles and changes in consumer demands. A reduction in consumer spending and demand may lead to a decline in the Group's sales and profitability. The Group maintains its relevance using its strong market position supported by its everyday low price proposition. The Group's stores, which are both in convenient and high traffic locations, seek to maximise both destination and impulse sales, reflected in the Group's high sales per square metre of floor space. The Group also closely monitors changes in the economic environment, consumer demand and new products, and is able to respond quickly to such changes.

- Online competition taking sales from the Group's stores – the Group seeks to provide customers with a quality online offer, while leveraging the benefits of its physical stores. The Group continues to innovate both in-store and online in order to give customers the choice as to how to transact with the JB Hi-Fi and The Good Guys businesses. The Group's market leadership and scale gives it global relevance with suppliers and drives significant buying power which enables the Group to compete successfully with online players, as does its low cost of doing business. The Group also believes that the existence of its store networks will continue to provide confidence in after-sales service and support to its online customers, whilst also enabling fast online fulfilment via delivery from stores and click and collect.
- Digitisation of physical software leading to a fall in traditional software sales beyond expectations – the JB Hi-Fi business will maintain a software presence in store while the category is still providing solid returns, whilst adjusting inventory, range and in-store space allocated to the category as appropriate.
- Ineffective inventory management - a failure to maintain sufficient inventory (or holding excessive inventory) may adversely affect the Group's operating and financial performance. The Group mitigates this risk through regular monitoring of inventory quality and stock levels.
- Failure to maintain key supplier relationships – the Group has strong partnerships with all major suppliers, with its dual brand retail approach providing ranging and merchandising optionality and facilitating the execution of strategic initiatives at scale, and its store locations and high traffic websites providing suppliers with high visibility for their products. However, a failure to maintain key supplier relationships could adversely impact on the Group's operating and financial performance. The Group has significant supplier management processes to mitigate this risk and, whilst at any one time certain products and suppliers are more important than others, the large and diverse range of products stocked by the businesses means that reliance on any one supplier or product is less than for some smaller competitors. In addition, the JB Hi-Fi and The Good Guys businesses have proven records of expansion into new product categories and introducing new brands, rather than remaining reliant on those products and brands which were successful in previous years.
- Acquisition of The Good Guys business – the acquisition of The Good Guys business does not deliver the expected outcomes for the Group. For example, The Good Guys business does not, itself, perform as expected or the acquisition has an adverse effect on the performance of the JB Hi-Fi business due to, for example, management being preoccupied with The Good Guys business. The Group continues to integrate the businesses where appropriate.
- Growth of JB Hi-Fi Solutions – the JB Hi-Fi Solutions business does not deliver the expected growth outcomes for the Group. The Group continues to invest in the JB Hi-Fi Solutions business to support its continued growth.
- JB Hi-Fi New Zealand business – if the performance of the JB Hi-Fi New Zealand business does not improve as expected, this may have an adverse impact on the Group's operating and financial performance. The Group is in the process of implementing a turnaround strategy to improve performance in the JB Hi-Fi New Zealand business.
- Increasing cost of doing business – certain costs of doing business are outside of the Group's control. For example, the Group's cost of doing business is impacted by the annual Fair Work Award wage reviews (which have resulted in increases totalling 14.6% over the past 5 years to 30 June 2018), and rising energy costs. However, the increasing scale of the Group's operations continues to deliver cost reductions which mean that higher wage costs can be offset to some extent by cost reductions in other areas.
- Leasing arrangements – the ability to identify suitable sites and negotiate suitable leasing terms for new and existing stores is key to the Group's ongoing growth and profitability. The Group believes that it will continue to be able to do this as it has done successfully to date.
- Loss of, or inability to attract and retain, key staff – the Group's ability to attract and retain talented staff is critical to its operating and financial performance. In recognition of this, succession planning and executive/senior management team composition is a key focus for the Board and Group executive team.
- IT systems – the Group's increasing reliance on IT systems means that outages, disruptions and security breaches could have a detrimental impact on its operating and financial performance, and any failure to maintain and upgrade its IT systems over time has the potential to inhibit the achievement of the Group's business initiatives. To mitigate these risks, the Group has documented disaster recovery processes (including off-site IT back-up infrastructure) and invests in IT security measures. The Group also continues to invest and develop its IT resources and capabilities to support the Group's strategic objectives.

- Changes in regulatory environment – changes in the regulatory environment in which the Group operates may increase compliance costs, and even (in extreme cases) affect the ability of the Group to sell certain types of products and services or conduct certain activities. Whilst such changes are outside the control of the Group, the Group monitors proposed changes in the regulatory environment so that it can assess the impact of such changes and develop appropriate response strategies where possible.
- Finance – a breach of the Group's debt covenants or inability to access financing facilities would adversely affect the Group's operating and financial performance. The Group has significant headroom in both its debt facilities and covenants. Additionally, cash flow forecasts and debt capacity are closely monitored by management. Details of the Group's financing facilities are set out on page 25.
- Fraud and corruption – the Group has no history of material fraud or corruption, and seeks to minimise the risk of loss arising from fraud and corruption through appropriate policies, procedures and controls.
- Changes to Australian Accounting Standards – the Australian Accounting Standards are set by the Australian Accounting Standards Board ("AASB"). Changes to the Australian Accounting Standards issued by AASB could adversely affect the financial performance and position reported in the Group's financial statements.
- Litigation/breach of legal or regulatory requirements – legal proceedings and claims may arise from time to time in the ordinary course of the Group's businesses and may result in high legal costs, adverse monetary judgements and/or damage to the Group's businesses which could have an adverse impact on the Group's financial position and financial performance. Additionally, a significant breach of regulatory requirements or laws could adversely impact the Group's ability to carry on its business. The Group seeks to mitigate this risk through appropriate staff training on key regulatory and legislative requirements relevant to its business, as well as making legal and regulatory compliance a key focus of the management team.

Strategies to drive growth

The Group believes that the following strategies/factors will continue to drive growth in sales and earnings:

- continued roll-out of stores in Australia and New Zealand with a pipeline of new properties which will continue to deliver in excess of their cost of capital. Shorter lease terms will be considered where appropriate;
- proactive management of store portfolio with continuation of the Group's disciplined approach to selecting new stores based on high foot traffic and closure of under performing or sub-scale existing stores;
- continued focus on customer service and in-store experience;
- continued growth opportunities in many categories and in market share, both in physical stores and online;
- continued technological innovation and the launch of new products and updated models will continue to drive new and replacement sales;
- realisation of synergies and efficiencies from the acquisition of The Good Guys;
- focus on growing gross profit dollars and maintaining gross margin, but not at the expense of sales;
- continued development of the Group's websites and online offering, aimed at enhancing the user experience across multiple platforms (e.g. computer, tablet & phone) to drive continued growth in online sales;
- expansion of the online product range and depth beyond that which is practical in store;
- significant opportunities to grow JB Hi-Fi Solutions and expand into new markets;
- establishment of a Group merchandise function to provide strategic guidance and oversight of the Group's buying, identify Group buying opportunities and strengthen supplier relationships;
- design and implementation of an expanded services offering for the JB Hi-Fi Australia business;
- continued execution of the Group's strategy to improve the performance of the JB Hi-Fi New Zealand business;
- leverage customer data to personalise marketing and customer experiences;
- improved supply chain and logistics systems to support the Group's expansion; and
- continued mitigation of the business risks faced by the Group detailed on pages 27 to 29.

TRADING OUTLOOK – as at 13 August 2018

July 2018 sales update

- total sales growth for the JB Hi-Fi Australia business in July 2018 was 2.9% (July 2017: 9.3%) with comparable sales growth of 0.3% (July 2017: 6.5%);
- total sales growth for the JB Hi-Fi New Zealand business in July 2018 was -2.1% (July 2017: -0.7%) with comparable sales growth of 3.4% (July 2017: -7.6%);
- total sales growth for The Good Guys business in July 2018 was 2.7% (July 2017: 6.8%) with comparable sales growth of 1.4% (July 2017: 5.7%); and
- July sales results were pleasing given the cycling of strong sales in the pcp and the impact of the FIFA World Cup bringing forward TV sales into June.

FY2019 Guidance

In FY2019 the Group expects:

- to open 5 new JB Hi-Fi Australia stores, open 2 new The Good Guys stores and close one JB Hi-Fi New Zealand store (which was closed in July 2018); and
- total sales to be circa $7.1 billion (comprising JB Hi-Fi Australia: $4.75 billion, JB Hi-Fi New Zealand: NZ$ 0.22 billion and The Good Guys: $2.15 billion).

CONTENTS

SUMMARY

Remuneration overview

The Board recognises that the performance of the Group depends on the quality and motivation of its people, including both the Group executives (being those persons listed as Group executives on page 34) and the approximately 12,200 employees of the Group across Australia and New Zealand. The Company's remuneration strategy seeks to appropriately reward, incentivise and retain key employees. The Board aims to achieve this by setting competitive remuneration packages that include a mix of fixed remuneration and incentives ("packages").

Snapshot – FY2018 remuneration

The 2018 financial year has been a successful year for the Group, with management having delivered record revenue, EBIT and EPS. Notwithstanding this, the challenges faced by The Good Guys business and the JB Hi-Fi New Zealand business have resulted in Group executives earning a lower percentage of short term incentives than in recent years.

- **Fixed remuneration and remuneration packages:** To remain competitive in attracting and retaining key talent in FY2018 the Board considered the remuneration levels for Group executives with reference to external market benchmarks as well as the skills, experience, complexity and responsibilities of the executive roles, particularly given The Good Guys acquisition. This exercise indicated that Group executives were being paid below their market peers and as such, for Group executives (except for the newly appointed Managing Director – The Good Guys), the Company:
  - increased fixed remuneration between 0% and 14.6%, other than for the Group Chief Financial Officer, whose fixed remuneration was increased by 25% given it had been set low compared to market upon his appointment;
  - increased the short term incentive opportunity for the Group Chief Executive Officer to 100% of fixed annual remuneration and for other Group executives to 75% of fixed annual remuneration; and
  - adjusted the long term incentive opportunity to 75% of fixed remuneration for the Group Chief Financial Officer and Managing Director – JB Hi-Fi.
- **Short term incentive:** The Company's short term incentive plan rewards performance against both financial and non-financial measures. For FY2018, between 60% and 81% of the available short term incentive ("STI") is payable to each Group executive. To promote collaboration across the JB Hi-Fi and The Good Guys businesses, a large component (being at least 50% depending on role) of the STI is linked to FY2018 Group statutory EBIT, which was 131% of FY2017 statutory EBIT, resulting in this component of Group executive STIs being partially achieved at 71%. The measures also include individual quantitative and qualitative KPIs to balance Group outcomes against individual accountability. KPIs relating to The Good Guys business were not met, while outcomes against KPIs relating to the JB Hi-Fi New Zealand business were only partially met, impacting the STI outcomes for certain Group executives.
- **Long-term incentives**: All long-term incentives ("LTI") issued to Group executives in FY2018 are in the form of zero exercise price options and are subject to both service and performance based conditions. Given strong EPS growth in recent years, some of the options issued to Group executives in previous years vested in FY2018.
- **Fees for Non-Executive Directors**: Fees for non-executive directors were increased from the levels set in FY2017 as set out in the 2017 Remuneration Report.

2019 Executive remuneration – Key changes

Over FY2018, the Remuneration Committee and the Board have reviewed the reward framework to consider what is fit for purpose for the Group going forward in a changing retail environment which is subject to macroeconomic factors often beyond the control of the Group.

As a result of the difficulties in setting meaningful long term performance targets, for FY2019 the Group is simplifying its Group executive reward framework to one that is fit for a retail business that is subject to many short term influences. The framework will change by:

- introducing a minimum shareholding requirement for Group executives to create stronger alignment between executive reward values and shareholder outcomes;
- replacing current short and long term incentives with a single simpler variable reward plan (VRP) which will allow for flexibility in setting performance targets to take into account changing trading conditions, providing a more motivating remuneration framework for Group executives; and
- reducing the overall amount of remuneration offered to Group executives (from what would have been offered had the previous structure been retained for FY2019), reducing the proportion of the reward paid in cash, and increasing the proportion of reward delivered in fully paid ordinary shares that are to be held over the long term under the new minimum shareholding requirement.

The case for change

It is increasingly difficult to set long term EPS growth targets that are seen as motivating by executives and considered challenging enough by shareholders in a volatile retail environment where it is difficult to confidently form a long term view on performance.

In the past, the success of meeting LTI targets (or not) has often been linked to macro-economic factors or share price volatility as often as the quality of company or executive performance. This has led to volatility in LTI vesting (generally near or close to 100% or not at all).

What's changing?

To address the inherent difficulty in setting LTI targets in a volatile retail environment, the Group is combining the existing Group executive STI and LTI structure into a single VRP.

Under the VRP, performance will be assessed at the end of each financial year against a scorecard of robust measures. 75% of the rewards under the plan for each executive will be dependent on financial targets and the remaining 25% of the scorecard will be based on robust strategic measures approved by the Board and aligned with the Group's long term corporate plans. The financial targets in the scorecard will be predominantly based on Group EPS, with some executives also having targets relating to the financial performance of the particular business for which that executive is responsible.

For FY19, for the Group financial component of the VRP, the performance range will be in line with our historical incentive ranges i.e. commencing rewards when performance exceeds the previous year's earnings performance and paying maximum reward at 10% earnings growth.

The Board intends on generally applying this consistent performance range under the VRP going forward. Within this range the % of the incentive payable will be set taking account of Board approved annual budgets and longer term corporate plans. Being able to reassess the actual expected level of growth when setting the targets each year will ensure that the targets within these ranges will be meaningful and challenging given prevailing economic conditions.

The award will be delivered:

- 25% in cash at the end of the one-year performance period; and
- 75% in restricted shares, to be released progressively in equal tranches over years 2, 3 and 4.

This is a significant reduction from the proportion of cash available annually to executives under the previous STI and LTI plans. When combined with the Group's new minimum shareholding requirements, the grant of restricted shares will ensure that a significant proportion of the value of Group executive rewards will be aligned with long term share price and shareholder outcomes.

In view of the move to an annual performance period rather the current 3 and 4 year periods applicable to the LTI, Group executive opportunity levels under the VRP will be made at a 20% discount to the LTI opportunity levels that would have been offered had the previous structure been retained. The amount of discount reflects relative STI and LTI outcomes over recent years.

The proposed VRP provides for stronger shareholder alignment than the Group's existing STI/LTI program, by granting the majority of the reward as shares that carry dividend rights but are restricted over the medium to longer term and which are subject to share price risk and clawback. This encourages Group executives to think and act like shareholders and to make decisions in the long term interests of the Group.

Given Terry Smart received a one-off 3 year grant of LTI on re-joining the Group in April 2017, he will not participate in the new VRP. Instead, he will be able to earn an STI in FY19 based on the same scorecard structure as other Group executives under the VRP. 20% of his STI will be deferred into shares for 12 months after issue. No additional LTI will be granted to Terry in FY19.

Minimum shareholding guidelines

Building Group executive shareholdings is a priority of the Board in the context of executive retention, and to ensure Group executives are invested in the long term success of the Group. In conjunction with introducing the VRP, a minimum shareholding requirement for senior executives has been introduced, being 1.5 x fixed pay for the CEO and 1.0 x fixed pay for the other Group executives. This level of shareholding will be required to be built over 5 years from the introduction of the VRP (or appointment, if later).

GROUP EXECUTIVE REMUNERATION FOR FY2018

Details of executive key management personnel

The following persons acted as executive directors and/or Group executives during and since the end of the financial year and are considered members of key management personnel for reporting purposes:

Executive Director

Richard Murray	Group Chief Executive Officer

Executives

Cameron Trainor	Managing Director – JB Hi-Fi (Managing Director – Group Merchandise from 13 August 2018)
Terry Smart	Managing Director – The Good Guys
Nick Wells	Group Chief Financial Officer
Tim Carter	Supply Chain & JB Hi-Fi Solutions Director
James Saretta	Strategy & Digital Director

Group executive remuneration policy – 2018 financial year

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

The Remuneration Committee annually reviews the remuneration packages of all Group executives and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance and data on remuneration paid by comparable companies. Where appropriate, the Remuneration Committee may receive expert independent advice regarding remuneration levels required to attract, retain and compensate Group executives given the nature of their work and responsibilities.

In setting the FY2018 remuneration packages, the Board and the Remuneration Committee considered a number of factors, including current market practice.

The Remuneration Committee also considers current market conventions with regard to the splits between fixed, short-term and long-term incentive elements. The package splits for FY2018 were as follows:

Executive	*Fixed*	*STI*	*LTI*	*Total*
R. Murray	33.3%	33.3%	33.3%	100%
C. Trainor	40%	30%	30%	100%
T. Smart	37%	36%	27%	100%
N. Wells	40%	30%	30%	100%
T. Carter	42%	32%	26%	100%
J. Saretta	42%	32%	26%	100%

Further details on each of the key elements of Group executive remuneration for the 2018 financial year are set out below.

Fixed remuneration

Fixed remuneration is paid by way of base salary, motor vehicle allowances and superannuation. No elements of fixed remuneration are dependent on performance conditions.

Short-term incentive

For FY2018 20% of the short term incentive earned by each Group executive is “deferred” so that the executive receives 80% of the FY2018 STI to which they are entitled in cash, and the remaining 20% in shares which are subject to a restriction on sale/disposal for 1 year after issue. Further detail is set out below.

- the number of shares granted to the executive will be calculated on the basis of the volume weighted average share price for the Company’s shares in the five days following the release of the Company’s FY2018 results to the ASX;
- these shares are held on trust for the executive in the Company’s employee share trust and are subject to restrictions meaning that the executive cannot sell or otherwise dispose of them for 1 year following the release of the Company’s FY2018 results to the ASX (and, after that, may only sell or dispose of them in accordance with the Company’s Securities Trading Policy);

- during this restricted period the executive receives the dividends on the shares and is able to exercise the votes attached to those shares; and
- the Board has the discretion to release the restrictions on disposal early only in exceptional circumstances and if certain additional criteria are satisfied.

STI achievement was subject to financial and non-financial performance conditions as set out below.

Quantitative Bonus – Group EBIT performance

The Group quantitative element of executives' STIs in FY2018 was based on the following criteria:

- if FY2018 statutory EBIT was more than 123% of FY2017 statutory EBIT then the STI would apply. No part of the STI would be paid if FY2018 statutory EBIT was the same as, or less than,123% of FY2017 statutory EBIT;
- if FY2018 statutory EBIT was equal to, or exceeded, 134% of FY2017 statutory EBIT then 100% of this element would be paid; and
- payment of STIs between these two benchmarks would be on a linear basis.

In setting these increased performance hurdles the Board took into account the fact that FY2017 statutory EBIT included significant one-off transaction and implementation costs relating to the acquisition of The Good Guys and New Zealand fixed asset and goodwill impairments. These hurdles are equivalent to the Company's traditional STI growth targets (0% - 10% growth) when calculated based on underlying EBIT for FY2017 (adjusted for a full 12 months' of earnings from The Good Guys business).

Given FY2018 statutory EBIT was 131% of FY2017 statutory EBIT, 71% of the available Quantitative Bonus (Group EBIT performance) is payable to Group executives for FY2018.

Quantitative Bonus – Individual performance

These elements of the STI were measured against individual quantitative criteria approved by the Remuneration Committee and the Board which related to aspects of the business over which the relevant Group executive had significant influence and where it was felt that increased focus would provide long-term benefit to the business. As specific targets are commercially sensitive, a summary of the criteria have been set out below.

Qualitative Bonus – Individual performance

These elements of the STI were measured against individual qualitative criteria approved by the Remuneration Committee and the Board which related to aspects of the business over which the relevant Group executive had significant influence and where it was felt that increased focus would provide long-term benefit to the business. As specific targets are commercially sensitive, a summary of the criteria are set out below.

Details of STI available by executive

	Quantitative Bonus - Group performance	**Quantitative Bonus - Individual performance**					**Qualitative Bonus - Individual performance**	
Executives	*Group EBIT*	*JB Hi-Fi EBIT / Inventory / JB Hi-Fi NZ EBIT*	*The Good Guys EBIT / Inventory*	*Synergies / Inventory / JB Hi-Fi NZ EBIT*	*Commercial EBIT / Supply Chain / JB Hi-Fi NZ EBIT*	*Synergies / Online EBIT / JB Hi-Fi NZ EBIT*	*Non-financial*	*Total Available*
R. Murray	75%						25%	100%
C. Trainor	50%	25%					25%	100%
T. Smart	50%		25%				25%	100%
N. Wells	60%			15%			25%	100%
T. Carter	60%				15%		25%	100%
J. Saretta	60%					15%	25%	100%

Non-financial measures include some of the following for each Group executive:

- Succession planning and team development;
- Diversity;
- Investor relations;
- Strategic initiatives;
- Supply chain initiatives;
- Inventory management;
- Online initiatives;
- Commercial business initiatives;
- Workplace health & safety; and
- Risk management.

Details of STI achieved per executive

Each Group executive's performance has been measured against the applicable targets. The resulting percentage of each element of STI actually achieved for the 2018 financial year is detailed in the following table:

	Quantitative Bonus - Group performance	**Quantitative Bonus - Individual performance**					**Qualitative Bonus - Individual performance**	
Executives	*EBIT*	*JB Hi-Fi EBIT / Inventory / JB Hi-Fi NZ EBIT*	*The Good Guys EBIT / Inventory*	*Synergies / Inventory / JB Hi-Fi NZ EBIT*	*Commercial EBIT / Supply Chain / JB Hi-Fi NZ EBIT*	*Synergies / Online EBIT / JB Hi-Fi NZ EBIT*	*Non-financial*	*Total Achieved*
R. Murray	71%						96%	77%
C. Trainor	71%	85%					100%	81%
T. Smart	71%		0%				100%	60%
N. Wells	71%			70%			100%	78%
T. Carter	71%				70%		100%	78%
J. Saretta	71%					85%	94%	78%

Long-Term Incentive ("LTI") Plan

Some of the options granted to executives prior to FY2018 vested in FY2018. Details of options that vested and were exercised are set out on pages 48 and 49.

Form of FY2018 executive LTIs

As was the case in FY2017, all Group executive LTIs granted for FY2018 were in the form of share options with zero exercise prices, with EPS based performance hurdles and a service based vesting condition ("Zepos"). The service based vesting condition provides that half of these options will vest on each of the 3rd and 4th anniversary of issue provided that all other vesting conditions are satisfied. The Group believed that this vesting period appropriately aligned the LTIs with longer term performance. Each option expires 5 years after the grant date.

Details of the EPS based performance hurdles are set out below.

LTI performance hurdles for FY2018 executive LTIs

The EPS performance hurdles referred to above require compound annual EPS growth from the statutory FY2017 EPS base of 154.3 cents per share of between 9% and 15% per annum as set out below:

- Where compound annual statutory EPS growth is 9%, 50% will vest.
- Where compound annual statutory EPS growth is between 9% to 15%, the remaining 50% will vest on a linear basis.

The Board considered this equity performance linked remuneration structure to be effective in aligning the long-term interests of executives and shareholders. In setting these FY2018 performance hurdles, the Board considered both consensus forecasts and the earnings outlook for the Company.

Further information on LTIs

The issue of options for FY2018 to Richard Murray, the executive director of the Company, was approved by shareholders at the Company's Annual General Meeting in October 2017.

Further details of the terms of these options are included under the heading "Group share option plans" on page 50.

Relationship between financial performance and remuneration

The Group's executive remuneration is directly related to the performance of the Group through the linking of the majority of short and long-term incentives to certain financial measures as detailed previously and shown below.

The financial performance of the Group is summarised in the table below, whilst the alignment of executive remuneration to the performance of the Group is detailed in the graph on page 38.

							Growth	
		FY2014	*FY2015*	*FY2016*	*FY2017*	*FY2018*	*FY2018*	*Last 5 years(iii)*
1.	Financial performance:							
	Sales ($m)	3,483.8	3,625.1	3,954.5	5,628.0	6,854.3	22%	16%
	EBIT ($m)	191.1	200.9	221.2	290.5(v)	350.6	21%	15%
	Net profit attributable to owners of the Company ($m)	128.4	136.5	152.2	192.2(v)	233.2	21%	15%
	Basic EPS (cents)	128.4	137.9	153.8	172.1(v)	203.1	18%	12%
2.	Shareholder value created:							
	Company share price at the end of the reporting period ($)	18.30	19.48	24.10	23.37	22.52	(4%)	6%
	Market capitalisation ($m)	1,810.7	1,928.3	2,384.6	2,674.0	2,587.2	(3%)	9%
	Enterprise value(i) ($m)	1,946.9	2,018.7	2,442.5	3,160.0	2,984.5	(6%)	12%
	Movement in enterprise value during the financial year ($m)	226.7	71.7	423.8	717.5	(175.5)		
	Dividends paid to shareholders during the financial year ($m)	77.2	87.2	93.2	119.1	151.6	27%	18%
	On market share buy-back ($m)	25.8	5.0	13.2	–	–		
	Shareholder value created(ii)							
	- per annum ($m)	329.7	163.9	530.2	836.6	(23.9)		
	- cumulative ($m) since IPO	2,397.4	2,561.2	3,091.4	3,928.1	3,904.2	(1%)	25%(iv)

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

(ii) Shareholder value created is measured as the increase in the enterprise value, plus cash dividends and share buy-backs paid during the financial year. Cumulative shareholder value is measured from the date of listing in October 2003 when opening shareholder value was $201.7m.

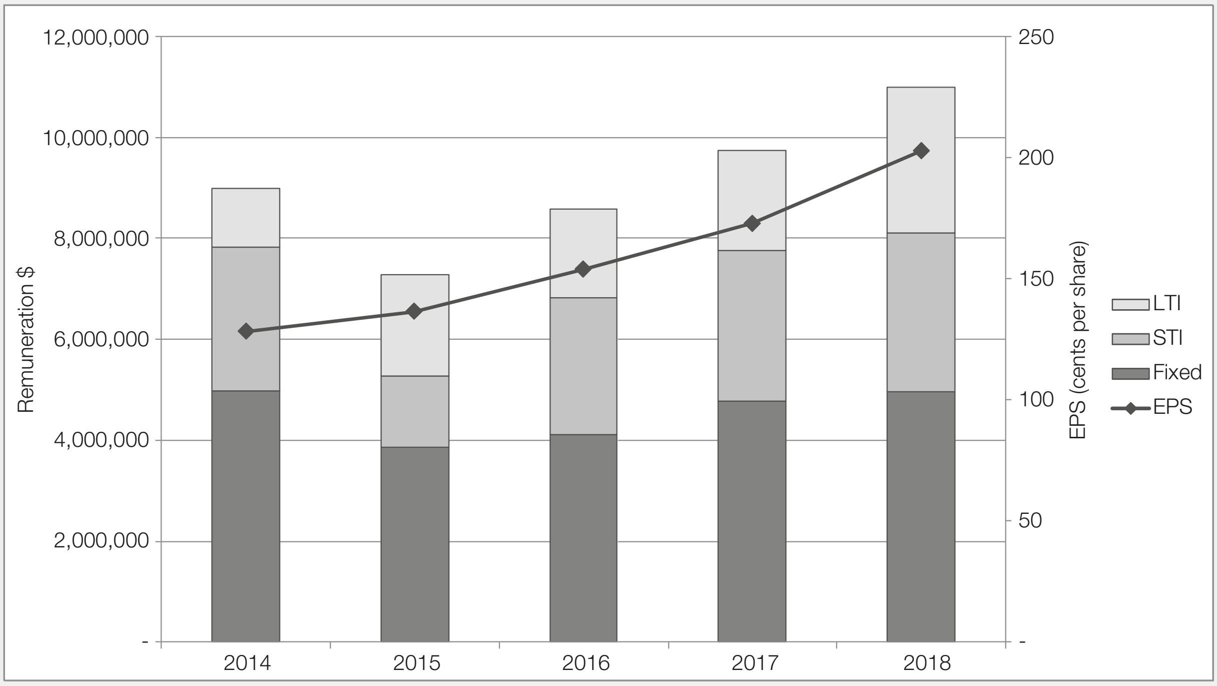
(iii) Percentage movement shown is the compound annual growth rate over the last 5 years.

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

(v) FY2017 EBIT, net profit and EPS exclude transaction fees and implementation costs totalling $22.4m associated with the acquisition of The Good Guys in November 2016 but include New Zealand Goodwill and New Zealand Fixed Asset impairments of $15.8 million.

The graph below shows the relationship between total Group executive remuneration and EPS over the past 5 years and the high correlation of Group executive remuneration with Company performance.

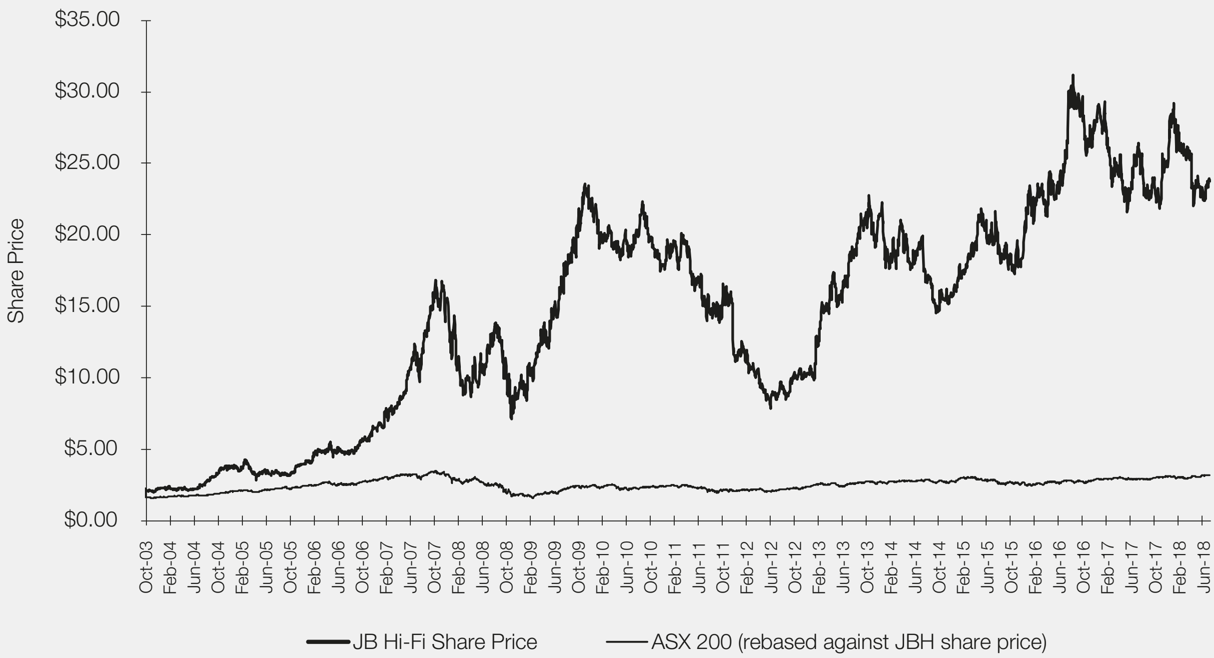
Executive remuneration and EPS over the last 5 financial years:



Notes

1. The graph shows the aggregate total of remuneration for the Company's executive team for each year from 2014 to 2018, excluding payments made in relation to departures from the Company. The number of executives engaged during each of these years varied.
2. LTI expense is the current period LTI expense only, excluding any prior period write-backs.
3. EPS in FY2017 excludes transaction fees and implementation costs totalling $22.4m associated with the acquisition of The Good Guys in November 2016 but includes New Zealand Goodwill and New Zealand Fixed Asset impairments of $15.8 million.

The effectiveness of the executives' performance related remuneration in driving performance is reflected in the long term growth of the share price of the Company. The following graph plots the JB Hi-Fi closing share price and the ASX 200 on a daily basis between listing on the ASX and 1 August 2018. The JB Hi-Fi closing share price compound annual growth rate between listing and 1 August 2018 is 19.5%, whilst the ASX 200 compound annual growth rate over the same period is 4.4%.



Key terms of executive employment agreements

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

Name	Notice Periods/Termination Payment/Non-compete
R. Murray	12 months' notice (or payment in lieu) 12 months' post termination non-compete and non-solicitation restriction
C. Trainor	9 months' notice (or payment in lieu) if terminated by the Company 6 months' notice if notice is given by the executive 6 months' post termination non-compete and non-solicitation restriction
T. Smart, N. Wells, T. Carter, J. Saretta	6 months' notice (or payment in lieu) 6 months' post termination non-compete and non-solicitation restriction

Each executive may be terminated immediately for serious misconduct.

In no instance would a payment in lieu of notice exceed the termination payments limits set out in the *Corporations Act 2001*.

Each of the executive service contracts contains contractual entitlements for the Company to clawback incentive remuneration in the event of fraud, dishonesty, or material misstatements in, or omissions from, the Company's financial statements or misstatements concerning the satisfaction of a performance condition.

NON-EXECUTIVE DIRECTOR REMUNERATION

FY2018 Non-Executive Director Remuneration

The following persons acted as non-executive directors of the Company during and since the end of the financial year and are considered members of key management personnel:

Greg Richards	Non-executive Director, Chair of the Board and Remuneration Committee
Stephen Goddard	Non-executive Director and Member of the Audit and Risk Management Committee
Beth Laughton	Non-executive Director, Chair of the Audit and Risk Management Committee and Member of the Remuneration Committee
Mark Powell	Non-executive Director and Member of the Audit and Risk Management Committee
Wai Tang	Non-executive Director, Member of the Audit and Risk Management Committee and the Remuneration Committee
Richard Uechtritz	Non-executive Director

The overriding objective of the JB Hi-Fi remuneration policies with regard to non-executive directors is to ensure the Company is able to attract and retain non-executive directors with the skills and experience to ensure the Board is able to discharge its oversight and governance responsibilities in an effective and diligent manner. The Board also believes that remuneration for non-executive directors should reflect the time commitment and responsibilities of the role.

The remuneration packages for non-executive directors for FY2018 are set out below. The packages for FY2018 were increased to take account of the increased scale of the Group's operations following the acquisition of The Good Guys business, the workload of the Chairman and the Board committees, and benchmarking against comparable companies. Aggregate non-executive director remuneration for FY2018 was within the amount determined by the Company in its Annual General Meeting on 26 October 2017 being $1,500,000.

Role	*Fees 2018 $*	*Fees 2017 $*
Chair of the Board	$300,000	$278,000
Non-executive director	$134,000	$134,000
Additional Committee Fees		
Remuneration Committee Chair	$25,000	$21,000
Audit and Risk Management Committee Chair	$32,000	$29,000
Audit and Risk Management Committee member	$16,000	$14,000
Remuneration Committee member	$14,000	$12,000

Superannuation contributions are made by the Company on behalf of non-executive directors in line with statutory requirements and are included in the remuneration package amount. It is the policy of the Company not to pay lump sum retirement benefits to non-executive directors.

It is the policy of the Company not to have any elements of non-executive director remuneration at risk. Specifically, non-executive directors do not receive any bonus payments and are not entitled to participate in any Company share option plans.

FY2019 Non-Executive Director Remuneration

Non-executive directors' fees will remain at the current level for FY2019. The Remuneration Committee will continue to review remuneration for non-executive directors on an annual basis in order to ensure that the objectives set out above in respect of non-executive directors' remuneration are met.

In order to further align non-executive directors with shareholders the Company intends to introduce a minimum shareholding requirement for non-executive directors in the first half of FY2019.

OTHER INFORMATION

Remuneration recommendations

KPMG-3dc was engaged to provide remuneration recommendations in accordance with the provisions of the *Corporations Act 2001* and was paid $16,000 (excluding GST) for remuneration recommendations regarding the FY2019 remuneration levels for the Group CEO and Group CFO. KPMG-3dc provided a formal declaration confirming that its recommendations were made free from undue influence by the member or members of the key management personnel to whom the recommendations related and, in view of this declaration and the process adopted in the engagement of KPMG-3dc and receipt of its recommendations, the Board is satisfied that each of the recommendations were free of undue influence by such persons.

In addition to the above, KPMG-3dc also acted as the independent remuneration adviser to the Remuneration Committee and has been involved in the design and implementation of the VRP for executives. KPMG-3dc was also engaged to provide broad ranging services including the provision of other market data, stakeholder communication, governance, leadership and other remuneration related services and was paid $212,600 (excluding GST) for these additional services during the 2018 financial year.

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

The Company's Securities Trading Policy prohibits directors, executives, senior management and other specified employees from altering the economic benefit or risk derived by them in relation to any unvested equity options that they hold. The Policy also requires directors and Group executives to obtain prior written approval from the Chair of the Board before altering the economic benefit or risk derived by them in relation to any shares or options in JB Hi-Fi held by them. Each year directors and executives are required to sign a declaration that they are in compliance with all elements of the JB Hi-Fi Securities Trading Policy. These declarations have been received in relation to the 2018 financial year from all directors and Group executives.

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel for FY2018 include the non-executive directors and the six identified executives set out on page 34.

The aggregate compensation of the key management personnel of the Group for FY2018 is set out below:

	Consolidated 2018 $	Consolidated 2017 $
Short-term employee benefits		
Salary and fees	5,646,178	5,251,624
Bonus	3,177,120	2,969,454
Other	150,303	643,860
	8,973,601	8,864,938
Post-employment benefits		
Superannuation	230,482	278,412
	230,482	278,412
Share based payments		
Options expense	2,942,717	1,978,385
	2,942,717	1,978,385
	12,146,800	11,121,735

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

	Short-term employee benefits				Post-employment benefits	Share based payments	
2018	Salary & fees $	Bonus[ii] $	Other[iii] $	Total short-term employee benefits $	Super-annuation $	Options[i][ii] $	Total $
Non-executive directors							
G. Richards	304,951	–	–	304,951	20,049	–	325,000
B. Laughton	164,384	–	–	164,384	15,616	–	180,000
W. Tang	149,772	–	–	149,772	14,228	–	164,000
R. Uechtritz	122,374	–	–	122,374	11,626	–	134,000
S. Goddard	136,986	–	–	136,986	13,014	–	150,000
M. Powell	136,986	–	–	136,986	13,014	–	150,000
	1,015,453	–	–	1,015,453	87,547	–	1,103,000
Executives							
R. Murray	1,245,871	999,622	28,187	2,273,680	24,712	1,063,151	3,361,543
C. Trainor	892,770	580,114	33,000	1,505,884	23,750	497,240	2,026,874
T. Smart	931,219	602,904	29,308	1,563,431	20,049	657,865	2,241,345
N. Wells	552,981	349,992	20,000	922,973	24,712	287,171	1,234,856
T. Carter	503,942	320,826	20,000	844,768	24,712	266,947	1,136,427
J. Saretta	503,942	323,662	19,808	847,412	25,000	170,343	1,042,755
	4,630,725	3,177,120	150,303	7,958,148	142,935	2,942,717	11,043,800
	5,646,178	3,177,120	150,303	8,973,601	230,482	2,942,717	12,146,800

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

(ii) Performance based.

(iii) Car allowances.

	Performance based							
	Short-term employee benefits				**Share based payments**			
	Maximum Potential STI		**Actual STI**		**Maximum Potential LTI**		**Actual LTI**	
	Bonus		*Bonus*		*Options*		*Options*	
2018	*$*	*% of total potential remuneration*	*$*	*% of total actual remuneration*	*$*	*% of total potential remuneration*	*$*	*% of total actual remuneration*
Executives								
R. Murray	1,300,000	35%	999,622	30%	1,063,151	29%	1,063,151	32%
C. Trainor	712,500	33%	580,114	29%	497,240	23%	497,240	25%
T. Smart	1,000,000	38%	602,904	27%	657,865	25%	657,865	29%
N. Wells	450,000	34%	349,992	28%	287,171	21%	287,171	23%
T. Carter	412,500	34%	320,826	28%	266,947	22%	266,947	23%
J. Saretta	412,500	36%	323,662	31%	170,343	15%	170,343	16%
	4,287,500	35%	3,177,120	29%	2,942,717	24%	2,942,717	27%

	Short-term employee benefits				*Post-employment benefits*	*Share based payments*	
2017(i)	*Salary & fees* $	*Bonus*(iii) $	*Other*(iv) $	*Total short-term employee benefits* $	*Super-annuation* $	*Options*(ii)(iii) $	*Total* $
Non-executive directors							
G. Richards	279,384	–	–	279,384	19,616	–	299,000
B. Laughton	159,817	–	–	159,817	15,183	–	175,000
G. Levin	45,000	–	–	45,000	8,333	–	53,333
W. Tang	142,640	–	–	142,640	13,551	–	156,191
R. Uechtritz	122,374	–	–	122,374	11,626	–	134,000
S. Goddard	115,232	–	–	115,232	10,947	–	126,179
M. Powell	41,136	–	–	41,136	3,908	–	45,044
	905,583	–	–	905,583	83,164	–	988,747
Executives							
R. Murray	1,177,259	988,800	28,187	2,194,246	30,000	830,462	3,054,708
C. Trainor	859,072	650,000	33,000	1,542,072	35,000	395,118	1,972,190
T. Smart	160,834	211,538	5,769	378,141	4,904	133,375	516,420
P. Green	223,962	147,231	8,462	379,655	12,692	113,613	505,960
N. Wells	429,077	288,000	120,000	837,077	30,000	191,370	1,058,447
T. Carter	429,308	288,000	20,000	737,308	30,000	185,950	953,258
S. Page	158,289	107,885	8,442	274,616	12,844	51,044	338,504
J. Saretta	430,000	288,000	20,000	738,000	30,000	77,453	845,453
M. Ford	478,240	–	400,000	878,240	9,808	–	888,048
	4,346,041	2,969,454	643,860	7,959,355	195,248	1,978,385	10,132,988
	5,251,624	2,969,454	643,860	8,864,938	278,412	1,978,385	11,121,735

(i) S. Goddard joined the Board as a Non-Executive Director on 25 August 2016 and M. Powell joined the Board as a Non-Executive Director on 13 March 2017. G. Levin retired as a Non-Executive Director on 27 October 2016. T. Smart joined the Company on 18 April 2017. As a result of a change in the structure and designation of key management personnel of the Group following the acquisition of The Good Guys, P. Green and S. Page were no longer classified as key management personnel from 28 November 2016 onwards, even though they continued in their prior roles as employees of the Group. Amounts disclosed for P. Green and S. Page are for the period that P. Green and S. Page were classified as key management personnel (1 July 2016 to 27 November 2016). Amounts disclosed for M. Ford are for the period he was employed by the Group (28 November 2016 to 28 April 2017).

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

(iii) Performance based.

(iv) For M. Ford, the amount in the "Other" column comprises $400,000 paid in relation to his departure from the Group on 28 April 2017. For N. Wells, the amount in the "Other" column comprises $100,000 bonus paid in relation to the acquisition of The Good Guys, and a $20,000 car allowance. For all other executives, the amount shown in this column is comprised entirely of car allowances.

2017(i)(ii)	Performance based: Short-term employee benefits: Maximum Potential STI: Bonus $	% of total potential remuneration	Actual STI: Bonus $	% of total actual remuneration	Share based payments: Maximum Potential LTI: Options $	% of total potential remuneration	Actual LTI: Options $	% of total actual remuneration
Executives								
R. Murray	988,800	32%	988,800	32%	830,462	27%	830,462	27%
C. Trainor	650,000	33%	650,000	33%	395,118	20%	395,118	20%
T. Smart	211,538	41%	211,538	41%	133,375	26%	133,375	26%
P. Green	147,231	29%	147,231	29%	113,613	22%	113,613	22%
N. Wells	288,000	30%	288,000	27%	191,370	20%	191,370	18%
T. Carter	288,000	30%	288,000	30%	185,950	19%	185,950	19%
S. Page	107,885	32%	107,885	32%	51,044	15%	51,044	15%
J. Saretta	288,000	34%	288,000	34%	77,453	9%	77,453	9%
	2,969,454	30%	2,969,454	32%	1,978,385	21%	1,978,385	21%

(i) No information is included for M. Ford as he did not receive any FY2017 STI or LTI having left the Company on 28 April 2017. Should M. Ford have not left the Company, his maximum potential STI and LTI would have been $862,000 and $448,777.

(ii) The amounts disclosed for P. Green and S. Page are pro-rata for the period that P. Green and S. Page were classified as key management personnel (1 July 2016 to 27 November 2016). The maximum potential STI for T. Smart represents the amount available for the period during FY2017 in which he was employed (from 18 April 2017).

All bonuses are paid in the financial year following the year in which they were earned, for example the 2018 financial year bonuses are paid in August 2018 (the 2019 financial year).

KEY MANAGEMENT PERSONNEL EQUITY/OPTIONS

Fully paid ordinary shares of JB Hi-Fi Limited

2018	*Balance at 1 July 2017 No.*	*Granted as compensation[(i)] No.*	*Received on exercise of options No.*	*Net other change No.*	*Balance at 30 June 2018 No.*	*Balance held nominally No.*
G. Richards	26,486	–	–	–	26,486	3,455
B. Laughton	2,304	–	–	2,000	4,304	–
W. Tang	3,700	–	–	1,300	5,000	–
R. Uechtritz	11,516	–	–	–	11,516	–
S. Goddard	1,500	–	–	–	1,500	–
M. Powell	–	–	–	1,000	1,000	–
R. Murray	105,572	7,953	112,629	(115,897)	110,257	–
C. Trainor	10,070	5,228	86,614	(86,614)	15,298	–
T. Smart	50,000	1,701	–	–	51,701	–
N. Wells	11,314	2,316	12,403	(5,940)	20,093	–
T. Carter	888	2,316	13,787	(13,787)	3,204	–
J. Saretta	163	2,316	–	–	2,479	–
	223,513	21,830	225,433	(217,938)	252,838	3,455

(i) Shares issued under the Company's executive deferred STI Plan.

2017[(i)(ii)]	*Balance at 1 July 2016 No.*	*Granted as compensation[(iii)] No.*	*Received on exercise of options No.*	*Net other change No.*	*Balance at 30 June 2017 No.*	*Balance held nominally No.*
G. Richards	23,000	–	–	3,486	26,486	3,455
B. Laughton	2,000	–	–	304	2,304	–
W. Tang	2,000	–	–	1,700	3,700	–
R. Uechtritz	10,000	–	–	1,516	11,516	–
S. Goddard	–	–	–	1,500	1,500	–
M. Powell	–	–	–	–	–	–
R. Murray	102,000	3,268	65,912	(65,608)	105,572	–
C. Trainor	–	2,188	90,215	(82,333)	10,070	–
T. Smart	–	–	–	50,000	50,000	–
P. Green	2,092	1,123	49,568	(47,434)	5,349	–
N. Wells	4,483	858	4,483	1,490	11,314	–
T. Carter	–	888	–	–	888	–
S. Page	–	800	–	122	922	–
J. Saretta	–	163	–	–	163	–
	145,575	9,288	210,178	(135,257)	229,784	3,455

(i) G. Levin ceased to be a non-executive director on 27 October 2016 and, at this time, held 30,000 shares in the Company. G. Levin had no transactions with ordinary shares during the period in FY2017 in which he was a director.

(ii) M. Ford left the Company on 28 April 2017 and, at this time, held no shares or options in the Company. During the period of his employment, M. Ford had no transactions with ordinary shares.

(iii) Shares issued under the Company's executive deferred STI Plan.

Share options of JB Hi-Fi Limited

2018	Balance at 1 July 2017 No.	Granted as compensation No.	Exercised No.	Net other change[i] No.	Balance at 30 June 2018 No.	Balance vested at 30 June 2018 No.	Options vested during year No.
R. Murray	322,105	61,347	(112,629)	–	270,823	–	112,629
C. Trainor	182,430	33,623	(86,614)	–	129,439	–	86,614
T. Smart	106,312	–	–	–	106,312	–	–
N. Wells	59,925	21,235	(12,403)	–	68,757	–	12,403
T. Carter	67,562	15,572	(13,787)	–	69,347	–	13,787
J. Saretta	13,846	15,572	–	–	29,418	–	–
	752,180	147,349	(225,433)	–	674,096	–	225,433

(i) Options lapsed during the financial year as they were not exercised prior to expiry.

2017[i]	Balance at 1 July 2016 No.	Granted as compensation[ii] No.	Exercised No.	Net other change[iii] No.	Balance at 30 June 2017 No.	Balance vested at 30 June 2017 No.	Options vested during year No.
R. Murray	413,444	48,096	(65,912)	(73,523)	322,105	–	65,912
C. Trainor	328,089	18,079	(90,215)	(73,523)	182,430	–	90,215
T. Smart	–	106,312	–	–	106,312	–	–
P. Green	188,145	13,541	(49,568)	(37,844)	114,274	–	49,568
N. Wells	53,202	11,206	(4,483)	–	59,925	–	4,483
T. Carter	56,356	11,206	–	–	67,562	–	–
S. Page	16,438	9,922	–	–	26,360	–	–
J. Saretta	2,640	11,206	–	–	13,846	–	–
	1,058,314	229,568	(210,178)	(184,890)	892,814	–	210,178

(i) M. Ford left the Company on 28 April 2017. During the period to 28 April 2017, M. Ford was granted 77,825 options and did not exercise any options. Prior to his departure, M. Ford held 77,825 unvested options, all of which lapsed on his departure.

(ii) Excludes any options that may be granted by the Board in August 2017. The issue of any such options to R. Murray, executive director of the Company, is also subject to shareholder approval at the Company's Annual General Meeting in October 2017.

(iii) Options lapsed during the financial year as they were not exercised prior to expiry.

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

During the financial year 44,725 zero exercise price options (FY2017: 66,233) and 180,708 options with an exercise price (FY2017: 143,945) were exercised by key management personnel. The weighted average exercise price for options with an exercise price was $13.89 (FY2017: $11.78) per ordinary share in JB Hi-Fi Limited.

Key management personnel options granted and exercised during the financial year

The following table summarises the value of options granted and exercised during the financial year to and by the key management personnel:

2018	Value of options granted – at the grant date(i) $	Value of options exercised – at the exercise date $
R. Murray	1,299,992	1,515,104
C. Trainor	712,499	1,187,163
T. Smart	–	–
N. Wells	449,986	162,592
T. Carter	329,983	202,882
J. Saretta	329,983	–
	3,122,443	3,067,741

(i) The value of options granted during the period is recognised in remuneration over the vesting period of the option, in accordance with Australian equivalents to International Financial Reporting Standards.

The value of options granted and exercised during the year is calculated based on the following:

- fair value of the option at grant date multiplied by the number of options granted; and
- fair value of the option at the time it is exercised multiplied by the number of options exercised.

Options granted during the financial year

During the financial year, an aggregate of 147,349 share options over ordinary shares in JB Hi-Fi Limited were granted to the identified key management personnel.

The terms of the options granted to the identified key management personnel are summarised in the table below:

Executive	Series	Grant date (GD)	Number of options granted	Exercise price $	Weighted average fair value at GD(i) $	Service based vesting condition (years)(ii)	Expiry date	Performance condition - cumulative EPS growth per annum(iii)
R. Murray	163-164	29/08/2017	61,347	$0.00	$21.19	3 / 4	28/08/2022	9%-15%
C. Trainor	163-164	29/08/2017	33,623	$0.00	$21.19	3 / 4	28/08/2022	9%-15%
T. Smart(iv)	–	–	–	–	–	–	–	–
N. Wells	163-164	29/08/2017	21,235	$0.00	$21.19	3 / 4	28/08/2022	9%-15%
T. Carter	163-164	29/08/2017	15,572	$0.00	$21.19	3 / 4	28/08/2022	9%-15%
J. Saretta	163-164	29/08/2017	15,572	$0.00	$21.19	3 / 4	28/08/2022	9%-15%
			147,349					

(i) The values shown are the weighted average of the relevant series listed.
(ii) One half of options within each series satisfy the service based vesting condition on each of the 3rd and 4th anniversary of grant date.
(iii) EPS growth is measured following satisfaction of the service based vesting condition. Options vest as follows:
- where compound annual EPS growth of 9% is achieved 50% of the options vest; and
- where compound annual EPS growth is between 9% and 15% the remaining 50% will vest on a linear basis.

(iv) No options were granted to T. Smart during the financial year as he received a one-off 3 year grant of options when he re-joined the Group in April 2017.

Options exercised during the financial year

The following table details the options exercised during the financial year by key management personnel.

	Series	*Number of options exercised*	*Exercise date*	*Number of shares issued*	*Exercise price $*	*Share price at exercise date $*	*Performance condition – cumulative EPS growth per annum*	*Performance condition – achieved*
R. Murray	80.3	29,941	24/08/2017	29,941	$9.75	$24.83	5%	Yes
	81.1	609	24/08/2017	609	$9.75	$24.83	5%-10%	Yes
	81.2	609	24/08/2017	609	$9.75	$24.83	5%-10%	Yes
	81.3	12,832	24/08/2017	12,832	$9.75	$24.83	5%-10%	Yes
	83	96	24/08/2017	96	–	$24.83	5%-10%	Yes
	85	96	24/08/2017	96	–	$24.83	5%-10%	Yes
	86	4,717	24/08/2017	4,717	–	$24.83	5%	Yes
	87	2,021	24/08/2017	2,021	–	$24.83	5%-10%	Yes
	94.2	8,963	24/08/2017	8,963	$18.93	$24.83	5%	Yes
	95.1	498	24/08/2017	498	$18.93	$24.83	5%-10%	Partially[i]
	95.2	3,814	24/08/2017	3,814	$18.93	$24.83	5%-10%	Partially[ii]
	97	127	24/08/2017	127	–	$24.83	5%-10%	Partially[i]
	98	2,287	28/08/2017	2,287	–	$24.16	5%	Yes
	99	973	24/08/2017	973	–	$24.83	5%-10%	Partially[ii]
	103.1	23,691	24/08/2017	23,691	$17.72	$24.83	5%	Yes
	104.1	10,154	24/08/2017	10,154	$17.72	$24.83	5%-10%	Yes
	105	5,227	24/08/2017	5,227	–	$24.83	5%	Yes
	106	2,240	24/08/2017	2,240	–	$24.83	5%-10%	Yes
	111	3,734	24/08/2017	3,734	–	$24.83	n/a	n/a[iii]
		112,629		112,629				
C. Trainor	80.3	7,850	29/08/2017	7,850	$9.75	$23.56	5%	Yes
	80.3	22,091	30/08/2017	22,091	$9.75	$23.65	5%	Yes
	81.1	609	15/08/2017	609	$9.75	$24.30	5%-10%	Yes
	81.2	609	15/08/2017	609	$9.75	$24.30	5%-10%	Yes
	81.3	12,832	29/08/2017	12,832	$9.75	$23.56	5%-10%	Yes
	83	96	17/08/2017	96	–	$25.50	5%-10%	Yes
	85	96	17/08/2017	96	–	$25.50	5%-10%	Yes
	86	4,717	18/08/2017	4,717	–	$25.62	5%	Yes
	87	2,021	18/08/2017	2,021	–	$25.62	5%-10%	Yes
	94.2	8,963	16/08/2017	8,963	$18.93	$25.02	5%	Yes
	95.1	498	16/08/2017	498	$18.93	$25.02	5%-10%	Partially[i]
	95.2	3,814	16/08/2017	3,814	$18.93	$25.02	5%-10%	Partially[ii]
	97	166	16/08/2017	166	–	$25.02	5%-10%	Partially[i]
	98	3,002	16/08/2017	3,002	–	$25.02	5%	Yes
	99	1,277	16/08/2017	1,277	–	$25.02	5%-10%	Partially[ii]
	103.1	9,453	16/08/2017	9,453	$17.72	$25.02	5%	Yes
	104.1	4,051	16/08/2017	4,051	$17.72	$25.02	5%-10%	Yes
	105	2,086	15/08/2017	2,086	–	$24.30	5%	Yes
	106	893	15/08/2017	893	–	$24.30	5%-10%	Yes
	111	1,490	15/08/2017	1,490	–	$24.30	n/a	n/a[iii]
		86,614		86,614				
N. Wells	93	1,484	24/08/2017	1,484	–	$24.83	n/a	n/a[iv]
	103.1	5,743	24/08/2017	5,743	$17.72	$24.83	5%	Yes
	104.1	2,461	24/08/2017	2,461	$17.72	$24.83	5%-10%	Yes
	105	1,267	24/08/2017	1,267	–	$24.83	5%	Yes
	106	543	24/08/2017	543	–	$24.83	5%-10%	Yes
	111	905	24/08/2017	905	–	$24.83	n/a	n/a[iii]
		12,403		12,403				

	Series	Number of options exercised	Exercise date	Number of shares issued	Exercise price $	Share price at exercise date $	Performance condition – cumulative EPS growth per annum	Performance condition – achieved
T. Carter	117.1	7,436	22/02/2018	7,436	$15.58	$26.72	5%	Yes
	118.1	3,187	22/02/2018	3,187	$15.58	$26.72	5%-10%	Yes
	119	1,476	22/02/2018	1,476	–	$26.72	5%	Yes
	120	633	22/02/2018	633	–	$26.72	5%-10%	Yes
	125	1,055	22/02/2018	1,055	–	$26.72	n/a	n/a(iii)
		13,787		13,787				
		225,433		225,433				

(i) EPS growth of 9.3% achieved based on FY2016 EPS and therefore 86% of the options in the series vested. Retested EPS growth of 9.9% achieved based on FY2017 EPS and therefore an additional 13% (99% in total) of the options in the series vested.

(ii) EPS growth of 9.9% achieved based on FY2017 EPS and therefore 99% of the options in the series vested.

(iii) Options did not contain a performance condition as they are a one-off issue of retention options made in August 2014 to each of the executives at that time, as detailed in the Company's 2015 Annual Report.

(iv) Options did not contain a performance condition as they were issued prior to N. Wells becoming an executive.

No options issued to T. Smart or J. Saretta were exercised during the financial year.

Options lapsed during the financial year

There were no options issued to the identified key management personnel that lapsed during the financial year.

Key management personnel options granted, exercised and lapsed since the end of the financial year

No options have been issued to key management personnel, and no options issued to key management personnel have been exercised or lapsed, since the end of the financial year.

SHARE OPTIONS

Group share option plans

The Group has share ownership-based remuneration schemes for executives and non-executive management (excluding non-executive directors). In accordance with the provisions of these schemes, executives and non-executive managers within the Group are granted options to purchase parcels of ordinary shares at various exercise prices or to acquire shares at a zero exercise price. Options issued from FY2013 to FY2018 (inclusive) have the following features:

- no issue price is payable on the issue of an option;
- for some of the options issued to executives during the 2013, 2014 and 2015 financial years, an exercise price is payable on the exercise of an option. This exercise price was usually calculated as being the closing volume weighted average share price ("VWAP") of JB Hi-Fi Limited shares over the 5 trading days post and including the date of release of the Group's full year results, immediately prior to the grant of the option. This price may be calculated by reference to another date or time period, for example where a grant of options occurs other than following the release of results as a result of an executive or non-executive manager joining the Group or being promoted within the Group. For options that have an exercise price payable on exercise of the option, a share price condition provides that options will only vest if, during a trading window (as defined in the Group's Securities Trading Policy), the VWAP of the shares over 5 consecutive trading days exceeds the option exercise price (at a time when all other conditions have been satisfied);
- for some options issued before 30 June 2015 and all options issued after 30 June 2015, a zero exercise price;
- for Group executives only, the majority of options are subject to performance conditions based on EPS growth. Some of the options issued to certain senior managers are also subject to performance hurdles. To date, options issued have been subject to performance hurdles which require compound annual earnings per share growth of between 4% and 15% per annum;
- service based conditions – the options issued to executives in FY2013 to FY2017 (inclusive) vest a third each on the third, fourth and fifth anniversary of the grant date provided that the executive remains employed at that time. The only exception to this is for options issued to Terry Smart in April 2017, which vest one half each on each of the third and fourth anniversary of the grant date provided that he remains employed at that time. Options issued to executives in FY2018 also vest one half each on each of the third and fourth anniversary of the grant date, provided the relevant executive remains employed at that time. For all options issued to non-executive management, options vest a third each on the second, third and fourth anniversary of grant date provided that the non-executive manager remains employed at that time;
- all conditions must be satisfied for an option to vest;
- options issued to non-executive management since 1 July 2012 generally expire five years after they are issued. Options issued to executives between 1 July 2012 and 30 June 2017 generally expire six years after they are issued. Options issued to executives between 1 July 2017 and 30 June 2018 expire five years after they are issued. All unvested options generally expire immediately upon termination of employment although, depending upon the terms of issue, the Company may have discretion to allow the options to continue or waive vesting conditions in certain circumstances. Upon termination of employment, vested options either expire upon termination, 30 days after termination or continue in force depending upon the circumstances of the employee's exit and the terms of issue;
- to the extent that a performance condition is not achieved in one year, the hurdle is compounded and reassessed in each subsequent year, until the earlier of the condition being satisfied or the option expiring. However, no retesting takes place in the year of expiry;
- options are valued using the Black-Scholes option pricing model, which takes into account the exercise price, term of the option, the expected exercise date based on prior years' experience, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate;
- each option entitles the holder to one ordinary share in JB Hi-Fi Limited;
- holders of options do not have the right, under the options, to dividends or to participate in any share issue or interest issue of JB Hi-Fi Limited or of any other body corporate or registered scheme;
- upon a change of control of the Company all vested and unvested options will automatically lapse unless the Company determines otherwise; and
- other conditions including, amongst other things, treatment of the options in the event of a capital reorganisation.

As detailed in the Company's 2015 Annual Report, in August 2014 the Company made a one-off issue of share options with a zero exercise price and specific service-based vesting conditions to each of the executives at that time.

Shares under option

Details of interests under option at the date of this report are set out below. All options entitle the holder to ordinary shares in JB Hi-Fi Limited.

Option series	Number of shares under option	Grant date (GD)	Share Price at GD $	Expiry date	Exercise price $	Weighted average expected volatility(i)	Dividend yield at GD	Risk-free interest rate at GD	Weighted average fair value at GD(i) $
94-95	33,399	16/08/2013	$18.66	15/08/2019	$18.93	32.5%	3.7%	3.2%	$4.16
97-101	9,548	16/08/2013	$18.66	15/08/2019	$0.00	38.5%	3.7%	3.2%	$15.70
103-104	127,553	15/08/2014	$17.66	14/08/2020	$17.72	30.7%	4.6%	2.9%	$3.25
107-113	42,217	15/08/2014	$17.66	14/08/2020	$0.00	31.1%	4.6%	2.9%	$14.39
116	50,099	15/08/2014	$17.66	14/08/2019	$0.00	31.6%	4.6%	2.9%	$14.72
117-118	21,247	27/11/2014	$15.56	26/11/2020	$15.58	30.9%	5.3%	2.6%	$2.51
121-127	6,330	27/11/2014	$15.56	26/11/2020	$0.00	31.1%	5.3%	2.6%	$12.30
128-130	128,616	14/08/2015	$20.79	13/08/2021	$0.00	30.9%	4.3%	2.2%	$17.43
132-133	99,527	14/08/2015	$20.79	13/08/2020	$0.00	31.0%	4.3%	2.2%	$17.80
134-136	16,438	5/11/2015	$17.63	4/11/2021	$0.00	30.9%	4.9%	2.2%	$14.63
138-139	1,494	18/12/2015	$18.36	17/12/2020	$0.00	30.4%	5.0%	2.2%	$15.25
140-142	2,640	2/05/2016	$22.18	1/05/2022	$0.00	30.1%	4.2%	2.1%	$18.19
143-145	114,651	22/08/2016	$29.50	21/08/2021	$0.00	29.3%	3.3%	1.5%	$26.27
146-148	123,256	22/08/2016	$29.50	21/08/2022	$0.00	30.1%	3.4%	1.5%	$25.70
152-154	1,474	19/10/2016	$28.79	18/10/2021	$0.00	29.1%	3.7%	2.2%	$23.75
155-157	1,474	2/11/2016	$27.41	1/11/2021	$0.00	29.1%	3.7%	2.2%	$23.75
158-159	106,312	18/04/2017	$24.46	17/04/2023	$0.00	28.1%	4.6%	2.0%	$21.16
160-162	6,951	1/05/2017	$24.94	30/04/2022	$0.00	28.3%	4.0%	2.1%	$21.58
163-167	439,078	29/08/2017	$23.56	28/08/2022	$0.00	27.9%	4.6%	2.2%	$21.48
	1,332,304								

(i) The values shown are the weighted average for the relevant series listed.

As at 13 August 2018, 44 options are vested and exercisable. In addition, up to 308,774 additional options will vest and become exercisable in August 2018, subject to the satisfaction of the relevant service, performance and share price vesting conditions.

The weighted average fair value of the share options granted during the financial year is $21.48 (FY2017: $24.71).

The following tables include all share options granted under the Group share option plans that were exercised during and since the end of the current financial year and during the previous financial year. All shares were ordinary shares issued by JB Hi-Fi Limited and no amounts remain unpaid.

2018

Option Series	*Grant date*	*Number exercised*	*Number of shares issued*	*Amount paid per share $*	*Share price at exercise date[(i)] $*
80-81	17/08/2012	112,987	112,987	$9.75	$23.56 to $24.83
83-87	17/08/2012	17,799	17,799	$0.00	$24.83 to $25.62
93	16/08/2013	50,798	50,798	$0.00	$21.89 to $27.66
94-95	16/08/2013	34,473	34,473	$18.93	$24.83 to $25.40
97-99	16/08/2013	9,852	9,852	$0.00	$24.83 to $25.02
103-104	15/08/2014	63,772	63,772	$17.72	$24.30 to $25.02
105-115	15/08/2014	75,255	75,255	$0.00	$21.89 to $27.66
117-118	27/11/2014	10,623	10,623	$15.58	$26.72
119-125	27/11/2014	3,164	3,164	$0.00	$26.72
131	14/08/2015	55,820	55,820	$0.00	$21.89 to $27.66
137	18/12/2015	746	746	$0.00	$27.66
		435,289	435,289		

(i) Where a range of prices are shown, options within the series were exercised on various dates throughout the period. The share prices shown are the maximum and minimum share prices on the exercise dates for the relevant series.

2017

Option Series	*Grant date*	*Number exercised*	*Number of shares issued*	*Amount paid per share $*	*Share price at exercise date[(i)] $*
79	17/08/2012	94,141	94,141	$0.00	$28.95 to $30.44
80-81	17/08/2012	112,057	112,057	$9.75	$26.32 to $29.31
83-85	17/08/2012	17,650	17,650	$0.00	$28.95
90	6/11/2012	3,000	3,000	$0.00	$26.61
92	16/08/2013	56,153	56,153	$0.00	$28.95 to $31.19
94-95	16/08/2013	31,888	31,888	$18.93	$26.69 to $29.31
96-97	16/08/2013	9,116	9,116	$0.00	$28.95
102	1/07/2014	34,984	34,984	$0.00	$28.95
114	15/08/2014	59,635	59,635	$0.00	$28.95 to $31.19
		418,624	418,624		

(i) Where a range of prices are shown, options within the series were exercised on various dates throughout the period. The share prices shown are the maximum and minimum share prices on the exercise dates for the relevant series.

Long-term incentives subject to performance conditions

Certain executives have been issued with options under the Group share option plans as part of the Company's long-term incentive program. Details of the features and conditions of such options are included in the section of this report entitled "Group share option plans". The following table details the options outstanding at the date of this report which feature performance hurdles:

Option Series	*Grant Date*	*Performance Hurdle*[(i)(ii)(iii)]	*Date for first testing*	*Relevant Financial Year*	*Exercise Price $*	*Expiry Date*
Vested (time based service condition and performance hurdle achieved)						
97	16/08/2013	5%-10%	16/08/2016	2016	$0.00	15/08/2019
99	16/08/2013	5%-10%	16/08/2017	2017	$0.00	15/08/2019
Not vested (time based service condition achieved and performance hurdle achieved but share price vesting condition not satisfied)						
95	16/08/2013	5%-10%	16/08/2016	2016	$18.93	15/08/2019
95	16/08/2013	5%-10%	16/08/2017	2017	$18.93	15/08/2019
Not vested (performance hurdle achieved but time based service condition not achieved)						
94-95	16/08/2013	5%-10%	16/08/2018	2018	$18.93	15/08/2019
100-101	16/08/2013	5%-10%	16/08/2018	2018	$0.00	15/08/2019
103-104	15/08/2014	5%-10%	15/08/2018	2018	$17.72	14/08/2020
107-108	15/08/2014	5%-10%	15/08/2018	2018	$0.00	14/08/2020
117-118	27/11/2014	5%-10%	27/11/2018	2018	$15.58	26/11/2020
121-122	27/11/2014	5%-10%	27/11/2018	2018	$0.00	26/11/2020
128	14/08/2015	4%-8%	14/08/2018	2018	$0.00	13/08/2021
134	5/11/2015	4%-8%	5/11/2018	2018	$0.00	4/11/2021
140	2/05/2016	4%-8%	2/05/2019	2018	$0.00	1/05/2022
Not vested (time based service condition and performance hurdle not achieved)						
103-104	15/08/2014	5%-10%	15/08/2019	2019	$17.72	14/08/2020
109-110	15/08/2014	5%-10%	15/08/2019	2019	$0.00	14/08/2020
117-118	27/11/2014	5%-10%	27/11/2019	2019	$15.58	26/11/2020
123-124	27/11/2014	5%-10%	27/11/2019	2019	$0.00	26/11/2020
129	14/08/2015	4%-8%	14/08/2019	2019	$0.00	13/08/2021
130	14/08/2015	4%-8%	14/08/2020	2020	$0.00	13/08/2021
135	5/11/2015	4%-8%	5/11/2019	2019	$0.00	4/11/2021
136	5/11/2015	4%-8%	5/11/2020	2020	$0.00	4/11/2021
141	2/05/2016	4%-8%	2/05/2020	2019	$0.00	1/05/2022
142	2/05/2016	4%-8%	2/05/2021	2020	$0.00	1/05/2022
146	22/08/2016	4%-8%	22/08/2019	2019	$0.00	21/08/2022
147	22/08/2016	4%-8%	22/08/2020	2020	$0.00	21/08/2022
148	22/08/2016	4%-8%	22/08/2021	2021	$0.00	21/08/2022
158	18/04/2017	9%-15%	18/04/2020	2020	$0.00	17/04/2023
159	18/04/2017	9%-15%	18/04/2021	2021	$0.00	17/04/2023
163	29/08/2017	9%-15%	10/08/2020	2020	$0.00	28/08/2022
164	29/08/2017	9%-15%	9/08/2021	2021	$0.00	28/08/2022

(i) For options shown with a 5%-10% performance hurdle, 70% of the options vest where compound annual EPS growth is 5%, and where compound annual EPS growth is between 5% and 10% the remaining 30% of options vest on a linear basis.

(ii) For options shown with a 4%-8% performance hurdle, options vest as follows:

- where compound annual EPS growth of 4% is achieved 40% of the options vest;
- where compound annual EPS growth is between 4% and 5% an additional 10% will vest on a linear basis; and
- where compound annual EPS growth is between 5% and 8% the remaining 50% will vest on a linear basis.

(iii) For options shown with a 9%-15% performance hurdle, 50% of the options vest where compound annual EPS growth is 9%, and where compound annual EPS growth is between 9% and 15% the remaining 50% of options vest on a linear basis.

Deloitte.

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Board of Directors
JB Hi-Fi Limited
Level 4, Office Tower 2
Chadstone Shopping Centre
1341 Dandenong Road
Chadstone VIC 3148

13 August 2018

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 2018, 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
DELOITTE TOUCHE TOHMATSU

Andrew Reid
Partner
Chartered Accountants

Deloitte.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF JB HI-FI LIMITED

Report on the Financial Report

Opinion

We have audited the financial report of JB Hi-Fi Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated balance sheet as at 30 June 2018, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and informing our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	**How the scope of our audit responded to the Key Audit Matter**

Carrying value of The Good Guys cash generating unit
 	
Refer to Note 11 *Intangibles* and Note 10 *Plant and Equipment*.
 	
Included in the Group's consolidated balance sheet at 30 June 2018 is goodwill relating to the Group's acquisition of The Good Guys of $712.2 million. This amount has been allocated to the Group's cash generating units (CGUs) with reference to the expected allocation of benefits arising from the combination.
 	
Management has assessed the recoverable amount of The Good Guys CGU by applying a value-in-use approach to model the discounted value of future cash flows against the value of the assets in The Good Guys CGU. This model incorporates management judgements about key assumptions, such as the future growth rate of the business, the discount rate applied to future cash flow forecasts, working capital and capital expenditure requirements and the terminal growth rate.
	Our audit procedures included, amongst others:
	
	• obtaining an understanding of management's processes over the preparation of the model used to support the carrying value of The Good Guys CGU;
	• agreeing forecast cash flows to the latest approved budget and assessing the historical accuracy of management's forecasting;
	• with the assistance of our valuation specialists, we:
	    • assessed the application of management's value-in-use methodology in accordance with accounting standards and accepted valuation techniques;
	    • challenged key assumptions, including forecast growth rates, working capital and capital expenditure requirements and the terminal growth rate in the model by comparing them to historical results and economic and industry forecasts, where applicable;
	    • evaluated the discount rate used by assessing the cost of capital for the CGU by comparison to market data and industry research;
	    • tested the mathematical accuracy of the value-in-use model; and
	    • challenged management's sensitivity analyses around key assumptions used in the valuation model and the likelihood of such a movement in those key assumptions arising.
	
	We also evaluated the appropriateness of the disclosures included in Note 11 to the financial statements.

Acquisition of The Good Guys Refer to Note 25 *Business Combinations*. On 28 November 2016 JB Hi-Fi acquired 100% of The Good Guys for cash consideration of $860 million. The accounting for this transaction, was complex and required management to exercise judgement to determine: • the fair value of acquired identifiable assets and liabilities; and • the allocation of purchase consideration to separately identifiable intangible assets. During the current year, the accounting for the items deemed provisional as at 30 June 2017 was finalised.	Our procedures included, amongst others: • performed tests on the fair value of assets and liabilities that were accounted for on a provisional basis as at 30 June 2017; • with assistance from our taxation specialists, we assessed the allocable cost amount calculations associated with the entry of The Good Guys into the Australian Tax Consolidated Group at acquisition date and its impact on opening deferred tax balances; • tested the calculation of goodwill arising from the transaction; and • assessed the allocation of goodwill to cash generating units that will benefit from the synergies of the business combination. We also evaluated the appropriateness of the disclosures in Note 25 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the Governance, Environmental and Social Statements, Directors' Report, Operating and Financial Review and additional securities exchange information which we obtained prior to the date of this auditor's report. The other information also includes the Chairman and Chief Executive Officer Report, which is expected to be made available to us after that date (but does not include the financial report and our auditor's report thereon).

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Chairman and Chief Executive Officer Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 31 to 53 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of JB Hi-Fi Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Andrew Reid
Partner
Chartered Accountants

Melbourne
13 August 2018

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

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

At the date of this declaration, the Company is within the class of companies affected by ASIC Corporations (Wholly-owned Companies) Instrument 2016/785. 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 22 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors

Greg Richards
Chairman

Richard Murray
Group Chief Executive Officer

Melbourne
13 August 2018

	Notes	Consolidated 2018 $m	2017 $m
Revenue		6,854.3	5,628.0
Cost of sales		(5,384.1)	(4,397.5)
Gross profit		1,470.2	1,230.5
Other income		1.1	2.0
Sales and marketing expenses		(695.1)	(580.1)
Occupancy expenses		(305.7)	(248.6)
Administration expenses		(42.2)	(36.2)
Acquisition transaction and implementation expenses		–	(22.4)
Other expenses		(77.2)	(75.3)
Finance costs	5	(16.6)	(10.7)
Profit before tax		334.5	259.2
Income tax expense	6	(101.3)	(86.8)
Profit for the year attributable to Owners of the Company		233.2	172.4
		Cents	*Cents*
Earnings per share			
Basic (cents per share)	3	203.09	154.30
Diluted (cents per share)	3	201.11	152.94

The above statement of profit or loss should be read in conjunction with the accompanying notes.

	Consolidated	
	2018 $m	*2017 $m*
Profit for the year	233.2	172.4
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Changes in the fair value of cash flow hedges (net of tax)	1.9	(1.1)
Exchange differences on translation of foreign operations	(1.3)	(0.1)
Other comprehensive income/(loss) for the year (net of tax)	0.6	(1.2)
Total comprehensive income for the year attributable to Owners of the Company	233.8	171.2

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEET
as at 30 June 2018

		Consolidated	
	Notes	*2018 $m*	*2017 $m*
ASSETS			
Current assets			
Cash and cash equivalents		72.0	72.8
Trade and other receivables	8	204.7	193.6
Inventories	7	891.1	859.7
Other current assets	9	42.7	41.4
Total current assets		1,210.5	1,167.5
Non-current assets			
Plant and equipment	10	198.0	208.2
Intangible assets	11	1,037.3	1,037.3
Other non-current assets	9	45.9	46.8
Total non-current assets		1,281.2	1,292.3
Total assets		2,491.7	2,459.8
LIABILITIES			
Current liabilities			
Trade and other payables	12	665.3	644.7
Deferred revenue	13	150.5	141.8
Provisions	14	83.5	76.3
Other current liabilities	15	8.3	9.0
Current tax liabilities		9.6	13.6
Total current liabilities		917.2	885.4
Non-current liabilities			
Borrowings	17	469.4	558.8
Deferred revenue	13	103.7	99.6
Deferred tax liabilities	6	5.7	16.1
Provisions	14	12.5	11.8
Other non-current liabilities	15	35.6	34.6
Total non-current liabilities		626.9	720.9
Total liabilities		1,544.1	1,606.3
Net assets		947.6	853.5
EQUITY			
Contributed equity	18	441.7	438.7
Reserves	19	42.7	33.2
Retained earnings		463.2	381.6
Total equity		947.6	853.5

The above balance sheet should be read in conjunction with the accompanying notes.

Consolidated	Notes	Contributed equity $m	Equity settled benefits reserve $m	Foreign currency translation reserve $m	Hedging reserves $m	Common control reserve $m	Retained earnings $m	Total equity $m
Balance at 1 July 2016		49.3	27.3	5.0	0.9	(6.1)	328.3	404.7
Profit for the year		–	–	–	–	–	172.4	172.4
Cash flow hedges (net of tax)		–	–	–	(1.1)	–	–	(1.1)
Exchange difference on translation of foreign operations		–	–	(0.1)	–	–	–	(0.1)
Total comprehensive income for the year		–	–	(0.1)	(1.1)	–	172.4	171.2
Issue of shares under share option plans	18	1.7	–	–	–	–	–	1.7
Share issue costs (net of tax)	18	(6.5)	–	–	–	–	–	(6.5)
Dividends provided for or paid	4	–	–	–	–	–	(119.1)	(119.1)
Issue of shares under entitlement offer	18	394.2	–	–	–	–	–	394.2
Share-based payments - expense		–	5.3	–	–	–	–	5.3
Share-based payments - income tax		–	2.0	–	–	–	–	2.0
Balance at 30 June 2017		438.7	34.6	4.9	(0.2)	(6.1)	381.6	853.5
Balance at 1 July 2017		438.7	34.6	4.9	(0.2)	(6.1)	381.6	853.5
Profit for the year		–	–	–	–	–	233.2	233.2
Cash flow hedges (net of tax)		–	–	–	1.9	–	–	1.9
Exchange difference on translation of foreign operations		–	–	(1.3)	–	–	–	(1.3)
Total comprehensive income for the year		–	–	(1.3)	1.9	–	233.2	233.8
Issue of shares under share option plans	18	3.0	–	–	–	–	–	3.0
Dividends provided for or paid	4	–	–	–	–	–	(151.6)	(151.6)
Share-based payments - expense		–	7.8	–	–	–	–	7.8
Share-based payments - income tax		–	1.1	–	–	–	–	1.1
Balance at 30 June 2018		441.7	43.5	3.6	1.7	(6.1)	463.2	947.6

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

STATEMENT OF CASH FLOWS
for the financial year ended 30 June 2018

	Notes	Consolidated 2018 $m	2017 $m
Cash flows from operating activities			
Receipts from customers		7,551.9	6,205.5
Payments to suppliers and employees		(7,130.5)	(5,908.8)
Interest received		0.5	1.7
Interest and other finance costs paid		(15.0)	(9.3)
Income taxes paid		(114.8)	(98.5)
Net cash inflow from operating activities	16	292.1	190.6
Cash flows from investing activities			
Payment for business combination, net of cash acquired	25	–	(836.6)
Payments for plant and equipment	10	(54.4)	(49.1)
Proceeds from sale of plant and equipment		0.4	0.2
Net cash (outflow) from investing activities		(54.0)	(885.5)
Cash flows from financing activities			
Proceeds from issues of shares	18	3.0	395.9
(Repayment)/proceeds of borrowings		(89.7)	450.0
Payments for debt issue costs		(0.8)	(1.7)
Share issue costs		–	(9.2)
Dividends paid to owners of the Company	4	(151.6)	(119.1)
Net cash (outflow) inflow from financing activities		(239.1)	715.9
Net (decrease) increase in cash and cash equivalents		(1.0)	21.0
Cash and cash equivalents at the beginning of the financial year		72.8	51.9
Effects of exchange rate changes on cash and cash equivalents		0.2	(0.1)
Cash and cash equivalents at end of year		72.0	72.8

The above statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the consolidated financial statements

1 ABOUT THIS REPORT

These are the consolidated financial statements of JB Hi-Fi Limited (Company or parent entity) and its controlled entities. JB Hi-Fi Limited and its controlled entities together are referred to in this financial report as the Group. For the purposes of preparing the consolidated financial statements the Company is a for-profit entity.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

(i) Compliance with IFRS

The consolidated financial statements of JB Hi-Fi Limited also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for financial assets and liabilities (including derivative instruments), and certain classes of plant and equipment which are measured at fair value.

(iii) Corporation information

JB Hi-Fi Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is Level 4, Office Tower 2, Chadstone Place, Chadstone Shopping Centre, 1341 Dandenong Road, Chadstone, Victoria.

The financial statements were authorised for issue by the directors on 13 August 2018.

(b) Rounding off of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the financial report are rounded off to the nearest hundred thousand dollars, unless otherwise stated.

(c) Sections

The notes in these financial statements have been organised into the following sections to help users find and understand the information they need to know:

(i) **Group Performance:** focuses on the results and performance of the Group;

(ii) **Operating Assets and Liabilities:** provides information on the assets and liabilities used to generate the Group's performance;

(iii) **Capital Structure and Risk Management:** outlines how the Group manages its capital and various financial risks;

(iv) **Group Structure:** explains aspects of the group structure and how any changes have affected the financial position and performance of the Group; and

(v) **Other Disclosures:** provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements.

(d) Critical accounting estimates and assumptions

Estimates and judgements used in the preparation of these financial statements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Group and that are believed to be reasonable under the circumstances.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

Judgement Area	Note
Impairment of goodwill and other intangible assets	11
Business combination	25

GROUP PERFORMANCE

2 SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Group Chief Executive Officer that are used to make strategic and operating decisions.

The Group Chief Executive Officer considers the business primarily from a brand and geographic perspective. On this basis, management has identified three reportable segments, JB Hi-Fi Australia (JB Aust), JB Hi-Fi New Zealand (JB NZ) and The Good Guys (TGG). The Group Chief Executive Officer monitors the performance of these three segments separately. The Group does not operate any other brand or in any other geographic segment.

(b) Segment information provided to the Group Chief Executive Officer

The segment information provided to the Group Chief Executive Officer for the reportable segments for the year ended 30 June 2018 is as follows:

2018	*JB Aust $m*	*JB NZ $m*	*TGG $m*	*Total $m*
Revenue from external customers	4,539.7	213.3	2,101.3	6,854.3
EBITDA	333.6	0.8	77.3	411.7
Total segment assets	1,152.5	51.6	1,346.4	2,550.5
Additions to plant and equipment	30.9	1.2	22.3	54.4
Depreciation and impairment	41.3	3.4	16.4	61.1
Total segment liabilities	1,033.2	17.1	552.6	1,602.9

2017	*JB Aust $m*	*JB NZ $m*	*TGG $m*	*Total $m*
Revenue from external customers	4,148.6	221.0	1,258.4	5,628.0
EBITDA	302.0	0.6	57.7	360.3
Total segment assets	1,141.8	52.2	1,289.3	2,483.3
Additions to plant and equipment	37.6	1.8	9.7	49.1
Depreciation and impairment	39.5	19.0	11.2	69.7
Total segment liabilities	1,075.9	14.4	539.5	1,629.8

Note that the amounts disclosed for TGG from the prior period are from the date of acquisition on 28 November 2016 until 30 June 2017. Refer to note 25 for further details.

(i) EBITDA

The Group Chief Executive Officer assesses the performance of the operating segments based on a measure of EBITDA. This measurement basis excludes the effects of interest revenue, finance costs, income tax, depreciation, amortisation, impairment, and non-operating intercompany charges.

A reconciliation of EBITDA to profit before income tax is provided as follows:

	Consolidated	
	2018 $m	*2017 $m*
EBITDA pre-transaction and implementation costs	411.7	360.3
Transaction and implementation costs	–	(22.4)
EBITDA	411.7	337.9
Interest revenue	0.5	1.7
Finance costs	(16.6)	(10.7)
Depreciation and impairment	(61.1)	(69.7)
Profit before income tax from continuing operations	334.5	259.2

2 SEGMENT INFORMATION (continued)

(b) Segment information provided to the Group Chief Executive Officer (continued)

(ii) Segment assets and liabilities

The amounts provided to the Group Chief Executive Officer with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements. These assets and liabilities are allocated based on the operations of the segment or the physical location of the asset.

Reportable segments' assets and liabilities are reconciled to total assets and liabilities as follows:

	Consolidated	
	2018 $m	*2017 $m*
Segment assets	2,550.5	2,483.3
Intersegment eliminations	(58.8)	(23.5)
Total assets as per the balance sheet	2,491.7	2,459.8
Segment liabilities	1,602.9	1,629.8
Intersegment eliminations	(58.8)	(23.5)
Total liabilities as per the balance sheet	1,544.1	1,606.3

(c) Product information

The Group operates in one product and services segment, being the sale of consumer electronics products and services, including televisions, audio equipment, computers, cameras, telecommunications products and services, software, musical instruments, whitegoods, cooking products, heating and cooling products, small appliances, kitchen accessories and information technology and consulting services.

	Consolidated	
	2018 Cents	*2017 Cents*
3 EARNINGS PER SHARE		
Basic (cents per share)	203.09	154.30
Diluted (cents per share)	201.11	152.94

	Consolidated	
	2018 $m	*2017 $m*
(a) Reconciliation of earnings used in calculating earnings per share		
Basic earnings per share		
Profit for the year attributable to owners of the Company	233.2	172.4
Diluted earnings per share		
Profit for the year attributable to owners of the Company	233.2	172.4

3 EARNINGS PER SHARE (continued)

	Consolidated 2018 Number m	Consolidated 2017 Number m
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	114.8	111.7
Adjustments for calculation of diluted earnings per share:		
Options	1.1	1.0
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	115.9	112.7

(c) Information concerning the classification of securities

Options

Options granted under the Company's share option plans are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive (1,131,023 options are considered dilutive (2017: 993,326), 130,453 are considered anti-dilutive (2017: 237,311)). The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 29.

	2018 Cents per share	2018 $m	2017 Cents per share	2017 $m
4 DIVIDENDS				
Recognised amounts				
Final Dividend - previous financial year	46.00	52.8	37.00	36.7
Interim Dividend - current financial year	86.00	98.8	72.00	82.4
	132.00	151.6	109.00	119.1
Unrecognised amounts				
Final Dividend - current financial year	46.00	52.8	46.00	52.8

In respect of the financial year ended 30 June 2018, the directors have recommended the payment of a final dividend of 46.0 cents per share. The record date is 24 August 2018.

All dividends declared and subsequently paid by the Company are franked to 100% at the 30% corporate income tax rate.

	Consolidated 2018 $m	Consolidated 2017 $m
(a) Franking account balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2017: 30.0%)	270.6	221.5

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for franking credits that will arise from the payment of the amount of the provision for income tax.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of $22.6 million (2017: $22.6 million).

	Consolidated 2018 $m	Consolidated 2017 $m
5 EXPENSES		
Profit before income tax includes the following specific expenses:		
Finance costs		
Interest on loans	15.0	9.6
Fair value loss on interest swaps designated as cash flow hedges - transfer from equity	0.5	0.4
Other interest expense	1.1	0.7
	16.6	10.7
Rental expense relating to operating leases		
Minimum lease payments	193.1	152.4
Employee benefits expenses		
Share-based payments - expense	7.8	5.3
Defined contribution superannuation expense	53.9	43.6
Other employee benefits	634.0	520.7
	695.7	569.6
6 TAXATION		
(a) Income tax expense		
Current tax	90.9	78.3
Deferred tax	10.4	8.5
	101.3	86.8
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	334.5	259.2
Tax at the Australian tax rate of 30.0% (2017: 30.0%)	100.4	77.8
Effect of expenses that are not deductible in determining taxable profit	2.3	9.8
Effect of different tax rates of subsidiaries operating in other jurisdictions	0.1	0.4
Effect of other deductibles in determining taxable profit	(1.4)	(1.3)
Other	(0.1)	0.1
Tax expense	101.3	86.8
(c) Amounts recognised directly in equity		
The following current and deferred amounts were charged directly to equity during the period:		
Current tax		
Tax effect of employee share options in reserves	(1.1)	(2.0)
Deferred tax		
Tax effect of hedge gains/(loss) in reserves	0.8	(0.5)
Tax effect of share issue costs charged to issued capital	–	(2.7)
	(0.3)	(5.2)

6 TAXATION (continued)

	Consolidated 2018 $m	Consolidated 2017 $m
(d) Deferred tax		
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Provisions	35.6	35.2
Inventories	8.1	7.8
Deferred revenue	45.0	45.4
Other	10.7	1.1
	99.4	89.5
Deferred tax liabilities		
Brand names	(85.2)	(85.2)
Prepayments	(19.9)	(20.4)
	(105.1)	(105.6)
Net deferred tax liabilities	(5.7)	(16.1)

Movements - Consolidated	*Provisions $m*	*Inventories $m*	*Deferred revenue $m*	*Brand names $m*	*Prepayments $m*	*Other $m*	*Total $m*
At 1 July 2016	22.4	3.0	–	(12.9)	–	(4.7)	7.8
Business combination	11.5	3.4	45.3	(72.3)	(20.9)	(1.7)	(34.7)
Charged to income	1.3	1.4	0.1	–	0.5	5.2	8.5
Charged to equity	–	–	–	–	–	2.3	2.3
At 30 June 2017	35.2	7.8	45.4	(85.2)	(20.4)	1.1	(16.1)
At 1 July 2017	35.2	7.8	45.4	(85.2)	(20.4)	1.1	(16.1)
Charged to income	0.4	0.3	(0.4)	–	0.5	9.6	10.4
At 30 June 2018	35.6	8.1	45.0	(85.2)	(19.9)	10.7	(5.7)

(e) Recognition and measurement

Current tax

Current tax represents the amount expected to be paid to taxation authorities on taxable income for the period, using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. 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, providing for temporary differences between the carrying amounts of assets and liabilities under financial reporting and taxation purposes. Deferred tax is measured at the rates that are expected to apply in the period in which the liability is settled or asset realised, based on tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit or in relation to the initial recognition of goodwill.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

6 TAXATION (continued)

(e) Recognition and measurement (continued)

Deferred tax (continued)

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

Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case, the tax is also recognised directly in equity.

(f) Tax consolidation legislation

The Company and its wholly owned Australian resident entities are part of a tax consolidated group and are therefore taxed as a single entity. The head entity within the tax consolidated group is JB Hi-Fi Limited. The members of the tax consolidated group are identified at note 22.

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).

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.

(g) Nature of tax funding 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.

JB Hi-Fi calculates deferred taxes in relation to investments within the tax consolidated group using the 'change in tax status' view. This view results in no deferred tax being recognised until such time as an entity leaves the tax consolidated group.

OPERATING ASSETS AND LIABILITIES

	Consolidated 2018 $m	Consolidated 2017 $m
7 INVENTORIES		
Finished goods	891.1	859.7

(a) Recognition and measurement

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of inventories are determined after deducting rebates and discounts. Net realisable value represents the estimated selling price less all estimated costs necessary to make the sale.

Determining the net realisable value of inventories relies on key assumptions that require the use of management judgement. These key assumptions are the variables affecting the expected selling price and are reviewed annually. Any reassessment of the selling price in a particular year will affect the cost of goods sold.

	Consolidated 2018 $m	Consolidated 2017 $m
8 TRADE AND OTHER RECEIVABLES		
Trade receivables	56.6	54.2
Allowance for doubtful debts	(1.1)	(0.7)
	55.5	53.5
Non-trade receivables	149.2	140.1
	204.7	193.6

(a) Terms and conditions

Trade receivables

The average credit period on account sales of goods is 30 days. No interest is charged on trade receivables. An allowance has been made for estimated irrecoverable amounts arising from a review of individual debtors. Credit insurance is carried for most commercial debtor accounts. Trade receivables are recognised at amortised cost less provision for impairment.

Non-trade receivables

Non-trade receivables principally represent rebates receivable from suppliers for purchases of inventories. No amount is considered irrecoverable from suppliers and therefore no allowance has been made.

	Consolidated 2018 $m	Consolidated 2017 $m
(b) Ageing of trade receivables		
Not past due	50.8	48.2
Past due but not impaired:		
0 - 30 days	3.7	4.0
31 - 60 days	1.0	1.3
61 - 90 days	–	–
91+ days	–	–
	55.5	53.5

8 TRADE AND OTHER RECEIVABLES (continued)

	Consolidated 2018 $m	Consolidated 2017 $m
(c) Movements in allowance for doubtful debts		
Balance at the beginning of the year	0.7	0.5
Provision for impairment recognised during the year	0.5	0.3
Receivables written off during the year as uncollectable	(0.1)	(0.1)
	1.1	0.7
(d) Ageing of impaired trade receivables		
0 - 31 days	–	–
31 - 60 days	0.6	0.1
61 - 90 days	0.4	0.5
91+ days	0.1	0.1
	1.1	0.7

(e) Collectability of trade receivables

Collectability of trade receivables is reviewed on an ongoing basis. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the amount expected to be collected.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

The Group has not impaired all debts that are past due at the reporting date as the Group considers the majority of these amounts to be recoverable. The Group does not hold any collateral over trade receivables with the exception of retention of title for certain customers.

	Consolidated 2018 $m	Consolidated 2017 $m
9 OTHER ASSETS		
Current		
Prepayments	31.8	29.8
Other	10.9	11.6
	42.7	41.4
Non-current		
Prepayments	45.9	46.8
	45.9	46.8

Prepayments includes payments made in relation to The Goods Guys Gold Service Extras program and general prepaid expenses.

	Plant and equipment $m	Leasehold improvements $m	Total $m
10 PLANT AND EQUIPMENT			
At 1 July 2016			
Cost	259.0	160.4	419.4
Accumulated depreciation and impairment	(138.5)	(97.3)	(235.8)
Net book amount	120.5	63.1	183.6
Year ended 30 June 2017			
Opening net book amount	120.5	63.1	183.6
Acquisitions through business combination	35.0	0.2	35.2
Additions	33.5	15.6	49.1
Disposals	(4.5)	(0.2)	(4.7)
Depreciation charge	(35.6)	(18.3)	(53.9)
Impairment charge	(0.7)	(0.4)	(1.1)
Closing net book amount	148.2	60.0	208.2
At 30 June 2017			
Cost	310.6	173.9	484.5
Accumulated depreciation and impairment	(162.4)	(113.9)	(276.3)
Net book amount	148.2	60.0	208.2
Year ended 30 June 2018			
Opening net book amount	148.2	60.0	208.2
Exchange differences	(0.4)	(0.2)	(0.6)
Additions	35.9	18.5	54.4
Disposals	(2.2)	(0.7)	(2.9)
Depreciation charge	(40.8)	(19.6)	(60.4)
Impairment charge	(0.6)	(0.1)	(0.7)
Closing net book amount	140.1	57.9	198.0
At 30 June 2018			
Cost	336.4	188.1	524.5
Accumulated depreciation and impairment	(196.3)	(130.2)	(326.5)
Net book amount	140.1	57.9	198.0

(a) Recognition and measurement

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment (if any). Cost includes expenditure that is directly attributable to the acquisition of the item.

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

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

- Leasehold improvements 1 to 15 years
- Plant and equipment 1.5 to 15 years

Plant and equipment and leasehold improvements are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset, and is recognised in other expenses in the profit or loss.

	Goodwill $m	Brand names $m	Location premiums $m	Rights to profit share $m	Total $m
11 INTANGIBLE ASSETS					
Year ended 30 June 2017					
Opening net book amount	49.5	43.1	2.4	3.5	98.5
Additions - business combination (note 25)	712.2	241.3	–	–	953.5
Impairment charge	(14.7)	–	–	–	(14.7)
Closing net book amount	747.0	284.4	2.4	3.5	1,037.3
Year ended 30 June 2018					
Opening net book amount	747.0	284.4	2.4	3.5	1,037.3
Impairment charge	–	–	–	–	–
Closing net book amount	747.0	284.4	2.4	3.5	1,037.3

(a) Recognition and measurement

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets acquired at the date of acquisition.

Brand names, location premiums and rights to profit share are assessed as having indefinite useful lives. This assessment reflects management's intention to continue to utilise these intangible assets into the foreseeable future. Each period, the useful life of these assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets.

Intangible assets that have an indefinite useful life are carried at cost less accumulated impairment losses.

(b) Impairment testing

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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.

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.

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.

The carrying amount of goodwill and brand names is allocated to the following cash-generating units (CGUs) or groups of CGUs for impairment testing purposes:

	Consolidated 2018 $m	Consolidated 2017 $m
Goodwill		
The Good Guys	575.6	575.6
JB Hi-Fi Australia	163.3	163.3
Impact Records (store acquisition)	1.7	1.7
JB Solutions division (Commercial)	6.4	6.4
JB Hi-Fi New Zealand	–	–
	747.0	747.0

11 INTANGIBLE ASSETS (continued)

(b) Impairment testing (continued)

	Consolidated 2018 $m	Consolidated 2017 $m
Brand names		
The Good Guys	241.3	241.3
JB Hi-Fi Australia	43.1	43.1
	284.4	284.4

The recoverable amount of each CGU (or group of CGUs) has been determined based on value in use calculations which use cash flow projections from financial budgets approved by the Board. The cash flows beyond the budget period have been extrapolated using a steady 2.5% long term growth rate (2017: 2%) which is consistent with the projected long term average growth rate for the consumer products market. The discount rate used in the calculations is 10.0% for JB Hi-Fi Australia, Impact Records and JB Solutions division (2017: 10.0%), 10.5% for JB Hi-Fi New Zealand (2017: 10.5%) and 10.5% for The Good Guys (2017: 10.5%).

The key assumptions used in the value in use calculations include sales growth, gross margin, cost of doing business (CODB) and the discount rate. The assumptions are based on past experience and the Company's forecast operating and financial performance for each CGU (or group of CGUs). The discount rate is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles.

	Consolidated 2018 $m	Consolidated 2017 $m
12 TRADE AND OTHER PAYABLES		
Trade payables	582.0	580.7
Goods and services tax (GST) payable	37.3	24.1
Other creditors and accruals	46.0	39.9
	665.3	644.7

Trade payables and other creditors and accruals represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are stated at amortised cost. The amounts are unsecured and are usually settled within 45 days of recognition.

	Consolidated 2018 $m	Consolidated 2017 $m
13 DEFERRED REVENUE		
Current		
Deferred revenue	150.5	141.8
	150.5	141.8
Non-current		
Deferred revenue	103.7	99.6
	103.7	99.6

Deferred revenue relates to unfulfilled services to be performed under The Good Guys Gold Service Extras program, unredeemed gift cards and customer deposits. Refer to note 31(a) for revenue recognition accounting policy.

	Consolidated 2018 $m	Consolidated 2017 $m
14 PROVISIONS		
Current		
Employee benefits	78.2	71.4
Lease provision	5.3	4.9
	83.5	76.3
Non-current		
Employee benefits	7.3	7.3
Lease provision	5.2	4.5
	12.5	11.8

(a) Recognition and measurement

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

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

(i) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and unpaid bonuses are recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Contributions to defined contribution superannuation plans are expensed when employees have rendered services entitling them to the contributions.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees, up to the end of the reporting period. Expected future payments are discounted using the Australian corporate bond discount rate curve as published by Milliman with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Management judgement is applied in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in wages and salaries;
- future on cost rates; and
- experience of employee departures and period of service.

(ii) Lease provision

The lease provision includes the Group's best estimate of the amount required to return the Group's leased premises to their original condition, taking into account due consideration of the Group's past history of vacating stores and the Group's best estimate of onerous lease obligations.

	Consolidated 2018 $m	2017 $m
15 OTHER LIABILITIES		
Current		
Lease accrual	2.8	2.9
Lease incentive	5.2	4.8
Other financial liabilities	0.3	1.3
	8.3	9.0
Non-current		
Lease accrual	15.0	14.8
Lease incentive	20.6	19.8
	35.6	34.6

(a) Lease accrual

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of profit or loss on a straight line basis over the period of the lease. The lease accrual represents the difference between the expense incurred and the payments made.

(b) Lease incentives

In the event that lease incentives (for example rent free periods and upfront capital contributions) are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefits of incentives are recognised as a reduction of rental expense on a straight line basis over the period of the lease.

CAPITAL STRUCTURE AND RISK MANAGEMENT

16 NOTES TO THE CASH FLOW STATEMENT

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts.

(a) Reconciliation of net cash inflow from operating activities to profit

	Consolidated	
	2018 *$m*	*2017* *$m*
Profit for the year	233.2	172.4
Depreciation and amortisation	60.4	53.9
Impairment of plant and equipment	0.7	1.1
Impairment of goodwill	–	14.7
Non-cash employee benefits expense - share-based payments	7.8	5.3
Net loss on disposal of non-current assets	2.5	4.5
Fair value adjustment to derivatives	1.9	(1.1)
Change in operating assets and liabilities net of effects from acquisition of businesses:		
(Increase) decrease in inventories	(33.0)	(56.3)
(Increase) decrease in current receivables	(10.7)	3.0
(Increase) decrease in other current assets	(0.4)	(3.0)
(Decrease) increase in deferred tax liabilities	(10.4)	(8.5)
(Decrease) increase in current payables	22.4	(14.7)
(Decrease) increase in current provisions	7.3	4.2
(Decrease) increase in other current liabilities	(0.7)	1.4
(Decrease) increase in deferred revenue	12.8	15.0
(Decrease) increase in non-current provisions	0.7	(0.2)
(Decrease) increase in other non-current liabilities	0.7	2.2
(Decrease) increase in current tax liabilities	(3.1)	(3.3)
Net cash inflow from operating activities	292.1	190.6

17 BORROWINGS

	2018 $m	2017 $m
Unsecured non-current		
Bank loans	469.4	558.8
Reconciliation of liabilities arising from financing activities		
Opening borrowings	558.8	
Repayment of borrowings	(89.7)	
Debt issue costs paid	(0.8)	
Amortisation of debt issue costs	1.1	
	469.4	

In June 2018, the Group restructured its multi-tranche term debt facilities, resulting in a reduction in its multi-tranche term debt facilities by $100.0 million to $550.0 million. In conjunction with the restructure of the term debt facilities, the Group also entered into a new $30.0 million trade finance facility which is renewable annually. Refer to note 20(b) for further details on the Group's financing facilities.

In line with the Group's financial risk management policy, the Group has utilised an interest rate swap and interest rate cap over approximately 50% of the Group's borrowings to mitigate the risk of changing interest rates on the variable rate debt held.

17 BORROWINGS (continued)

(a) Recognition and measurement)

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, and intends to do so.

The Group monitors compliance with its financial covenants on a monthly basis and reports compliance on a semi-annual basis to the banks. The Group has complied with all such requirements during the current and previous year.

	Parent entity		Parent entity	
	2018 Shares	*2017 Shares*	*2018 $m*	*2017 $m*
18 CONTRIBUTED EQUITY				
(a) Share capital				
Ordinary shares - fully paid	114,883,372	114,421,403	441.7	438.7

Ordinary shares issued are classified as equity and are fully paid, have no par value and carry one vote per share and the right to dividends. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

If the entity reacquires its own equity instruments, for example, as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

(b) Movements in ordinary share capital

Date	*Details*	*Number of shares*	*$m*
1 July 2016	Opening balance	98,947,309	49.3
	Issue of shares under the entitlement offer	15,046,182	394.2
	Share issue costs (net of tax)	–	(6.5)
	Issue of shares under share option and deferred STI plans	427,912	1.7
30 June 2017	Closing balance	114,421,403	438.7
1 July 2017	Opening balance	114,421,403	438.7
	Issue of shares under share option and deferred STI plans	461,969	3.0
30 June 2018	Closing balance	114,883,372	441.7

(c) Share options

In accordance with the provisions of the Company's share option plans, as at 30 June 2018, executives and non-executive management have options over 1,333,919 ordinary shares (which were all unvested), in aggregate, with various expiry dates.

As at 30 June 2017, executives and non-executive management had options over 1,359,199 ordinary shares (which were all unvested), in aggregate, with various expiry dates.

Share options granted under the Company's share option plans carry no rights to dividends and no voting rights.

18 CONTRIBUTED EQUITY (continued)

(d) Capital management

The Board reviews the capital structure on an ongoing basis. The Group's objective is to maintain an optimal capital structure which seeks to reduce the cost of capital and to ensure the Group has access to adequate capital to sustain the future development of the business.

In order to maintain or adjust the capital structure, the Group may adjust the level of dividends paid to shareholders, return capital to shareholders, buy back shares, issue new shares or sell assets to reduce debt.

As part of its capital management program, the Group monitors the return on invested capital and the gearing ratio. The Group defines return on invested capital as earnings before interest and tax (EBIT) divided by the sum of total equity plus net debt and the gearing ratio as term debt excluding capitalised borrowing costs, plus bank overdrafts, divided by earnings before interest, taxation, depreciation, amortisation and impairment (EBITDA).

The Board has adopted a policy of monitoring the dividend payout ratio and targeting a payout ratio of 65% of net profit after tax as it seeks to strike a balance between shareholder returns and ensuring adequate capital is retained for the growth of the business so as to maximise long term shareholder returns.

There were no changes in the Group's approach to capital management during the year.

The Group's return on invested capital and gearing ratios as at 30 June 2018 and 30 June 2017 were as follows:

	Consolidated	
	2018 $m	*2017 $m*
Return on invested capital		
Profit before tax	334.5	259.2
Net finance costs	16.1	9.0
EBIT	350.6	268.2
Borrowings	469.4	558.8
Cash and cash equivalents	(72.0)	(72.8)
Net debt	397.4	486.0
Total equity	947.6	853.5
Invested capital	1,345.0	1,339.5
Return on invested capital	26.1%	20%
Gearing		
Term debt	470.3	560.0
EBIT	350.6	268.2
Depreciation and impairment	61.1	69.7
EBITDA	411.7	337.9
Gearing	1.14	1.66

19 RESERVES

	2018 $m	2017 $m
Equity-settled benefits	43.5	34.6
Common control reserve	(6.1)	(6.1)
Hedging reserves	1.7	(0.2)
Foreign currency translation reserve	3.6	4.9
	42.7	33.2

19 RESERVES (continued)

(a) Nature and purpose of reserves

(i) Equity-settled benefits

The equity-settled benefits reserve arises on the grant of share options to executives and non-executive management under the Company's share option plans. Further information about share based payments is in note 29 to the financial statements.

(ii) Common control reserve

The common control reserve represents the excess of the purchase consideration over the balance of a non-controlling interest at the date a change in ownership of a subsidiary occurs.

(iii) Hedging reserves

Hedging reserves include gains and losses recognised on the effective portion of cash flow hedges with respect to the Group's interest rate swaps, caps and forward foreign exchange contracts as described in note 31(b), in addition to gains and losses recognised on the effective portion of foreign currency loans in previous periods designated as net investment hedges.

The cumulative deferred gain or loss on the interest rate swaps, caps and forward foreign exchange contracts is recognised in the profit or loss when the hedged transaction impacts the profit or loss. The gains and losses deferred due to the net investment hedge are recognised in the profit or loss when the foreign operation is disposed.

(iv) Foreign currency translation

Exchange differences relating to the translation of the Group's foreign controlled entities from their functional currencies into Australian dollars are brought to account directly to the foreign currency translation reserve, as described in note 31(c).

20 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including market risk (foreign currency and interest rate risk), liquidity risk and credit risk.

The Group seeks to minimise the effects of these risks, by using various financial instruments, including derivative financial instruments. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of directors, which provide written principles on the use of financial derivatives.

The Group is exposed to some foreign currency risk as The Good Guys purchase some private label product denominated in foreign currencies. In order to minimise this risk, the Group holds forward foreign exchange contracts.

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

	Consolidated	
	2018 $m	*2017 $m*
Financial assets		
Cash and cash equivalents	72.0	72.8
Trade and other receivables	204.7	193.6
Forward foreign exchange contracts	1.0	–
	277.7	266.4
Financial liabilities		
Trade and other payables	665.3	644.7
Bank loans	469.4	558.8
Interest rate swaps and caps (net settled)	0.3	0.6
Forward foreign exchange contracts	–	0.7
	1,135.0	1,204.8

20 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk

(i) Foreign exchange risk management

The majority of the Group's operations are denominated in the functional currency of the country of operation therefore minimising the impact of further foreign currency risk. That is, transactions and balances related to the Australian operations are denominated in Australian dollars and transactions and balances related to the New Zealand operations are denominated in New Zealand dollars.

The Group undertakes some transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments (normally USD or EUR) for future purchases.

The following table details the forward foreign exchange contracts outstanding at the end of the reporting period:

	30 June 2018			30 June 2017		
Consolidated	*Weighted average exchange rate*	*Foreign currency m*	*Notional value A$m*	*Weighted average exchange rate*	*Foreign currency m*	*Notional value A$m*
Forward exchange contracts						
- buy USD (cash flow hedges)	0.78	14.1	18.1	0.75	25.6	34.2
- buy Euro (cash flow hedges)	0.64	2.4	3.8	0.67	4.3	6.4

Summarised sensitivity analysis

The carrying value of forward foreign exchange contracts is an asset of $1.0m (2017: liability of $0.7m). Using a sensitivity of 10% movement in exchange rates results in an immaterial impact on the carrying value.

(ii) Cash flow and fair value interest rate risk

The Group is exposed to interest rate risk as it borrows funds at floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings through the use of interest rate swap and cap 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 and interest rate cap contracts

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

The following tables detail the notional principal amounts and interest rate swap and cap contracts outstanding as at reporting date and weighted average interest rates based on the outstanding balances and applicable interest rates throughout the financial year:

	30 June 2018		30 June 2017	
Consolidated	*Weighted average interest rate %*	*Balance $m*	*Weighted average interest rate %*	*Balance $m*
Bank loans	3.01%	470.3	2.95%	560.0
Interest rate swaps and caps (notional principal amount)	3.15%	228.4	3.10%	250.0
Net exposure to cash flow interest rate risk		698.7		810.0

20 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

The interest rate swaps and caps settle on a monthly basis and the Group settles the difference on a net basis. The interest rate swap and cap contracts are designated as cash flow hedges in order to reduce the Group's cash flow exposure resulting from variable interest rates on borrowings. The interest rate swaps, caps and the interest payments on the loan occur simultaneously and the amount deferred in equity is recognised in profit or loss over the period that the floating interest payments impact profit or loss.

Summarised sensitivity analysis

The carrying value of interest rate swap and caps was $0.3m (2017: $0.6m) and borrowings was $469.4m (2017: $558.8m). Using a sensitivity of 50 basis points results in an immaterial impact on the carrying values.

(b) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of directors, who assess the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities and by continuously monitoring forecast and actual cash flows.

Financing arrangements

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

	Consolidated 2018 $m	Consolidated 2017 $m
Unsecured bank overdraft facility:		
amount used	16.7	5.1
amount unused	72.5	84.4
	89.2	89.5
Unsecured trade finance facility:		
amount used	–	–
amount unused	30.0	–
	30.0	–
Unsecured indemnity guarantees:		
amount used	4.9	7.4
amount unused	4.0	1.5
	8.9	8.9
Unsecured bank loan facilities (term debt):		
amount used(i)	470.3	560.0
amount unused	79.7	90.0
	550.0	650.0
Headroom in total borrowing facilities (excluding security indemnity guarantees)	182.2	174.4

(i) Face value of term debt (excluding capitalised borrowing costs).

20 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Maturities of financial liabilities

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both principal and estimated interest cash flows.

Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at the reporting date.

2018	*Less than 6 months $m*	*6 - 12 months $m*	*Between 1 and 2 years $m*	*Between 2 and 5 years $m*	*Over 5 years $m*	*Total $m*	*Weighted average effective interest rate %*
Financial liabilities							
Trade and other payables	665.3	–	–	–	–	665.3	–
Bank loans	7.1	7.1	205.4	281.6	–	501.2	3.01%
Interest rate swaps and caps (net settled)	0.1	0.2	–	–	–	0.3	3.15%
	672.5	7.3	205.4	281.6	–	1,166.8	

2017	*Less than 6 months $m*	*6 - 12 months $m*	*Between 1 and 2 years $m*	*Between 2 and 5 years $m*	*Over 5 years $m*	*Total $m*	*Weighted average effective interest rate %*
Financial liabilities							
Trade and other payables	644.7	–	–	–	–	644.7	–
Bank loans	8.3	8.3	206.2	369.5	–	592.3	2.95%
Interest rate swaps and caps (net settled)	0.3	0.2	(0.1)	–	–	0.4	3.10%
Forward foreign exchange contracts	0.5	0.2	–	–	–	0.7	–
	653.8	8.7	206.1	369.5	–	1,238.1	

(c) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has endeavoured to minimise its credit risk by dealing with creditworthy counterparties. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

The carrying amount of financial assets recorded in the financial statements, net of any allowance for impairment, represents the Group's maximum exposure to credit risk.

20 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value of financial instruments

The only financial assets or financial liabilities carried at fair value are interest rate swaps, interest rate caps and foreign currency forward contracts.

All these instruments are considered to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurement is derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices).

The interest rate swaps and caps fair value was obtained from third party valuations derived from discounted cash flow forecasts of interest rates from observable yield curves at the end of the reporting period and contract interest rates.

The foreign currency forward contracts fair value was obtained from third party valuations derived from discounted cash flow forecasts of forward exchange rates at the end of the reporting period and contract exchange rates.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the financial year.

The carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

21 COMMITMENTS

(a) Non-cancellable operating leases

The Group has entered into operating lease agreements in relation to its stores and some minor operating leases in relation to plant and equipment. Store leases have terms of between five to fifteen years, with, in some cases, an option to extend. Operating lease contracts generally contain market review clauses in the event that the Group exercises its option to renew. The Group does not have an option to purchase the leased asset at the expiry of the lease period.

	Consolidated	
	2018 $m	*2017 $m*
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	157.5	146.0
Later than one year but not later than five years	405.3	395.4
Later than five years	121.6	142.2
	684.4	683.6

GROUP STRUCTURE

22 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described below:

Name of entity	*Country of incorporation*	Ownership interest *2018 %*	*2017 %*
Parent entity			
JB Hi-Fi Limited ^	Australia		–
Subsidiaries			
JB Hi-Fi Group Pty Ltd ^	Australia	100	100
Clive Anthonys Pty Ltd	Australia	100	100
JB Hi-Fi (A) Pty Ltd ^	Australia	100	100
Rocket Replacements Pty Ltd	Australia	100	100
JB Hi-Fi Education Solutions Pty Ltd ^	Australia	100	100
JB Hi-Fi Group (NZ) Limited	New Zealand	100	100
JB Hi-Fi NZ Limited	New Zealand	100	100
JB Hi-Fi (B) Pty Ltd ^	Australia	100	100
The Muir Electrical Company Pty Ltd ^	Australia	100	100
The Muir Electrical Service Co Pty Ltd ^	Australia	100	100
The Good Guys Discount Warehouses (Australia) Pty Ltd ^	Australia	100	100
Muir Group Employee Share Plan Pty Ltd ^	Australia	100	100
The Muir Finance Company Pty Ltd ^	Australia	100	100
M.E.W. (Australia) Pty Ltd ^	Australia	100	100
The Muir Electrical Company Pty Ltd as Trustee of the Muir Investment Unit Trust ^	Australia	100	100
The Good Guys Discount Warehouses (Australia) Pty Ltd as Trustee of the various store Trusts	Australia	100	100
Home Services Network Pty Ltd ^	Australia	100	–

Notes:

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

(ii) All Australian entities are members of the tax consolidated group.

(iii) Entities identified with '^' are party to a deed of cross guarantee.

(iv) Home Services Network Pty Ltd was incorporated on 18 October 2017 and became a party to the deed of cross guarantee on 12 June 2018.

(v) The Company has a trust to administer the Company's share options plans. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Company.

(a) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities which are controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated financial statements. Investments in subsidiaries are accounted for at cost, less any impairment, in the separate financial statements of JB Hi-Fi Limited.

22 SUBSIDIARIES (continued)

(a) Principles of consolidation (continued)

(ii) Changes in ownership interests

The Company treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Company. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of JB Hi-Fi Limited (the common control reserve).

23 DEED OF CROSS GUARANTEE

The subsidiaries identified with a '^' in note 22 are parties to a deed of cross guarantee under which each Company guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee. By entering into the deed, the subsidiaries who are party to the deed have been relieved from the requirement to prepare and lodge an audited financial report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.

The consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and balance sheet of the entities party to the deed of cross guarantee are provided as follows:

	2018 $m	*2017 $m*
(a) Consolidated statement of profit or loss, statement of profit or loss and other comprehensive income		
Statement of profit or loss		
Revenue	4,895.6	4,383.2
Cost of sales	(3,845.0)	(3,322.6)
Gross profit	1,050.6	1,060.6
Other income	114.2	6.4
Sales and marketing expenses	(503.2)	(546.5)
Occupancy expenses	(205.0)	(183.5)
Administration expenses	(34.0)	(29.9)
Acquisition transaction and implementation expenses	–	(18.7)
Finance costs	(16.4)	(10.5)
Other expenses	(68.9)	(49.8)
Profit before income tax	337.3	228.1
Income tax expense	(102.1)	(76.3)
Profit for the year	235.2	151.8
Statement of profit or loss and other comprehensive income		
Profit for the year	235.2	151.8
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges (net of tax)	1.9	(1.1)
Other comprehensive income for the year (net of tax)	1.9	(1.1)
Total comprehensive income for the year	237.1	150.7

23 DEED OF CROSS GUARANTEE (continued)

	2018 $m	2017 $m
(b) Balance sheet		
Current assets		
Cash and cash equivalents	69.3	77.0
Trade and other receivables	295.9	196.5
Inventories	606.6	579.1
Other current assets	13.2	15.2
Total current assets	985.0	867.8
Non-current assets		
Plant and equipment	161.1	178.0
Deferred tax assets	63.5	21.4
Intangible assets	83.8	83.8
Other non-current assets	1,084.7	1,095.2
Total non-current assets	1,393.1	1,378.4
Total assets	2,378.1	2,246.2
Current liabilities		
Trade and other payables	644.9	627.3
Deferred revenue	60.3	55.4
Current tax liabilities	9.6	9.7
Provisions	89.8	75.9
Other current liabilities	7.2	12.7
Total current liabilities	811.8	781.0
Non-current liabilities		
Borrowings	462.1	558.8
Deferred revenue	6.2	–
Provisions	12.4	8.8
Other non-current liabilities	32.5	25.2
Total non-current liabilities	513.2	592.8
Total liabilities	1,325.0	1,373.8
Net assets	1,053.1	872.4
Equity		
Contributed equity	453.0	450.0
Reserves	44.6	33.8
Retained earnings	555.5	388.6
Total equity	1,053.1	872.4

	Parent Entity	
	2018 *$m*	*2017* *$m*
24 PARENT ENTITY		
Assets		
Current assets	–	0.8
Non-current assets	517.7	496.1
Total assets	517.7	496.9
Liabilities		
Current liabilities	14.1	15.4
Total liabilities	14.1	15.4
Shareholders' equity		
Contributed equity	441.7	438.7
Reserves	43.5	34.6
Retained earnings	18.4	8.2
	503.6	481.5
Profit for the year	161.8	124.5
Total comprehensive income	161.8	124.5

25 BUSINESS COMBINATION

(a) Summary of acquisition

There were no acquisitions in the year ending 30 June 2018.

During the year ending 30 June 2018, the provisional accounting for the acquisition of The Good Guys was finalised.

Details of the purchase consideration, and finalised fair values of the net assets acquired and goodwill at the date of acquisition are as follows:

	$m
(i) The assets and liabilities assumed at the date of the acquisition:	
Current assets	
Cash and cash equivalents	23.5
Trade and other receivables	79.7
Inventories	257.0
Other current assets	34.3
Non-current assets	
Plant and equipment	35.2
Brand name	241.3
Other non-current assets	44.8
Current liabilities	
Trade and other payables	(302.2)
Deferred revenue	(86.6)
Provisions	(26.1)
Current tax liabilities	(8.3)
Other current liabilities	(1.8)
Non-current liabilities	
Deferred revenue	(94.7)
Provisions	(5.6)
Deferred tax liability	(34.7)
Other non-current liabilities	(7.9)
Net identifiable assets acquired	147.9
(ii) The goodwill arising on the acquisition was as follows:	
Purchase consideration	860.1
Less: value of net identifiable assets acquired	(147.9)
Goodwill arising on acquisition	712.2

26 COMPARATIVE BALANCES

In this annual report, comparative balances have been restated to reflect the finalisation of the accounting for the acquisition of The Good Guys. The following table illustrates the quantum of the fair value adjustments recognised during the year and their impact on the prior year comparatives presented in this annual report.

Consolidated	*30 June 2017 $m*	*30 June 2017 (Restated) $m*
Balance sheet (extract)		
Cash and cash equivalents	72.8	72.8
Trade and other receivables	196.6	193.6
Inventories	859.9	859.7
Other current assets	41.4	41.4
Plant and equipment	208.2	208.2
Intangible assets	1,026.6	1,037.3
Other non-current assets	46.8	46.8
Total assets	2,452.3	2,459.8
Trade and other payables	647.8	644.7
Deferred revenue	141.8	141.8
Provisions	75.4	76.3
Other current liabilities	9.0	9.0
Current tax liabilities	11.8	13.6
Non-current borrowings	558.8	558.8
Non-current deferred revenue	99.6	99.6
Non-current deferred tax liabilities	8.2	16.1
Non-current provisions	11.8	11.8
Other non-current liabilities	34.6	34.6
Total liabilities	1,598.8	1,606.3
Net assets	853.5	853.5
Contributed equity	438.7	438.7
Reserves	33.2	33.2
Retained earnings	381.6	381.6
Total equity	853.5	853.5

27 RELATED PARTY TRANSACTIONS

(a) Parent entity and equity interests in related parties

The parent entity of the Group is JB Hi-Fi Limited, a listed public company, incorporated in Australia.

(b) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 22.

(c) Key management personnel

Disclosures relating to key management personnel are set out in the Directors' report.

(d) Terms and conditions of transactions with related parties other than key management personnel or entities related to them

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

OTHER DISCLOSURES

	Consolidated 2018 $'000	Consolidated 2017 $'000
28 KEY MANAGEMENT PERSONNEL DISCLOSURES		
The aggregate compensation of the key management personnel of the Group is set out below:		
Short-term employee benefits	8,974	8,865
Post-employment benefits	230	278
Share-based payments expense	2,943	1,978
	12,147	11,121

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 53.

29 SHARE-BASED PAYMENTS

(a) Group share option plans

The Group has ownership-based remuneration schemes for executives and non-executive management (excluding non-executive directors). In accordance with the provisions of these schemes, executives and non-executive managers within the Group are granted options to purchase parcels of ordinary shares at various issue prices or to acquire shares at a zero exercise price.

Details of the features of outstanding share options are provided in the remuneration report on page 50.

The following reconciles the outstanding share options granted under the Group's share option plans at the beginning and end of the financial year:

	Balance at start of the year Number	*Granted during the year Number*	*Exercised/ lapsed during the year Number*	*Balance at end of the year Number*	*Vested and exercisable at end of the year Number*
2018					
Outstanding Share Options with an exercise price	404,054	–	(221,855)	182,199	–
Outstanding Zero Exercise Price Options	955,145	464,840	(268,265)	1,151,720	–
	1,359,199	464,840	(490,120)	1,333,919	–
Weighted average exercise price of those with an exercise price	$15.53	–	$13.75	$17.69	–

	Balance at start of the year Number	*Granted during the year Number*	*Exercised/ lapsed during the year Number*	*Balance at end of the year Number*	*Vested and exercisable at end of the year Number*
2017					
Outstanding Share Options with an exercise price	732,889	–	(328,835)	404,054	–
Outstanding Zero Exercise Price Options	893,486	446,499	(384,840)	955,145	–
	1,626,375	446,499	(713,675)	1,359,199	–
Weighted average exercise price of those with an exercise price	$14.65	–	$12.75	$15.53	–

The weighted average remaining contractual life of share options outstanding at the end of the period was 1,222 days (2017: 1,218 days).

29 SHARE-BASED PAYMENTS (continued)

(a) Group share option plans (continued)

Fair value of options granted

Equity settled share based payments with employees are measured at the fair value of the equity instrument at grant date. The weighted average fair value of options granted during the year ended 30 June 2018 was $21.48 (2017: $24.71). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the expected exercise date based on prior years' experience, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate.

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The expected price volatility for options granted during the year ended 30 June 2018 is based on the daily closing share price for the number of years preceding the issue of the series, that matches the years to vesting as all of these options are expected to be exercised as soon as they vest.

Detailed share option disclosures for all options series granted and exercised during the year are provided in the remuneration report on pages 31 to 53.

Share based payments expense

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

At each reporting date the Group estimates the number of equity instruments expected to vest. The number of equity instruments that are expected to vest is based on management's assessment of the likelihood of the vesting conditions attached to the equity instruments being satisfied. The key vesting conditions that are assessed are earnings per share targets and required service periods. The impact of any revision in the number of equity instruments that are expected to vest is recognised as an adjustment to the share based payments expense with the corresponding adjustment to the equity-settled benefits reserve in the reporting period that the revision is made.

	Consolidated	
	2018 *$'000*	*2017* *$'000*
30 REMUNERATION OF AUDITORS		
Audit and other services		
Audit and review of group financial statements	607	589
Audit and review of subsidiary financial statements	44	31
Audit of accounting for the acquisition of The Good Guys	10	68
Other services	–	35
Total remuneration for audit and other services	661	723

The auditor of the Group is Deloitte Touche Tohmatsu.

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

The remaining principal accounting policies adopted in the preparation of these financial statements that have not already been disclosed are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods. Risks and rewards are considered passed to the buyer at the point of sale if the goods are taken by the customer at that time, or on delivery of the goods to the customer.

(ii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iii) Rendering of services

Revenue from a contract to provide services is recognised by reference to the portion of services provided in accordance with the contract. Revenue from time and material contracts is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

(b) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 20. Movements in the hedging reserve in shareholder's equity are shown in the statement of changes in equity.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss within 'finance costs'.

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Derivatives and hedging activities (continued)

(i) Cash flow hedge (continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(ii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is JB Hi-Fi Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, or are attributable to part of the net investment in a foreign operation.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities presented are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable, to the taxation authority, are presented as operating cash flows.

(e) New accounting standards and interpretations

In the current year, the Group has adopted all of the following 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:

(i) AASB 2016-1 *Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses*

(ii) AASB 2016-2 *Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107*

(iii) AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016*

(iv) AASB 1048 *Interpretation of Standards*

The Group has applied the amendments to AASB 107 for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. The Group's liabilities arising from financing activities consist of borrowings. A reconciliation between the opening and closing balances of these items is provided in note 17. Consistent with the transition provision of the amendments, the Group has not disclosed comparative information for the prior period.

Other than the additional disclosure noted above, the adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised and the disclosures presented in the financial statements of the Group.

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

The effects of the following Standard are still being determined:

(i) AASB 16 *Leases* (effective 1 January 2019)

AASB 16 is effective for periods beginning on or after 1 January 2019 and therefore will be effective in the Group's financial statements for the year ending 30 June 2020. AASB 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. AASB 16 will supersede the current lease guidance including AASB 117 *Leases* and the related interpretations when it becomes effective.

AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements.

The classification of cash flows will also be affected as operating lease payments under AASB 117 are presented as operating cash flows; whereas under the AASB 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. Furthermore, extensive disclosures are required by AASB 16.

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) New accounting standards and interpretations (continued)

During the financial year, the Group has made progress in preparing for the implementation of the new leases standard in a number of areas including:

- identification of leases and contracts that could be determined to include a lease;
- collation of lease data required for the calculation of the impact assessment;
- identification of areas of complexity or judgement relevant to the Group;
- identification of necessary changes to systems and processes required to enable reporting and accounting in accordance with the new standard; and
- development of initial estimates for discount rates.

As at 30 June 2018, the Group has non-cancellable operating lease commitments of $684.4m (30 June 2017: $683.6m). AASB 117 does not require the recognition of any right-of-use asset or liability for future payments for these leases; instead, certain information is disclosed as operating lease commitments in note 21. A preliminary assessment indicates that these arrangements will meet the definition of a lease under AASB 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of AASB 16.

A reliable estimate of the financial impact on the Group's consolidated results is dependent on a number of unresolved areas, including:

- choice of transition method;
- refinement of approach to discount rates;
- estimates of lease-term for leases with options; and
- conclusion of data collection.

In addition, the financial impact is dependent on the facts and circumstances at the time of transition. For these reasons, it is not yet practicable to determine a reliable estimate of the financial impact on the Group.

The effects of the followings Standards and Interpretations are not expected to be material:

(i) AASB 15 *Revenue from Contracts with Customers*, and the relevant amending standards (effective 1 January 2018)

AASB 15 is effective for periods beginning on or after 1 January 2018 and therefore will be effective in the Group financial statements for the year ending 30 June 2019. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for performance obligations only when they are satisfied and the control of goods or services is transferred. In doing so, the standard applies a five-step approach to the timing of revenue recognition and applies to all contracts with customers, except those in the scope of other standards. It replaces the separate models for goods, services and construction contracts under the current accounting standards.

The majority of Group sales are for goods sold in store, online and to commercial customers, where there is a single performance obligation and revenue is recognised at the point of sale or, where later, delivery to the end customer. There is no material impact from the adoption of AASB 15 on these sales. The revenue recognition approach historically applied by the Group for other services related sales that contain multiple performance obligations are consistent with the principles of AASB 15 meaning there will be no material impact from the adoption of AASB 15.

(ii) AASB 9 *Financial Instruments*, and the relevant amending standards (effective 1 January 2018)

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. The standard is effective for periods beginning on or after 1 January 2018 and therefore will be effective in the Group financial statements for the year ending 30 June 2019. AASB 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for recognising impairment provisions based on expected credit losses and new hedge accounting requirements.

We have aligned hedge accounting documentation with the new standard, and do not anticipate any impact on our current hedging relationships. In relation to credit losses, the primary change relates to provisioning for potential future credit losses on our financial assets. We do not expect this to have a significant impact on the Group's financial statements.

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) New accounting standards and interpretations (continued)

The effects of the followings Standards and Interpretations are not expected to be material: (continued)

(iii) AASB 2016-5 *Amendments to Australian Accounting Standards - Classification and Measurement of Share-based Payment Transactions* (effective 1 January 2018)

(iv) AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015 - 2017 Cycle* (effective 1 January 2019)

(v) AASB 2018-2 *Amendments to Australian Accounting Standards - Plan Amendment, Curtailment or Settlement* (effective 1 January 2019)

(vi) Interpretation 23 *Uncertainty over Income Tax Treatments* (effective 1 January 2019)

32 EVENTS OCCURRING AFTER THE REPORTING PERIOD

There have been no matters or circumstances occurring subsequent to the end of the financial year end, that have significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in future financial years.

The shareholder information set out below was applicable as at 6 August 2018.

A. Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares		
Holding	*Total Holders*	*Units*	*% Issued Capital*
1 - 1,000	15,143	5,576,078	4.85
1,001 - 5,000	4,596	9,322,206	8.11
5,001 - 10,000	353	2,452,709	2.13
10,001 - 100,000	179	4,275,426	3.72
100,001 and over	23	93,256,953	81.19
	20,294	114,883,372	100.00

There were 459 holders of less than a marketable parcel of ordinary shares.

B. Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

	Ordinary shares	
Name	*Number held*	*% of issued shares*
1. J P MORGAN NOMINEES AUSTRALIA LIMITED	30,998,894	26.98
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	23,325,655	20.30
3. CITICORP NOMINEES PTY LIMITED	13,406,043	11.67
4. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	10,889,901	9.48
5. NATIONAL NOMINEES LIMITED	3,703,250	3.22
6. BNP PARIBAS NOMS PTY LTD <DRP>	3,250,782	2.83
7. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,521,613	2.19
8. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	1,133,413	0.99
9. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	719,817	0.63
10. NATIONAL NOMINEES LIMITED <DB A/C>	718,910	0.63
11. MUTUAL TRUST PTY LTD	386,122	0.34
12. POWERWRAP LIMITED <SCHEME - IML TRADES A/C>	340,882	0.30
13. 3RD WAVE INVESTORS LTD	300,000	0.26
14. AMP LIFE LIMITED	271,021	0.24
15. SHAWVILLE PTY LTD	250,000	0.22
16. AUSTRALIAN UNITED INVESTMENT COMPANY LIMITED	200,000	0.17
17. SCCASP HOLDINGS PTY LTD <H & R SUPER FUND A/C>	175,400	0.15
18. INVIA CUSTODIAN PTY LIMITED <GSJBW MANAGED A/C>	145,582	0.13
19. THE MILLER FOUNDATION LTD	133,000	0.12
20. NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	122,526	0.11
	92,992,811	80.96

C. Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares	*Number held*	*Voting Power %*
Ellerston Capital Limited	12,262,159	10.67
Pendal Group Limited	9,491,899	8.26
Legg Mason Asset Management Australia Limited	9,383,770	8.17
AustralianSuper Pty Ltd	8,884,202	7.73
UniSuper Limited	8,623,136	7.51
Magellan Financial Group Limited	7,640,264	6.65
UBS Group AG and its related bodies corporate	6,892,364	6.00
H.E.S.T. Australia Limited	5,908,167	5.14
The Vanguard Group	5,804,822	5.05

	Number on issue	*Number of holders*
D. Unquoted equity securities		
Employee share options issued under the Company's share option plans	1,332,304	145

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COMPANY SECRETARY

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