JB HI-FI

ANNUAL REPORT

2021

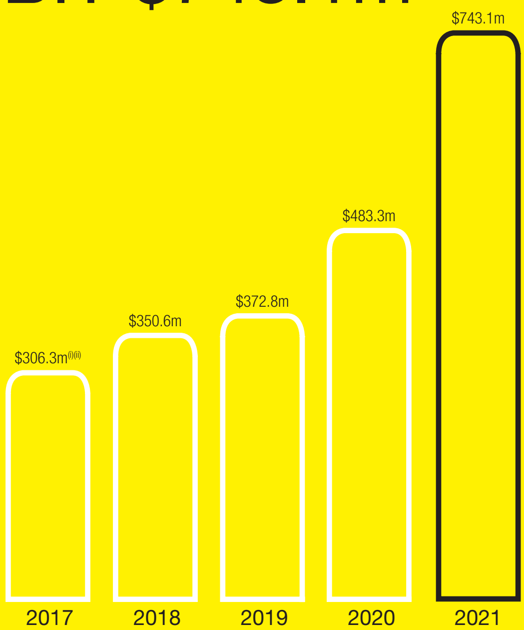
Financial Summary

FINANCIAL PERFORMANCE

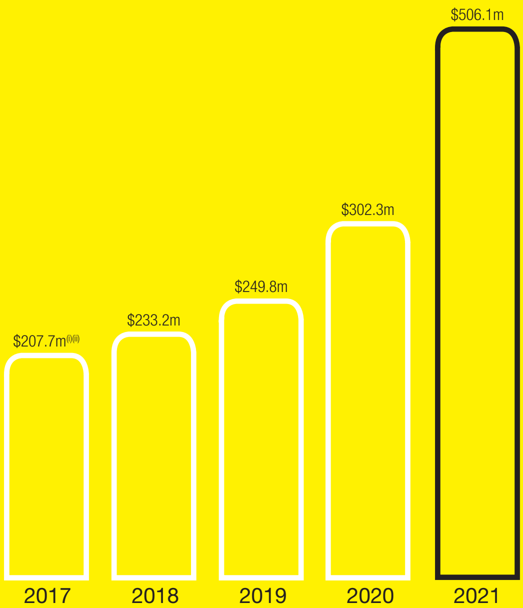
	2017[i] Underlying[ii]	2018 Statutory	2019 Statutory	2020 Statutory	2021 Statutory	Growth Statutory
Sales	$5.63b	$6.85b	$7.10b	$7.92b	$8.92b	12.6%
EBIT	$306.3m	$350.6m	$372.8m	$483.3m	$743.1m	53.8%
NPAT	$207.7m	$233.2m	$249.8m	$302.3m	$506.1m	67.4%
Earnings per share	186.0cps	203.1cps	217.4cps	263.1cps	440.8cps	67.5%
Total dividend - fully franked	118cps	132cps	142cps	189cps	287cps	51.9%

Sales $8.92b

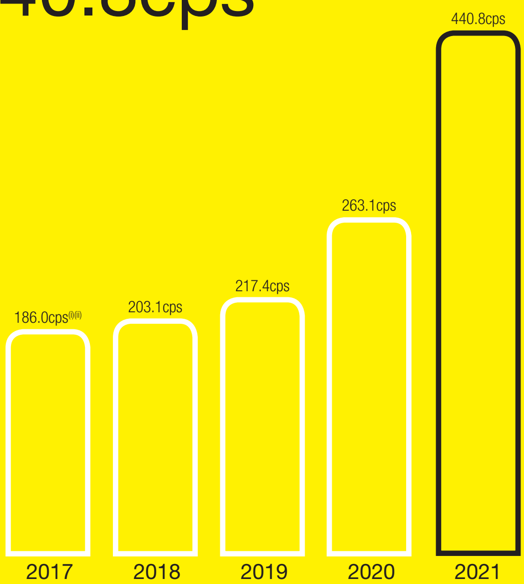
EBIT $743.1m



NPAT $506.1m



Earnings per share 440.8cps



(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) 2017 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.

Chairman’s and Group Chief Executive Officer’s Report

Dear fellow shareholder,

FY21 has been a strong year for JB Hi-Fi Limited and its subsidiaries (the “Group”). We were pleased to report record sales and earnings for the year ended 30 June 2021, a period where we continued to respond and adapt to the challenges resulting from Covid-19. We would like to recognise and thank our team members across Australia and New Zealand who worked tirelessly to deliver this record result.

Our continued focus on the customer, combined with the strength and competitive advantage of our multichannel offer, be it in-store, online or over the phone, enabled us to seamlessly meet our customers’ increased demand throughout this period.

As the challenges associated with Covid-19 continued throughout FY21, the health, safety and wellbeing of our team members, customers, business partners and the wider community remained our highest priority.

The relationship between the Board and management is strong and remains engaging and constructive.

Group CEO Transition

Following a smooth and successful transition period, Group Chief Executive Officer Richard Murray left the Group in August 2021 and has been succeeded by Managing Director of The Good Guys and former JB Hi-Fi CEO, Terry Smart.

The Board thanks Richard for his outstanding contribution to the Company over the past 18 years, wishes him all the best for the future and looks forward to Terry continuing to deliver on the Group’s previous success.

Both Terry and Group Chief Financial Officer, Nick Wells, joined the Board as Executive Directors on 27 August 2021.

Group Overview

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 our 316 store network, our online and phone channels, and through our commercial business.

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

- scale;
- a low cost operating model, evidenced by the Group’s low cost of doing business (“CODB”);
- quality store locations;
- strong supplier partnerships; and
- our multichannel capabilities.

It continues to be an integral part of the Group’s strategy to innovate and diversify in new products, online, supply chain, merchandising formats, advertising and property locations in a controlled and responsible manner. This approach provides opportunities to increase revenue, margin and productivity.

The Group achieved sales of $8.9 billion in FY21, up 12.6% on the prior year. EBIT was up 53.8% to $743.1 million and Net profit after tax (NPAT) was up 67.4% to $506.1 million. Earnings per share was up 67.5% to 440.8 cents per share and the total dividend for FY21 was up 51.9% to 287 cents per share.

Brand Overview

JB Hi-Fi Australia

Total sales grew by 12.0% to $5.96 billion, with comparable sales up 13.0%. Sales momentum was strong through the year, with heightened customer demand for consumer electronics and home appliance products. The key growth categories were Communications, Computers, Games Hardware, Visual and Small Appliances. Online sales grew 93.0% to $780.0 million or 13.1% of total sales.

Gross profit increased by 13.4% to $1.33 billion with gross margin up 27 bps to 22.2%, driven primarily by improvements in key categories. CODB was 11.2%, down 91 bps on the pcp. The business’ low CODB remains a competitive advantage and is maintained through a continued focus on productivity, minimising unnecessary expenditure and leveraging scale.

Elevated sales growth, gross margin expansion and disciplined cost control resulted in strong earnings growth. EBIT was up 33.6% on the pcp to $523.0 million, with EBIT margin up 142 bps to 8.8%.

JB Hi-Fi New Zealand

Total sales were up 17.4% to NZD261.6 million, with comparable sales up 17.4%. The key growth categories were Computers, Visual, Communications, Games Hardware and Small Appliances. Online sales in New Zealand grew 35.6% to NZD27.6 million, or 10.6% of total sales. Gross margins increased by 129 bps to 17.8% and CODB was 13.1%, down 109 bps on the pcp. EBIT was NZD5.8 million.

The Good Guys

Total sales grew by 13.7% to $2.72 billion, with comparable sales up 13.7%. Sales momentum was strong through the year, with heightened customer demand for home appliance and consumer electronics products. The key growth categories were Refrigeration, Laundry, Floorcare, Portable Appliances and Visual. Online sales were up 48.5% to $258.3 million or 9.5% of total sales.

Gross profit was $608.6 million with gross margin up 189 bps to 22.4%, driven by strong improvements in key categories. CODB was 11.7%, down 100 bps as store wages remained well controlled throughout the year. Strong operating leverage from the elevated sales growth, gross margin expansion and disciplined cost control drove strong EBIT growth. EBIT was up 90.2% on the pcp to $214.7 million, with EBIT margin up 318 bps to 7.9%.

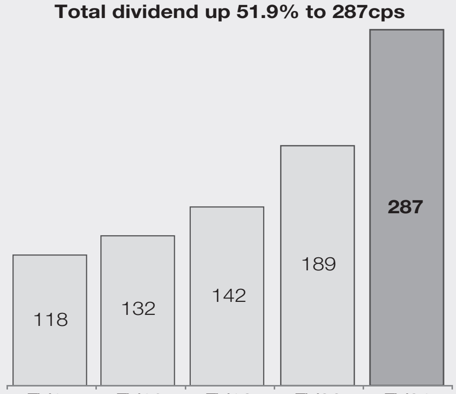
Group Balance Sheet, Capital Management and Dividends

The Group's balance sheet continued to be strong with low financial and operating leverage, evidenced by our solid fixed charges cover of 4.6 times, gearing of 0.0 and interest cover of 228.4 times.

JB Hi-Fi Limited regularly reviews all aspects of its capital structure with a focus on maximising returns to shareholders and maintaining balance sheet strength and flexibility.

The Board declared a final dividend of 107 cents per share fully franked, up 17 cents per share or 18.9%, bringing the total dividend for FY21 to 287 cents per share, up 98 cents per share or 51.9%, and representing 65% of NPAT.

Total dividend up 51.9% to 287cps



Dividend per Share (cents)

Generating sustainable long-term growth

The Group's FY21 Sustainability Report outlines our commitment to having a positive impact on our people, our communities and our environment.

The Group is committed to:

- developing our people and providing them with a safe and respectful workplace, whilst looking for ways to improve work flexibility, diversity and inclusion;
- giving back to the communities within which our team members live and work; and
- minimising the impact of waste and greenhouse gases generated by our operations on the natural environment.

The Group is pleased with the progress made across these key areas of focus, which in FY21 included:

- roll out of an updated Equal Opportunity and Workplace Behaviour policy to all team members;
- launching a set of Diversity and Inclusion initiatives, to continue to improve diversity in leadership and inclusion;
- workplace giving donations totalling $3.7 million and $28.1 million since inception;
- JB Hi-Fi's Helping Hands program winning Workplace Giving Australia's 2020 Best Overall Program and Best Innovation awards;
- continuing to work with suppliers to embed our ethical sourcing policy;
- committing to net-zero direct (scope 1 and 2) carbon emissions by 2030, with solar power generation recently installed at the JB Hi-Fi Chadstone Homemaker Centre store;
- continuing to explore waste reduction, re-use and recycling initiatives led by the Group's operational waste and recycling working group; and
- continuous improvements in sustainable packaging.

The FY21 Sustainability Report can be found on the Group's investor website (https://investors.jbhifi.com.au/)

Management alignment with Shareholders

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

Outlook

Whilst we have experienced some disruption and variability to sales as a result of the various state based COVID restrictions, we have continued to see heightened customer demand and strong sales growth rates over a two-year period.

In view of the ongoing uncertainty arising from Covid-19, we do not currently consider it appropriate to provide FY22 sales and earnings guidance.

The health, safety and wellbeing of our team members, customers, business partners and the wider community will remain our highest priority.

While the retail environment remains uncertain, we have continued to demonstrate our ability to adapt, respond and thrive in the face of changing circumstances. The combination of our passionate and knowledgeable team members, our multichannel offer, and our ongoing investment in our supply chain gives us confidence in the outlook for the business. We look forward to another successful year in FY22.

Stephen Goddard
Chairman

Terry Smart
Group Chief Executive Officer

30 August 2021

Annual Report

for the financial year ended **30 June 2021**

JB Hi-Fi Limited ("the Company" or "JB Hi-Fi") recognises the importance of Governance matters and 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). The Company's Governance Statement is set out below. The Company also recognises the importance of environmental and social matters to its shareholders, suppliers and customers and has released its 2021 Sustainability Report to the ASX at the same time as this Report.

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:

- the Group's policies and practices comply in all material respects with the 4th edition of the ASX Corporate Governance Council Principles and Recommendations (the "ASX Recommendations"); and
- during the 2021 financial year, the Company 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 16 August 2021.

THE BOARD

Role

The primary role of the Board is to protect and enhance long-term sustainable 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 and demonstrating leadership of the Group; defining the Group's purpose and approving the Group's statement of values and code of conduct so as to underpin the desired culture within the Group and overseeing management's implementation of these values; setting (in consultation with management) the strategic and financial objectives of the Group and overseeing management's implementation of these objectives; approving the appointment and replacement of senior executives including the Group CEO; monitoring the performance of management and, where required, challenging management and holding it to account; approving the adoption of the Group's major corporate governance policies; ensuring that the Group has in place an appropriate risk management framework (for both financial and non-financial risk); overseeing the reliability and integrity of the Group's accounting, financial reporting and financial management and disclosure practices and systems; overseeing the Group's process for making disclosure to the market; approving the Group's remuneration framework and satisfying itself that the Group's remuneration policies are aligned with the Group's values, strategic objectives and risk appetite; 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

Details of each of the Directors are set out on pages 14 and 15 of this Report.

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
- Retail, both physical and online/digital
- Operational Management
- Finance
- Property
- Online/Digital
- Mergers & Acquisitions
- Governance
- Other Listed Board Experience
- Executive Remuneration
- Risk Management

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 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. Mark Powell is a non-executive director and chair of the ESG committee of Kiwi Property Group Limited. The Board notes that both the GPT Wholesale Shopping Centre Fund and Kiwi Property Group Limited have ownership interests in shopping centres in which the Group currently leases stores. The Board is of the opinion that Beth and Mark are independent directors on the basis that individual leasing arrangements within the Group, GPTFM 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 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/Kiwi Property Group Limited.

Geoff Roberts was previously a partner at Deloitte until 2015. During the period that Geoff was a partner, Deloitte were the appointed auditors of the Group, however at no stage during the term of his partnership was Geoff involved in the provision of audit or other services to the Group. The Board is therefore of the opinion that Geoff is an independent director.

Conflict of interest

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. If a material 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.

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 periodically reviews the need for directors to undertake professional development to maintain the skills and knowledge necessary to perform their roles. This includes, where necessary, management (including the Group Chief Financial Officer and the Company Secretary & General Counsel) and external advisors providing 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). 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 also 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 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, adequacy and integrity of the Group's financial management, financial reporting and disclosure, its related non-financial reporting and disclosure practices, and its financial reporting framework;
- oversight of the independence, performance, appointment and removal of the external auditor;
- review of the Group's policies on risk oversight and management, and in discharging its responsibility to satisfy itself that a sound system of risk management and internal control has been implemented to manage the material risks affecting the Group's businesses, including compliance with all applicable laws; and
- review of the Group's plans, actions and reporting in relation to sustainability.

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 2021 financial year, the Audit and Risk Management Committee comprised the following non-executive directors, all of whom were independent and have relevant financial, commercial and risk management experience, including an independent chair who is not the Chair of the Board:

- Beth Laughton: Chair of Committee;
- Mark Powell;
- Melanie Wilson; and
- Geoff Roberts: member of Committee since 16 January 2021.

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

The Audit and Risk Management Committee meets regularly. Details of the meetings held and members' attendance during the 2021 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 and Nominations Committee

The Board has a Remuneration and Nominations Committee.

The Remuneration and Nominations 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; and
- reviewing and making recommendations to the Board regarding Board succession planning, the appointment and re-appointment of non-executive directors, the induction and continuing professional development of non-executive directors, the process for evaluating the performance of the board, its committees and directors, and the succession of the Group CEO and other senior executives.

A copy of the Remuneration and Nominations 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 2021 financial year, the Remuneration and Nominations Committee comprised the following directors, each of whom are considered by the Company to be independent:

- Stephen Goddard: Chair of Committee;
- Beth Laughton; and
- Mark Powell.

The Remuneration and Nominations Committee meets as required. Details of the meetings held and members' attendance during the 2021 financial year are listed in the Directors' Report. Directors who are not members of the Remuneration and Nominations Committee may attend a Committee meeting at the invitation of the Chairman when considered appropriate.

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. The Group will ensure that the Board and/or Audit and Risk Management Committee is informed of any material incidents in breach of this Code. No such incidents have been reported in FY2021.

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.

WHISTLEBLOWER POLICY AND ANTI-BRIBERY, CORRUPTION & FRAUD POLICY

The Group has a Whistleblower Policy and an Anti-Bribery, Corruption & Fraud Policy. The Group will ensure that the Board and/or Audit and Risk Management Committee is informed of any material incidents reported under or in breach of these policies. No such incidents have been reported in FY2021.

Copies of these policies are available 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 Group has a Group Diversity Strategy for both the JB Hi-Fi and TGG businesses. This strategy is focussed on identifying and growing internal talent, underpinned by common and meaningful competency-based criteria. The Group Diversity Strategy and associated program of work is fundamental to enabling diversity by supporting women's progression to leadership roles, and is further supported by work to identify and remove potential barriers to this progression.

Details of the Group's diversity initiatives, measurable objectives and performance are set out in the Group's Sustainability Report which can be found on the Company's investor website at http://investors.jbhifi.com.au in the "Corporate Social Responsibility" section.

SAFETY

The Group is committed to providing a healthy and safe work environment for all its team members, contractors, customers and visitors. Details of the Group's health and safety policies and performance are set out in the Group's Sustainability Report which can be found on the Company's investor website at http://investors.jbhifi.com.au in the "Corporate Social Responsibility" section.

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.

All Key Management Personnel (being all Non-Executive Directors and the Executive KMP listed on page 33), are subject to the Company's Minimum Shareholding Policies which require:

- Non-Executive Directors to hold the equivalent of 1.0 times base Board fees in shares;
- the Group CEO to hold the equivalent of 1.5 times fixed pay in shares; and
- other Executive KMP to hold the equivalent of 1.0 times fixed pay in shares.

This level of shareholding is required to be built over 5 years from the introduction of the policy in FY2019 (or appointment, if later).

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 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 Group (consisting of the Company and the entities it controlled during the financial year) for the financial year ended 30 June 2021 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 2021, 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 full year financial statements and remuneration report 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.

The Company also has a process in place to verify the integrity of any periodic corporate report that it releases to the market that is not audited or reviewed by the independent auditor. Such reports are written by the relevant members of the Company's senior management team and are then independently reviewed by appropriate executives to ensure the information is accurate and stated assumptions or opinions are reasonable. Data is verified by reference to a reliable source of information and information is checked to ensure that it is consistent with any audited reports where relevant. A 'third line' check is then completed by an independent internal review team. Finally, the reports are reviewed in detail by the Company's Audit and Risk Management Committee and then by the full Board which must formally authorise the release of any such report to the market.

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.

The Company ensures that the Board receives copies of all material market announcements before, or promptly after, they have been made.

The Company releases a copy of any substantive investor or analyst presentation to the ASX ahead of the presentation.

SHAREHOLDER COMMUNICATIONS

The Company's investor website at 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 other key management personnel;
- 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, and send communications to, the Company's share registry electronically. The registry 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 an Annual General Meeting to which all shareholders are invited. In 2020, the Annual General Meeting was held "virtually" to take account of restrictions arising from the Covid-19 pandemic. All resolutions at Annual General Meetings are decided by a poll rather than a show of hands. Shareholders who are unable to attend are able to 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 Meetings 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, other key stakeholders and the broader community.

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 the Board reviews the framework at least annually to satisfy itself that it continues to be sound and that the Group is operating with due regard to the risk appetite set by the Board. The risk management framework was last reviewed by the Board in November 2020.

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

The Group does not have a formal internal audit function. Instead, risk identification and management is managed on a day-to-day basis by a dedicated risk management and business assurance team. The risk management and business assurance team evaluate and look to continually improve the effectiveness of the Group's governance, risk management and internal control processes.

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.

SUSTAINABILITY AND ENVIRONMENTAL AND SOCIAL RISKS

The Group recognises the material environmental and social risks that are relevant to its activities and takes action to manage those risks. A Group Sustainability Plan has been established to provide a foundational framework to integrate sustainability and the management of these risks into the operations and strategic priorities of the businesses. Governance and oversight of the approach and progress is provided by the Audit and Risk Management Committee. Further detail about these environmental and social risks is set out in the Operating and Financial Review.

The Company has released its 2021 Sustainability Report to the ASX and this Report can be found on the Company's investor website at http://investors.jbhifi.com.au in the "Corporate Social Responsibility" section. This Report provides disclosure around the material sustainability-related issues for the Group's businesses and how the Group plans to prioritise and manage these going forward.

OUR PURPOSE & VALUES

The Group's purpose is to connect customers with the products and services that make life better.

The Group aims to do this through its two iconic and trusted retail brands, JB Hi-Fi (a leading retailer of technology and consumer electronics) and The Good Guys (a leading retailer of home appliances and consumer electronics).

Set out below are the Values which the Group and all of its team members are guided by in their activities.

Passion – We love what we do. We:

- are passionate about our people, our customers and our products
- show enthusiasm and take pride in our work
- strive to exceed our customers' expectations and create amazing experiences

Respect and Empower – We value and respect everyone. We:

- empower, support and trust our people
- treat everyone fairly and without discrimination
- act with humility, listen openly, and value others' opinions

Integrity – We act honestly and do the right thing. We:

- accept responsibility for our actions
- act lawfully, ethically and responsibly
- call out things that aren't right

Innovative – We embrace change and adapt quickly. We:

- never stand still and constantly evolve
- are entrepreneurial and look for opportunities
- are not afraid to fail and we learn from our mistakes

Driven – We are focused and deliberate. We:

- are results oriented and deliver on the things we commit to
- make decisions based on facts and experience
- focus on productivity and efficiency

Social Conscience – We care about our people, our community and our environment. We:

- give back to the communities where we live and work
- ensure our business is safe, inclusive and welcoming for everyone
- strive to minimise our impact on the environment

Authentic – We are diverse and embrace individuality. We:

- are informal and don't take ourselves too seriously
- are energetic and enthusiastic
- have fun, enjoy ourselves and celebrate success

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 continuously improve 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 and 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 and Nominations Committee.

Evaluation of the performance of the Board, Board Committees, individual directors and Group executives has been conducted in respect of the 2021 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 KMP 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.

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 2021. 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 Stephen Goddard Non-Executive Director MSc. BSc (Hons)	Stephen was appointed to the Board in August 2016 and became Chairman on 1 July 2020. Stephen is also Chair of the Company's Remuneration and Nominations Committee and was a member of the Audit and Risk Management Committee until 30 June 2020. 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 Committees of GWA Group Limited, Accent Group Limited and Nick Scali Limited.
Ms Beth Laughton Non-Executive Director B.Ec, FAICD, FCA	Beth was appointed to the Board in May 2011, became Chair of the Audit and Risk Management Committee in June 2012, and is also a member of the Company's Remuneration and Nominations 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, and a non-executive director of Shopping Centres Australasia Property Group and Chair of its Audit, Risk Management and Compliance Committee. Beth was previously a member of the Defence SA Advisory Board, 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 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 and Risk Management Committee and the Remuneration and Nominations 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, a NSX listed retail group which includes Noel Leeming, NZ's largest technology and appliances retailer. He was also 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 Chair of the ESG Committee of NZX listed Kiwi Property Group Limited, and a non-executive director of Bapcor Limited and Chair of its Nominations, Remuneration and ESG Committee. He is also involved on a voluntary basis on the boards of several not-for-profit organisations.
Mr Geoff Roberts Non-Executive Director Exec. MBA, B.Comm, FCA, FAICD	Geoff was appointed to the Board in January 2021. He recently retired as Group Chief Financial Officer of Seek Limited, having joined them in 2015. He has over 35 years' finance experience, including as Group CFO of AXA Asia Pacific Holdings Limited for seven years. Geoff is a Committee (Board) member and Chair of the Finance and Audit Committee of the Melbourne Cricket Club Committee, and was formerly a director and Chair of the Audit Committee of AMP Limited. Geoff was previously a partner at Deloitte and Managing Partner, Victoria from 2011 until 2015. During the period that Geoff was a partner, Deloitte were the appointed auditors of the Group, however at no stage during the term of his partnership was Geoff involved in the provision of audit or other services to the Group.
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, and was 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.

Ms Melanie Wilson Non-Executive Director MBA, B.Comm (Hons), GAICD	Melanie was appointed to the Board in June 2020 and is a member of the Audit and Risk Management Committee. Melanie gained extensive experience insenior management roles across global retail brands, including Woolworths (Head of Online, Big W and Manager, Strategy Group), Limited Brands (Victoria's Secret and Bath & Bodyworks, New York), and Diva/Lovisa. Her retail experience includes online/e-commerce, store operations, merchandise systems, marketing, brand development and logistics/fulfilment. Melanie has also held roles with Bain & Company (Boston) and Goldman Sachs (Hong Kong/Sydney) and completed an MBA at Harvard Business School. Melanie is currently a non-executive director of Baby Bunting Group Ltd and Chair of its Remuneration & Nominations Committee, and a non-executive director of iSelect Limited and Chair of its Audit & Risk Committee. She is also a non-executive director of EML Payments Ltdand Property Guru Group (Singapore). Melanie was previously a non-executive director of Shaver Shop Group Limited.
Mr Richard Murray Group Chief Executive Officer and Executive Director B.Comm, Grad.Dip. Applied Finance & Investment, FCA	Richard became Chief Executive Officer in 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. As detailed below, Richard will leave Company and cease to be a director at the end of August 2021.

Each of the aforementioned directors held office for the whole financial year and since the end of the financial year, other than Geoff Roberts as set out above.

Board changes

As announced on 28 April 2021, Richard Murray will leave the Company at the end of August 2021 and Terry Smart (currently Managing Director of The Good Guys business) has been appointed to succeed Richard as Group CEO. Both Terry and Group CFO, Nick Wells, will be appointed to the Board as Executive Directors upon Richard's departure. Both Terry and Nick will be considered to be non-independent directors. In accordance with the Company's Constitution, Nick will be subject to shareholder re-election by rotation at least every three years but Terry, as the Group CEO, will not.

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 25 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, and since the end of the financial year, are as follows:

Name	*Company*	*Period of Directorship*
Stephen Goddard	GWA Group Limited	Since October 2016
	Accent Group Limited	Since November 2017
	Nick Scali Limited	Since March 2018
Beth Laughton	Shopping Centres Australasia Property Group	Since December 2018
Mark Powell	Kiwi Property Group Limited (NZX)	Since October 2017
	Bapcor Limited	Since September 2020
Geoff Roberts	AMP Limited	July 2016 – May 2019
Richard Uechtritz	Seven Group Holdings Limited	Since June 2010
Melanie Wilson	Baby Bunting Group Ltd	Since February 2016
	iSelect Limited	Since March 2016
	EML Payments Ltd	Since February 2018
	Shaver Shop Group Limited	June 2016 – May 2020

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.

Operating and Financial Review

The Operating and Financial Review, which forms part of this Directors' Report, is presented separately on pages 19 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

A number of JB Hi-Fi and The Good Guys stores have been temporarily closed to customers at various times since 1 July 2021 as a result of Covid-19 restrictions. The majority of these stores have continued to fulfil online and Click- and-Collect orders whilst closed to customers.

There have been no other 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's operations are not subject to any particular and significant environmental regulation. The Group's Sustainability Report provides disclosure around the material sustainability-related issues for the Group's businesses. The Group has not incurred any significant liabilities under any environmental legislation during the financial year.

Dividends

In respect of the financial year ended 30 June 2020, as detailed in the Directors' Report for that financial year, an interim dividend of 99.0 cents per share and a final dividend of 90.0 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 6 March 2020 and 11 September 2020 respectively.

In respect of the financial year ended 30 June 2021, an interim dividend of 180.0 cents per share was paid to the holders of fully paid ordinary shares on 12 March 2021 and the directors have declared the payment of a final dividend of 107.0 cents per share to be paid to the holders of fully paid ordinary shares on 10 September 2021. Both dividends are franked to 100% at the 30% corporate income tax rate. The total dividend for the financial year of 287.0 cents per share represents a payout ratio of approximately 65% of net profit after tax of $506.1 million.

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 2021 financial year and the number of meetings attended by the members of the Board or the relevant Committee. During the financial year, 21 Board meetings, 7 Remuneration and Nominations Committee meetings and 6 Audit and Risk Management Committee meetings were held.

	Board of Directors		Remuneration and Nominations Committee		Audit and Risk Management Committee	
Directors	*Held*	*Attended*	*Held*	*Attended*	*Held*	*Attended*
S. Goddard	21	21	7	7	–	–
B. Laughton	21	21	7	7	6	6
M. Powell	21	21	7	7	6	6
G. Roberts (aptd 16/1/21)	11	11	–	–	2	2
R. Uechtritz	21	21	–	–	–	–
M. Wilson	21	21	–	–	6	6
R. Murray	17*	17*	–	–	–	–

* Mr Murray was not invited to, and did not attend, Board meetings relating to his resignation as Group CEO.

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*
S. Goddard	4,500	–	4,500	–	–	–
B. Laughton	5,804	–	5,804	–	–	–
M. Powell	4,000	–	4,000	–	–	–
G. Roberts (aptd 16/1/21)	–	–	–	–	–	–
R. Uechtritz	4,816	–	4,816	–	–	–
M. Wilson	–	1,500	1,500	–	–	–
R. Murray	136,498	2,304	138,802	46,705	–	46,705

Remuneration Report

The Remuneration Report, which forms part of this Directors' Report, is presented separately on pages 31 to 54.

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.

In FY2021 the Group engaged its auditor to provide non-audit services in the form of taxation services for The Good Guys group of companies relating to the period prior to the acquisition of those companies by the Group. The Group did not pay any fees to its auditor for this work in FY2021 and does not anticipate paying any fees to its auditor for any further work, as such fees will be borne by the previous owners of those companies. The directors are satisfied that the provision of these non-audit services during the year by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Based on advice received from the Audit and Risk Management Committee, the directors are of the opinion that these services as disclosed in note 28 to the financial statements do not compromise the auditor's independence, for the following reasons:

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

Auditor's independence declaration

The auditor's independence declaration is included on page 55 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

Stephen Goddard
Chairman
16 August 2021

Richard Murray
Group Chief Executive Officer

OVERVIEW OF OPERATIONS

The Group includes two iconic retail brands:

- JB Hi-Fi – a leading retailer of technology and consumer electronics with a strong position with a young tech-savvy demographic; and
- The Good Guys – a leading retailer of home appliances and consumer electronics with a strong position with home-making families and Generation X demographics.

Both businesses aim to sell the best brands, providing a big range, at low prices with exceptional customer service provided by passionate, knowledgeable team members.

The Group holds significant market-share in many of its product categories and sells the following products:

- consumer electronics and technology products including televisions, audio equipment, computers and cameras;
- telecommunications products and services;
- home appliances including whitegoods, cooking products, heating & cooling products, small appliances and kitchen accessories; and
- software (music, movies and games).

The Group also provides information technology and consulting services.

The Group has multi-channel sales capability with sales primarily from its branded retail store networks (197 JB Hi-Fi/JB Hi-Fi Home stores in Australia, 14 JB Hi-Fi stores in New Zealand and 105 The Good Guys stores in Australia as at 30 June 2021), online operations (JB Hi-Fi and The Good Guys websites) and over the phone. Sales are also generated from the Group's commercial and education businesses.

The Group Model is underpinned by 5 unique competitive advantages:

Scale:

- #1 player in the Australian market with the opportunity for further consolidation;
- relevance to global suppliers; and
- investments can be spread across a large base and drive efficiencies.

Low Cost Operating Model:

- The Group has a low cost of doing business relative to retail peers driven by:
    - productive floor space with high sales per square metre; and
    - a continued focus on productivity and minimising unnecessary expenditure.
- This low cost of doing business is an enabler for maintaining low prices (gross margins of ~22%) and responding to market prices.

Quality Store Locations:

- JB Hi-Fi stores are in high foot traffic areas and convenient locations - major shopping centres, CBD locations, homemaker centres and airports; and
- The Good Guys stores are in easily accessible destination locations – leading homemaker centres and standalone stores.

Supplier Partnerships:

- strong partnerships with all major suppliers, both locally and globally;
- store locations and high traffic websites provide suppliers with high visibility for their products;
- knowledgeable team members assist and inform the customer of product benefits; and
- dual brand retail approach provides ranging and merchandising optionality and the ability to execute strategic initiatives at scale.

Multichannel Capability:

- integrated, high quality in-store, online and phone offer provides customers with choice on how to transact with the businesses;
- store network provides fast online fulfillment (via delivery from store or click and collect) and online customers with after sales service and support; and
- national Commercial business supports corporate, government and education customers.

GROUP FINANCIAL PERFORMANCE FY2021 – HIGHLIGHTS

	FY2021	*FY2020*	*Growth*	
Total Sales ($m)	8,916.1	7,918.9	997.2	+12.6%
Earnings before interest and tax ($m)	743.1	483.3	259.8	+53.8%
Net profit after tax ($m)	506.1	302.3	203.8	+67.4%
Earnings per share (basic ¢)	440.8	263.1	+178cps	+67.5%
Dividend per share (¢)	287.0	189.0	+98cps	+51.9%

Total sales grew by 12.6% to $8,916.1 million, with continued heightened customer demand for consumer electronics and home appliance products. There was exceptional growth in online, with sales up by 78.1% to $1.1 billion, representing 11.9% of total sales (FY2020: 7.5%). Excluding Victorian sales where stores were temporarily closed during the first half of FY2021, online sales represented 10.3% of total sales.

EBIT grew 53.8% to $743.1 million, with strong operating leverage from the elevated sales growth, gross margin expansion and disciplined cost control. Net profit after tax grew by 67.4% to $506.1 million and earnings per share were up 67.5% to 440.8 cps. Dividends per share are up 98.0 cps or 51.9% to 287.0 cps, with the final dividend of 107.0 cps up 17.0 cps or 18.9%.

As announced to the ASX in April 2021, Richard Murray will leave the Group at the end of August 2021 and Terry Smart will succeed him as Group CEO. Both Terry and Nick Wells, Group CFO, will join the Board as Executive Directors upon Richard's departure. Biag Capasso has been appointed as Managing Director of The Good Guys, taking over from Terry. Tania Garonzi has been appointed as Merchandise Director of The Good Guys. Tania joins The Goods Guys from Hisense Australia where she was the General Manager for 15 years and oversaw the introduction and successful establishment of the Hisense brand in the Australian market.

The Group continued its investments in online and supply chain operations, including upgrades to the websites and expanded delivery and warehouse options, along with continued investment in sustainability initiatives including committing to net-zero direct (scope 1 and 2) carbon emissions by 2030. The Group continued its expansion of, and investment in, the Group's Commercial businesses product and service offering.

COVID-19

The Group's operations were affected significantly by the Covid-19 pandemic and resulting government actions.

The Group remained committed to supporting government and community efforts to limit the spread of the virus. The Group's highest priority is the health and wellbeing of its team members, customers, business partners and the wider community, whilst responding to its customers' changing needs and maintaining financial stability.

During the year, the Group continued to take measures to protect the health and safety of everyone who worked in or visited its premises. Some stores were closed at various times throughout the financial year in accordance with government restrictions but continued to fulfil online and click-and-collect orders where possible. In addition, the Group voluntarily closed its airport stores and some CBD stores for certain periods in response to a shift in foot traffic away from these areas. Despite these challenges, performance across the JB Hi-Fi and The Good Guys businesses remained strong with elevated sales growth driven by homemaker and free-standing stores and a significant acceleration in online, as the businesses provided customers with the essential products they needed to prepare for and respond to Covid-19. These included technology products that enabled remote working, learning and communication, essential home appliances for food storage and preparation and home entertainment products as customers spent more time at home. The Group was pleased with its well-executed promotional program and how its online businesses scaled and maintained a high level of customer service and on-time delivery during a period of significantly increased volume. The Group will continue to respond and adapt to its customers' changing needs through the pandemic.

DIVISIONAL PERFORMANCE

JB Hi-Fi Australia

	FY2021	FY2020	Growth
Total Sales ($m)	5,956.8	5,318.9	+12.0%
Gross Profit ($m)	1,325.2	1,169.0	+13.4%
Gross Margin (%)	22.25%	21.98%	+27bps
Cost of Doing Business (%)	11.19%	12.10%	(91 bps)
EBITDA ($m)	658.5	525.6	+25.3%
EBITDA Margin (%)	11.06%	9.88%	+117 bps
EBIT ($m)	523.0	391.5	+33.6%
EBIT Margin (%)	8.78%	7.36%	+142 bps

Total sales were up 12.0% to $5,956.8 million (FY2020: $5,318.9 million) with comparable sales growth up 13.0%. Sales momentum was strong through the year, with heightened customer demand for consumer electronics and home appliance products. Total sales growth over two years was 26.0%.

Hardware and services sales (all sales excluding Music, Movies and Games Software categories) were up 14.1% for the financial year, with comparable sales up 15.1%, driven by the Communications, Computers, Games Hardware, Visual and Small Appliances categories. Software sales were down 14.5%, and on a comparable basis were down 14.2%, as a result of a decline in the Movies and Games Software categories offset by growth in Music. By value, software sales represented 5.5% of total sales (FY2020: 7.3%).

Online sales in Australia grew 93.0% (FY2020: 56.6%) to $780.0 million or 13.1% of total sales (FY2020: 7.6%). Excluding Victorian sales during the period where stores were temporarily closed during the first half of FY2021, online sales represented 11.1% of total sales. The strength of the online offer was evidenced through the business' ability to scale and maintain a high level of customer service and on-time delivery throughout the year.

The Commercial business recorded solid sales growth as the Group continued to expand its product and service offering.

Gross profit increased by 13.4% to $1,325.2 million, with gross margin increasing by 27 bps to 22.25%, driven by strong improvements in key categories. Cost of Doing Business ("CODB") was down 91 bps to 11.2% for the year and in absolute terms CODB grew 3.6%, with disciplined cost control throughout the year. Depreciation grew by 1.1% with an increase in both depreciation on right-of-use assets and fixed assets. EBIT was up 33.6% to $523.0 million, with EBIT margin up 142 bps to 8.8%.

JB Hi-Fi New Zealand(i)

	FY2021	FY2020	Growth
Total Sales (NZ$m)	261.6	222.8	+17.4%
Gross Profit (NZ$m)	46.6	36.8	+26.6%
Gross Margin (%)	17.83%	16.54%	+129 bps
Cost of Doing Business (%)	13.12%	14.21%	(109 bps)
EBITDA (NZ$m)	12.3	5.2	+137.5%
EBITDA Margin (%)	4.70%	2.32%	+238 bps
EBIT (NZ$m)	5.8	(22.3)	n/m
EBIT Margin (%)	2.23%	(10.01%)	+1224 bps
Underlying EBIT ($m)	6.0(iii)	(1.2)(ii)	n/m
Underlying EBIT Margin (%)	2.28%	(0.52%)	+280 bps

(i) Amounts disclosed for JB Hi-Fi New Zealand are in local currency to remove the impacts of foreign currency translation on trading performance. The Australian dollar performance is presented in Note 2 of the financial statements.

(ii) FY2020 Underlying EBIT excludes a NZD21.1 million non-cash impairment of JB Hi-Fi New Zealand right of use assets and fixed assets.

(iii) FY2021 Underlying EBIT excludes the benefit of a NZD6.3 million reduction to depreciation expense arising from the FY2020 impairment offset by a NZD6.5 million non-cash impairment of JB Hi-Fi New Zealand right of use assets and fixed assets.

Total sales were up 17.4% to NZ$261.6 million, with comparable sales up 17.4%. Hardware and Services sales (all sales excluding Music, Movies and Games Software categories) were up 18.3%, with comparable sales up 18.3% driven by the Computers, Visual, Communications, Games Hardware and Small Appliance categories. Software sales were up 7.4% with comparable sales up 7.4%, with a decline in the Movies category offset by growth in Music and Games Software. Software sales were 7.1% of total sales (FY2020: 7.8%). Online sales in New Zealand grew 35.6% to NZ$27.6 million or 10.6% of total sales (FY2020: 9.1%). Total sales growth over 2 years was 10.8%.

Gross margin was up 129 bps on FY2020 to 17.8%. CODB was down 109 bps on FY2020 to 13.1% as store wages remained well controlled. In absolute terms CODB grew 8.4% on FY2020. EBITDA was NZ$12.3 million, up 137.5%, driven by sales growth, gross margin expansion and cost control.

Statutory EBIT for FY2021 was NZ$5.8 million, up NZ$28.1 million from a loss of NZ$22.3 million in FY2020. Underlying EBIT, excluding the impact of impairments in the current and prior year, was NZ$6.0 million, up NZ$7.2 million on FY2020.

The Good Guys

	FY2021	*FY2020*	*Growth*
Total Sales ($m)	2,715.7	2,388.8	+13.7%
Gross Profit ($m)	608.6	490.2	+24.2%
Gross Margin (%)	22.41%	20.52%	+189 bps
Cost of Doing Business (%)	11.67%	12.67%	(100 bps)
EBITDA ($m)	291.7	187.5	+55.6%
EBITDA Margin (%)	10.74%	7.85%	+289 bps
EBIT ($m)	214.7	112.9	+90.2%
EBIT Margin (%)	7.90%	4.72%	+318 bps

Total sales grew by 13.7% to $2,715.7 million (FY2020: $2,388.8 million) with comparable sales growth of 13.7%. Sales momentum was strong throughout the year, with heightened customer demand for home appliance and consumer electronics products. Total sales growth over 2 years was 26.4%.

The key growth categories for FY2021 were Refrigeration, Laundry, Floorcare, Portable Appliances and Visual.

Online sales for FY2021 were up 48.5% to $258.3 million or 9.5% of total sales (FY2020: 7.3%). Excluding Victorian sales during the period where stores were temporarily closed during the first half of FY2021, online sales represented 8.4% of total sales. The strength of the business' online offer was evidenced through its ability to scale and maintain a high level of customer service and on-time delivery throughout the year while it experienced a significant increase in volumes.

Gross profit for FY2021 was up 24.2% to $608.6 million from $490.2 million in FY2020, with gross margin up 189 bps to 22.4% (FY2020: 20.5%) driven by strong improvements in key categories. CODB for FY2021 was down 100 bps to 11.7% and in absolute terms grew 4.7% on FY2020 as store wages remained well controlled throughout the year. Depreciation grew by 3.3% with an increase in both depreciation on right-of-use assets and fixed assets.

Strong operating leverage from the elevated sales growth, gross margin expansion and disciplined cost control drove strong EBIT growth of 90.2% to $214.7 million with EBIT margin up 318 bps to 7.9%.

GROUP BALANCE SHEET, CAPITAL MANAGEMENT AND DIVIDENDS

The Group's total net assets at the end of the financial year were $1,308.4 million, which was $202.7 million higher than at the end of FY2020.

During the year, as a result of the continuing strong cash position of the Group, the Group's trade finance facility was reduced from $400.0 million to $200.0 million and the Group's term debt facilities were reduced from $380.0 million to $138.0 million. The Group's bank overdraft facilities were also reduced from $59.3 million to $29.3 million.

The Group now has $367.3 million total facilities as follows, with $356.9 million undrawn as at 30 June 2021:

- $200.0 million trade finance facility renewable annually;
- $20.0 million and NZ$10.0 million overdraft facilities renewable annually (total AU$29.3 million); and
- $138.0 million term debt facility with an expiry date of July 2022.

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 a bank overdraft of $10.4 million and cash on hand of $273.6 million, resulting in net cash of $263.2 million, compared to net cash of $251.5 million in the prior year. The net cash position has been maintained this financial year as the Group continued to increase working capital to historical levels, as detailed below.

The total dividend for the 2021 financial year of 287.0 cents per share represents a payout ratio of approximately 65% of the full year earnings. The Board will continue to regularly review the Groups capital structure, with a focus on maximising returns to shareholders and maintaining balance sheet strength and flexibility.

The final dividend for the 2021 financial year of 107.0 cents per share fully franked will be paid on 10 September 2021 with a record date of 27 August 2021.

INVESTMENTS FOR FUTURE PERFORMANCE

Investments of $57.7 million were made during the financial year in capital expenditure projects, an increase of $14.6 million from $43.1 million during the previous financial year. Capital expenditure was in line with expectations as the Group continued to invest in the store portfolio, online offerings and strategic initiatives.

The Group's investing activities are anticipated to contribute towards earnings growth in FY2022 and beyond.

WORKING CAPITAL

Total inventory on hand increased from the previous financial year by $199.5 million to $938.8 million, as inventory availability continued to improve from the low FY2020 closing inventory position resulting from Covid-19 related supply shortages. Inventory turnover was up 61 bps to 8.3 times from 7.7 times in FY2020.

Payables, which would ordinarily grow in line with inventory, were down in FY2021 as inventory was purchased earlier to replenish inventory levels and support the continued heightened customer demand.

Receivables were down year on year as a result of actively managing outstanding receivables.

Other current liabilities increased primarily due to income tax payable arising from the elevated profit in the current financial year.

Financial and operating leverage remains low as is evidenced by solid fixed charges cover[1] of 4.6 times (FY2020: 3.4 times) and interest cover[1] of 228.4 times (FY2020: 40.4 times). The Company's gearing ratio was maintained at 0.0 as there continued to be no borrowings at 30 June 2021.

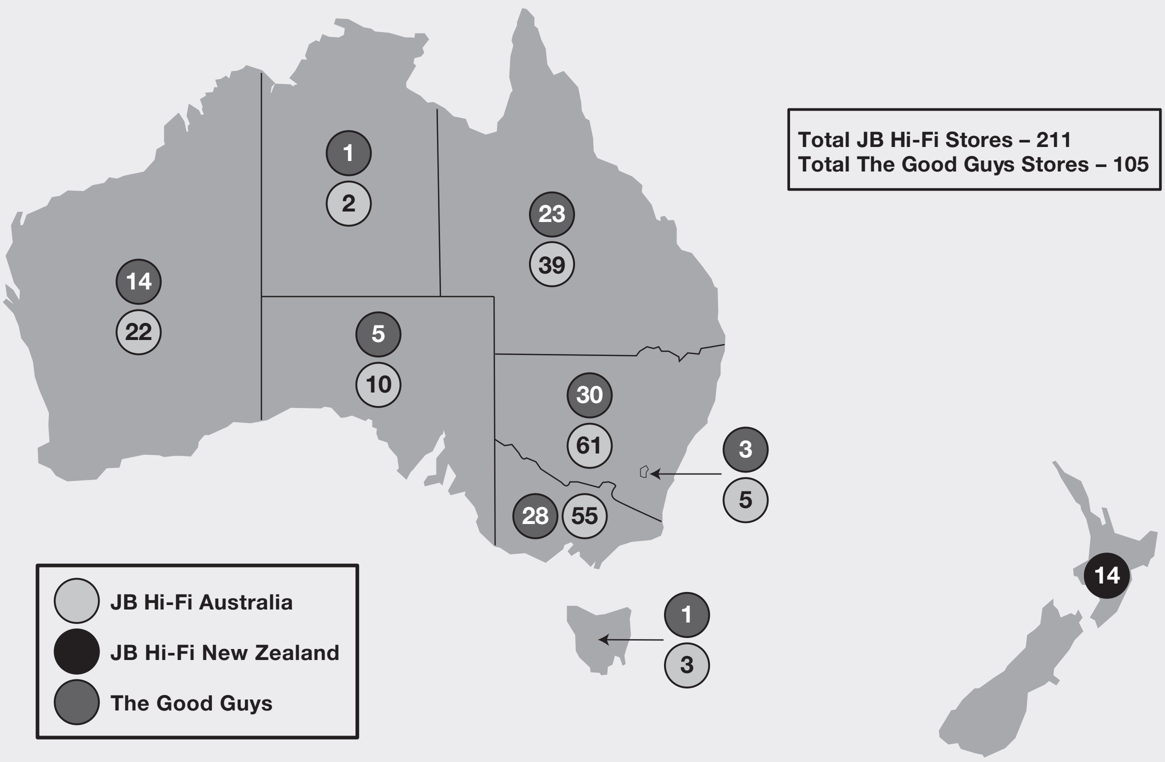
Operating cash flows and operating cash conversion were impacted by the increases in working capital required to replenish inventory levels from the low FY2020 closing position, but remain strong over the last two years. The Group had net cash of $263.2 million at 30 June 2021.

[1] Calculated prior to the impact of AASB 16

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 2021 are set out below.



In Australia, one new JB Hi-Fi store was opened and one was closed in FY2021. In addition, one JB Hi-Fi store was relocated. There were no JB Hi-Fi New Zealand or The Good Guys stores opened or closed in during FY2021.

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 FY2021.

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, government fiscal, monetary and regulatory policies and, at the present time, the ongoing effect on the economy of the Covid-19 pandemic. 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. Between them, the JB Hi-Fi business and The Good Guys business have won the Roy Morgan Customer Satisfaction Award for Furniture/Electrical store of the year six times since 2011, including the JB Hi-Fi business winning in 2021. Additionally, The Good Guys Business has won the Canstar Blue Most Satisfied Customers Electronic Retailers Award every year from 2011 to 2020. Any 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. The Group constantly reviews and updates its pricing strategy and takes a pro-active approach to responding to the competitive environment including careful monitoring of its competitors' pricing and strategic and tactical marketing campaigns to maintain its price position;
  - a loss or erosion of the reputation of the JB Hi-Fi and The Good Guys businesses for high levels of customer service, and/or the in-store experience provided by the businesses does not meet customer expectations. The Group seeks to mitigate this risk through the use of customer service and engagement analytics, senior management monitoring of customer complaints, targeted capex investment, optimising floor layouts and category space allocation, the trialling of new store formats, and an ongoing program of work to improve in-store experience and evolve its service model including the development of team members and the use of technology to improve the quality and consistency of customer service. The Group uses market share and other data to understand customer behaviour and needs;
  - 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 and staff training in place for all of its sites;
  - 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; or
  - the Group failing to meet its sustainability or corporate social responsibility objectives, or not operating in accordance with community and stakeholder expectations in these areas and the potential for adverse media coverage should this occur. The Group seeks to mitigate this via its sustainability and corporate social responsibility initiatives under its Group Sustainability Framework. In addition, the Group actively monitors both social and traditional media on an ongoing basis and, where appropriate, responds to issues raised, as well as taking any steps necessary to promptly address valid concerns or underlying issues.

- Consumer discretionary spending and changes in consumer demands – the Group is exposed to both the upside and downside of 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. Many of the products sold by the Group are now considered less "discretionary" than in the past, with products such as mobile phones and computers now being seen as "essential" by many consumers. 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. During FY2021, the Group's diverse store portfolio (including its online stores) meant that the Group was able to continue to respond to changes in consumer behaviour brought about by Covid-19, as foot traffic shifted away from CBD stores, Tier 1 shopping centres and airports, to homemaker and free-standing stores and online shopping.
- 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 and is focusing on continuing to integrate the in-store and online experience. The Group continues to invest in its digital and online capability. 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 & 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. The Group's store locations and high traffic websites provide suppliers with high visibility for their products. The Group has significant supplier management processes to mitigate the risk of failing to maintain key supplier relationships 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.
- Supply chain capability does not support the Group's growth objectives – the Group continues to develop and improve its supply chain through initiatives such as the rationalisation of the previous third party operated warehouse network into Group owned and operated Home Delivery Centres, and the improvement of inventory planning and ordering processes.
- Growth of JB Hi-Fi Solutions and The Good Guys Commercial – if the JB Hi-Fi Solutions and The Good Guys Commercial businesses do not deliver the expected growth outcomes for the Group. The Group continues to invest in these businesses to support their continued growth and expand their product and service offerings.
- Growth from expansion of the Group's product and services offerings do not deliver the expected growth outcomes for the Group. The Group continues to invest and innovate in these areas to support continued growth.
- JB Hi-Fi New Zealand business - if the improved performance of the JB Hi-Fi New Zealand business is not sustained, this may have an adverse impact on the Group's operating and financial performance. The Group is continuing to execute its 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 14.8% over the past 5 years to 30 June 2021), 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. The Group continues to focus on providing a safe, inclusive and welcoming environment for all of its employees and on developing and improving its programs and strategies relating to diversity & inclusion, and the prevention of harassment, discrimination or bullying.
- 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.
- Sustained disruption to operations resulting from external factors – external factors outside of the Group's control, such as pandemic or extreme weather events could materially impact the Group's businesses. The Group mitigates these risks by contingency planning as far as practicable, and its flexible model allows management to quickly take appropriate action to react to any such risks as they arise. This includes, for example, the Group changing its marketing and stock buying patterns, developing contactless click-and-collect and home deliveries, and redeploying team members and stock to stores and categories with heightened demand, in response to the Covid-19 pandemic.
- 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 pages 22 and 23.
- 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. Risk identification and management is managed on a day-to-day basis by a dedicated risk management and business assurance team which evaluates and looks to continually improve the effectiveness of the Group's governance, risk management and internal control processes.
- 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.

Business Strategies

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

- continuing to prioritise the safety of team members and customers through Covid-19 whilst adapting and responding to changing customer needs;
- focus on driving sales across all sales channels – in-store, online, phone and commercial;
- diverse product range, continued technological innovation, and the launch of new products and updated models which will continue to drive new and replacement sales. In FY2022 the businesses will focus, in particular, on the expansion of the communications, rideables, small appliances and pop culture categories within JB Hi-Fi and the connected-home appliances market in The Good Guys;

- proactive management of its store portfolio with continued investment in, and optimisation of, the store network to maximise profitability. The JB Hi-Fi business will continue to trial alternative store formats to increase market penetration and The Good Guys will continue its store upgrade program, focusing on adjacencies, supporting growth categories, and showcasing the home appliance categories. The Group will continue its disciplined approach to selecting new stores based on high foot traffic and closure of underperforming or sub-scale existing stores;
- enhancement of the Group's partnerships with major suppliers to extend its capabilities, with a focus for The Good Guys in FY2022 on evolving the product offering with improved ranging and the introduction of new brands, and the continued expansion of its telecommunications products and services in partnership with Telstra;
- continued execution of the Group's strategy to improve the performance of the JB Hi-Fi New Zealand business;
- design and implementation of expanded services offerings for the JB Hi-Fi Australia business;
- utilisation of the Group's supply chain capability within The Good Guys business to provide customers with an enhanced delivery experience;
- continued development of the Group's websites and online offering, aimed at enhancing the user experience across multiple platforms (e.g. computer, tablet and phone) to meet changing customer needs;
- continued integration of the in-store and online experience;
- expansion of the online product range and depth beyond that which is practical in store;
- continued focus on productivity (as demonstrated by the Group's high sales per square metre relative to its peers), minimising unnecessary expenditure, and leveraging the scale of the Group, with a focus for FY2022 being the roll-out of technology to streamline in-store processes, inventory efficiency and the simplification of operational processes, with a focus on improved stock flow into store and back of house processes to drive productivity;
- improved supply chain and logistics systems to support the Group's expansion;
- personalisation of marketing and customer experiences;
- continued focus on customer service and in-store experience;
- significant opportunities to grow JB Hi-Fi Solutions and The Good Guys Commercial and expand into new markets; and
- continued mitigation of the business risks faced by the Group detailed on pages 25 to 27.

Environmental & Social risks

There are a range of environmental and social risks that could negatively impact the Group:

- if its activities adversely affect the natural environment or human society; and/or
- if its activities are adversely affected by changes in the natural environment or human society.

In order to understand and prioritise these risks, the Group has undertaken a materiality assessment utilising a globally recognised assessment framework. The most material environmental and social risks identified, and the actions to mitigate those risks are set out below and additional information can be found in the Group's 2021 Sustainability Report:

- Health and Safety – the Group promotes and reinforces a culture of safety throughout its operations by:
  - maintaining a strong leadership focus and implementing a Group Strategy for safety;
  - employing a systematic approach to incident management and risk mitigation, supported by its Group Occupational Health and Safety System;
  - implementing policies and practices to provide a safe, inclusive and welcoming environment for all of its customers and employees, and by taking positive action to prevent harassment, discrimination or bullying; and
  - establishing key performance indicators and safety targets to monitor and improve performance.

- Diversity and Inclusion – The Group recognises the importance of diversity and understands that by adapting to the differing needs of its teams, it will build stronger teams and create value for its customers and shareholders. Initiatives implemented in FY2021 under the Group's enhanced Diversity and Inclusion Strategy include: the setting of revised measurable objectives for gender diversity within the workforce, development of common competency-based criteria to identify and grow diverse talent, along with systematic talent mapping across all key roles; expansion of the Group's Equal Opportunity and Workplace Behaviour Policy and training program; and the expansion of flexible working practices for Support Office employees.
- Employee engagement, labour practices and communication – an engaged workforce is key to the success of the Group's businesses. The Group seeks to engage its employees through regular communication and surveys its employees periodically to understand the level of employee engagement and to identify opportunities for improvement. In FY2021 the Group invested in a platform which will increase the accessibility and regularity of engagement surveys to encourage feedback from our team members.
- Responsible business – the Group's stakeholders expect the Group to act responsibly and ethically and to comply with all relevant laws and regulations. The Group acts with integrity in conducting its businesses and has established a Statement of Values and a Code of Conduct to help guide its behaviours, together with additional policies and procedures including a Whistle-blower Policy, an Anti-Bribery, Corruption and Fraud Policy, and a Securities Trading Policy which clearly outline the standards of behaviour required and which provide avenues to report wrong-doing.
- Ethical sourcing and human rights – the Group recognises the importance of sourcing responsibly, and the potential social and environmental impacts that its purchasing decisions can have. The Group also recognises the risk of modern slavery and the potential for human rights abuses in its supply chain. To mitigate these risks, the Group has an Ethical Sourcing Policy outlining the minimum standards expected of its suppliers' labour, safety, environmental and ethical practices. Supporting this policy is a risk-based approach to supplier due diligence, which helps the Group assess compliance with the Ethical Sourcing Policy. Initiatives taken in FY2021 include: the submission of the Group's first Modern Slavery Statement; continued membership of, and utilisation of the resources of, the Responsible Business Alliance; ongoing engagement with suppliers; and progression of the Group's supplier due diligence program through self-assessment questionnaires and independent social compliance audits for locations of higher risk.
- Packaging, Waste and Recycling – the products that the Group sells and related packaging can have an adverse impact on the environment if not recycled or re-used. To mitigate this risk, the Group has operational processes and systems in place to facilitate the recycling of cardboard, paper, hard and soft plastics and polystyrene waste. Processes are also in place to facilitate the salvage and re-use of unwanted technology from both the Group's own operations, and from product returns by customers. Initiatives taken in FY2021 include the establishment of a Waste and Recycling Working Group to provide strategic direction in reducing the Group's operational waste and increase recycling and re-use across the Group; development of a strategy to achieve the Australian Packaging Covenant's (APCO) 2025 targets; the design and successful trial of new 100% recyclable packaging for three of the Group's private label products with the program to be rolled out to more private label products in FY2022; a 42.8% reduction in plastic bag use compared to FY2020; the communication of our packaging expectations to all third party branded suppliers including encouragement to utilise the APCO Sustainable Packaging Guidelines; increasing the Group's operational recycling capability for big and bulky products; launching a trial of the Group's first in-store dedicated e-waste collection point; and the launch of The Good Guys National Uniform Recycling Program.
- Energy and emissions – the majority of greenhouse gas (GHG) emissions resulting from the Group's business operations come from the electricity used to power its store and warehouse network. In addition, the Group consumes natural gas for heating and fuel for company-owned cars as well as domestic and international business travel. In FY2021 the Group: undertook an assessment to better understand the risks and opportunities associated with climate change for our business; developed a plan to start reducing the Group's Green House Gas (GHG) emissions through the use of renewable energy, and energy efficiency and reduction initiatives; and established an Energy and Emissions Working Group to provide strategic and operational oversight of the Group's energy consumption and emissions. Importantly, the Group has set a strategic goal to achieve net-zero direct (scope 1 and 2) carbon emissions by 2030 (measured against the Group's FY20 emissions (66,776 t-CO20-e).

SALES UPDATE AND TRADING OUTLOOK – AS AT 16 AUGUST 2021

FY2022 YTD sales update

The Group provides the following FY2022 YTD sales update, for the period 1 July 2021 to 15 August 2021:

Sales Growth FY2022 YTD	**Comparable**		**Total**	
	vs FY2021	*vs FY2020*	*vs FY2021*	*vs FY2020*
JB Hi-Fi Australia	(14.9%)	19.4%	(14.6%)	19.1%
JB Hi-Fi New Zealand (NZD)	8.4%	14.8%	8.4%	14.8%
The Good Guys	(8.6%)	28.2%	(8.1%)	28.9%

Whilst the Group has experienced some disruption and variability to sales as a result of the various state based Covid restrictions, the Group has continued to see heightened customer demand and strong sales growth rates over a two-year period.

In view of the ongoing uncertainty arising from Covid-19, the Group does not currently consider it appropriate to provide FY2022 sales and earnings guidance.

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 Executive KMP (being those persons listed on page 33) and the approximately 13,200 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 ("packages") that include a mix of fixed remuneration and incentives under the Company's Variable Reward Plan ("VRP").

Snapshot

Another year of financial and strategic achievement

The 2021 financial year has been an outstanding year for the Group, with management having delivered record revenue (up 12.6%), EBIT (up 53.8%) and EPS (up 67.5%). Sales momentum was strong throughout the year, with continued heightened consumer demand for consumer electronics and home appliance products. Gross margins were well managed with strong improvements in gross margins in all businesses. This gross margin improvement, combined with disciplined cost control and strong sales growth, drove significant operating leverage.

In addition to driving these exceptional financial outcomes, management has also executed strongly on a number of key strategic initiatives aimed at further developing and reinforcing the Group over the longer term. These include further enhancing and growing the Group's online channels, improving supply chain capability, successfully implementing sustainability initiatives and strengthening succession plans through internal talent development.

Executive KMP FY2021 Incentive Achievement

This very strong performance has been reflected in vesting outcomes in respect of FY2021 VRP incentives, with Executive KMP earning between 97% and 98% of rewards available for FY2021. As the Group CEO resigned prior to the end of the financial year, the Board determined he is not eligible for the equity component of his FY2021 VRP reward (value of $2,553,525).

The VRP scorecard for FY2021 provided that 75% of available rewards were linked to financial measures, primarily Group EPS growth, and 100% of available rewards for financial performance were earned by each Executive KMP. The remaining 25% of available rewards were dependent upon the achievement of various strategic measures deemed relevant for the individual executive and between 88% and 92% of available rewards for this strategic component were earned by Executive KMP. Further detail is set out on pages 34 to 36.

As with recent years, 25% of VRP rewards achieved in relation to FY2021 are paid in cash and the remaining 75% of the VRP rewards achieved in relation to FY2021 are delivered in deferred shares. One third of these shares will be released from dealing restrictions in each of August 2022, August 2023 and August 2024, such that the vast majority of VRP rewards will therefore be subject to the share price performance and align Executive KMP with the experience of shareholders over the medium to longer term.

Management succession and transition

Management has outperformed once again in FY2021 and remains motivated to continue to drive shareholder value in FY2022. In April and May 2021 announcements were made regarding the transition of several Executive KMP roles in FY2022, each of which has been filled via promotion of internal talent, demonstrating the quality and depth of the Group's current and upcoming management team talent.

- Terry Smart (currently Managing Director – The Good Guys) will take over as Group CEO from Richard Murray during August 2021. Terry is a natural successor to the role, having previously led the Group as CEO between 2010 and 2014 and re-joined the Group in 2017 following the acquisition of The Good Guys.
- Both Terry and Nick Wells (Group CFO) will join the Board as Executive Directors during August 2021. Nick has held various roles in the Group since 2009 and has been Group CFO since 2014.
- Once Terry assumes the role of Group CEO, his role as Managing Director – The Good Guys will be taken up by Biag Capasso (currently Merchandise Director – The Good Guys). Biag has been with The Good Guys since 2011 and played a key role in its integration into the JB Hi-Fi Group.

FY2021 remuneration packages – Executive KMP

To remain competitive in attracting and retaining key talent in FY2021 the Board considered the remuneration levels for Executive KMP with reference to external market benchmarks as well as the skills, experience, complexity and responsibilities of the Executive KMP roles. The Board also noted that, with the exception of the Group CFO, fixed remuneration and annual remuneration packages for these individuals had not been increased from FY2019 to FY2020.

The Board concluded that Executive KMP remuneration had fallen behind market peers and consequently, the Board increased fixed remuneration (by 2% in most cases) and VRP opportunities available (by 7% to 10% in most cases) for all Executive KMP.

In the case of the Group CEO, in FY2021 the Board approved an increase to fixed remuneration of 11% and VRP opportunity of 26% following the statements in the Company's FY2020 Remuneration Report that his package was modest when compared to peers, but would not be increased in FY2020 given the uncertain market conditions at that time. As noted above, the Group CEO subsequently resigned, his employment will end during August 2021 and he will not receive any equity component of his FY2021 VRP reward.

Further detail and explanation is set out on page 33.

Non-Executive Directors – FY2021 remuneration

Fees for non-executive directors remained at the levels set for FY2018, FY2019 and FY2020, with no increases.

EXECUTIVE KMP REMUNERATION FOR FY2021

Details of executive key management personnel

The following executive directors and Group executives, each of whom was engaged throughout and since the end of the financial year (**Executive KMP**), are considered members of key management personnel for reporting purposes:

Executive Director

Richard Murray	Group Chief Executive Officer

Executive KMP

Terry Smart	Managing Director – The Good Guys
Nick Wells	Group Chief Financial Officer
Cameron Trainor	Managing Director – JB Hi-Fi

As noted in the Snapshot and on page 15, Richard Murray will leave the Company at the end of August 2021 and Terry Smart has been appointed to succeed Richard as Group CEO. Both Terry Smart and Nick Wells will be appointed to the Board as Executive Directors upon Richard's departure, and Biag Capasso will take up Terry's current role as Managing Director – The Good Guys.

Executive KMP remuneration policy – FY2021

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

The Remuneration and Nominations Committee annually reviews the remuneration packages of Executive KMP 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 and Nominations Committee may receive expert independent advice regarding remuneration levels required to attract, retain and compensate Executive KMP given the nature of their work and responsibilities.

In setting the FY2021 remuneration packages, the Board and the Remuneration and Nominations Committee considered a number of factors, including current market practice, external benchmarking, and the extent (if any) to which remuneration increases had been granted for FY2020. The Company benchmarks its Remuneration Packages for Executive KMP against the companies comprising the ASX 51 – 150 and the ASX 76 – 125 indices. The Group's policy in relation to executive remuneration is to target total remuneration levels (i.e. fixed pay plus the maximum opportunity under the Variable Reward Plan) at a level between the 60^{th} and 75^{th} percentile of peers. This is because the Board believes executive reward should approach top quartile outcomes if the challenging targets set under the incentive plans are achieved.

The Remuneration and Nominations Committee also considered current market conventions with regard to the splits between fixed remuneration and incentive elements. The package splits for FY2021 were as follows:

Executive	*Fixed*	*Incentive*	*Total*
R. Murray	30%	70%	100%
T. Smart	37%	63%	100%
N. Wells	37%	63%	100%
C. Trainor	37%	63%	100%

Further details on each of the key elements of Executive KMP remuneration for the 2021 financial year are set out below.

Fixed remuneration – FY2021

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

Fixed remuneration for each Executive KMP was increased for FY2021 taking the policy referred to above into account. It was also noted that, with the exception of the Group CFO, fixed remuneration and annual remuneration packages for these individuals had not been increased from FY2019 to FY2020.

For almost all Executive KMP, fixed remuneration was increased by 2%. In the case of the Group CEO, in FY2021 his fixed remuneration was increased by 11% in line with the Board's statements in the Company's FY2020 Remuneration Report that his package was modest when compared to peers, but would not be increased in FY2020 given the uncertain market conditions presented for that financial year. As announced to the ASX on 28 April 2021, the Group CEO resigned during FY2021 and his employment ends in August 2021.

Variable Reward Plan Incentive – FY2021

The Group operates a variable reward plan to incentivise, attract and retain valued executives. The VRP allows for flexibility in setting performance targets year by year to take into account changing trading conditions which is particularly important in a fast moving and volatile retail environment. It therefore provides a more motivating remuneration framework for Executive KMP, as well as greater alignment with shareholders, than traditional structures. Following a review of the Executive KMP remuneration structure for FY2021 and the performance of the Group, the Board remained of the view that the VRP was the most appropriate form of incentive plan.

Under the VRP, performance is assessed at the end of each financial year against a scorecard of robust measures and awards under the VRP are 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.

By granting the majority of the reward as shares that are restricted over the medium to longer term and are subject to long term share price risk and clawback, the VRP provides for strong alignment with shareholders. This, combined with the minimum shareholding guidelines as set out on page 40, encourages Executive KMP to think and act like shareholders and to make decisions in the long term interests of the Group.

During the restricted period, dividends are paid on the restricted shares and the executive may exercise votes attaching to these shares. The market value of a share used to calculate the number of restricted shares granted will be the volume weighted average price of shares traded on the ASX in the 5 trading days immediately following the release of the Company's financial results for the year to which the award relates.

All rewards under the VRP are subject to clawback at the Board's discretion in the event of fraud, dishonesty, material misstatement, material breach or negligence by the executive and in certain other circumstances.

Subject to the Board exercising its discretion to the contrary, an executive will not be eligible to receive a VRP award in respect of a particular performance period if, during that period, the executive ceases to be employed, or has given notice of his or her resignation from employment or has been given notice of termination from employment. An executive who ceases to be employed during the restriction period may, subject to the Board's discretion:

- forfeit the restricted shares if they are a "bad leaver" (termination for cause or resignation to work for a competitor); or
- retain the restricted shares, subject to the restrictions, if they are a "good leaver" (retirement, redundancy, disablement, mental/terminal illness or death).

Treatment of restricted shares where an executive leaves in other circumstances is at the Board's discretion.

Further detail on the performance measures for each of the Executive KMP under the FY2021 VRP is set out below.

FY2021 VRP incentive scorecard – performance conditions and outcomes

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

As detailed in the Company's FY2020 Remuneration Report, at the start of FY2021 the Board determined that the FY2021 financial targets for the VRP would be set off the Group's FY2020 (pre-Covid) NPAT guidance ($270 million) rather than the reported NPAT result of $302.3 million or the underlying FY2020 NPAT result of $332.7 million. This approach was consistent with the Company's approach to measuring FY2020 incentive achievement in removing any impact of Covid-19 from FY2020 profit. The Company set growth targets under the VRP of between 0 and 10% EPS growth in FY2021 from this, noting that achieving the 10% stretch target in FY2021 would represent approximately 19% growth over the two years from FY2019 to FY2021.

In FY2021 Group EPS grew 87.6% from 235.0 (based on the Group's $270 million (pre-Covid) NPAT guidance for FY2020) to 440.8 cents per share and as a result 100% of available rewards for the financial performance component (primarily EPS growth) were earned by each of the Executive KMP. The Board notes that, had the reported FY2020 NPAT result of $302.3 million or the underlying FY2020 NPAT result of $332.7 million been used as the basis of the FY2021 financial targets for the VRP, Executive KMP would still have earned 100% of the awards available based on financial targets, with 67.5% EPS growth from $302.3 million and 52.2% growth from $332.7 million having been achieved.

FY2021 VRP achievement outcomes for each member of KMP, measured against the financial and strategic measures, are set out in the tables below.

GROUP CEO – RICHARD MURRAY

MEASURE	PERFORMANCE COMMENTARY
Note on outcomes for the Group CEO	
The Board determined that, in light of his resignation and scheduled departure in early FY2022 and having regard to the circumstances of his departure (including the exceptional performance of the company in FY2021), the Group CEO will forgo the right to receive any earned part of his FY2021 VRP rewards that would otherwise have been awarded in restricted shares. The Group CEO's maximum FY2021 VRP achievement has therefore been reduced by 75% and is reflected in the tables below. He will receive a cash reward under the FY2021 VRP awarded based on his performance.	
Financial Measures (75%)	
1. Group EPS	1. Group EPS – Above Target (87.6% growth from 235.0[2] to 440.8 cents per share) **Achievement 100% (as a % of maximum available)**
Strategic Measures (25%)	
1. Group OHS 2. Diversity 3. Succession/Talent 4. Strategic Initiatives 5. Investor Relations	1. Group OHS – At Target, with strong results in OHS metrics as set out in Sustainability Report 2. Diversity – At Target, with good progress made on implementation of Group diversity strategy and introduction of other significant diversity initiatives as set out in Sustainability Report 3. Succession/Talent – Above Target, with strong succession planning and talent development, including senior management internal appointments 4. Strategic Initiatives – At Target, as key strategic initiatives were implemented 5. Investor Relations – Above Target, with strong investor relations engagement in a challenging climate **Achievement 88% (as a % of maximum available)**
Total (100%)	**Unadjusted achievement 97% (as a % of maximum available)** **Adjusted achievement of 24.25% (taking account FY2021 VRP restricted share rewards foregone)**

[2] Based on the Group's $270 million (pre-Covid) NPAT guidance for FY2020

MANAGING DIRECTOR, THE GOOD GUYS – TERRY SMART

MEASURE	PERFORMANCE COMMENTARY
Financial Measures (75%)	
1. Group EPS 2. TGG EBIT	1. Group EPS – Above Target (87.6% growth from 235.0[2] to 440.8 cents per share) 2. TGG EBIT – Above Target, with 90% EBIT growth from FY2020 **Achievement 100% (as a % of maximum available)**
Strategic Measures (25%)	
1. TGG OHS 2. Succession/Talent/Diversity 3. TGG Brand Strategy 4. Online Growth 5. Category Architecture 6. Process Improvements and Simplification	1. TGG OHS – At Target, with strong results in OHS metrics as set out in Sustainability Report 2. Succession/Talent/Diversity – Above Target, with strong succession planning and talent development, including senior management internal appointments, and continued progress on diversity initiatives 3. TGG Brand Strategy – Above Target, with ongoing implementation of TGG Brand Strategy 4. Online Growth – Above Target, with continued enhancement of online channels and significant growth 5. Category Architecture – Above Target, with significant advancements in category architecture and store layouts 6. Process Improvement/Simplification – At Target, with implementation of process improvements **Achievement 92% (as a % of maximum available)**
Total (100%)	**Achievement 98% (as a % of maximum available)**

[2] Based on the Group's $270 million (pre-Covid) NPAT guidance for FY2020

GROUP CFO – NICK WELLS

MEASURE	PERFORMANCE COMMENTARY
Financial Measures (75%)	
1. Group EPS	1. Group EPS – Above Target (87.6% growth from 235.0[2] to 440.8 cents per share) **Achievement 100% (as a % of maximum available)**
Strategic Measures (25%)	
1. Group OHS 2. Succession/Talent/Diversity 3. Risk Management/Sustainability 4. Strategic Initiatives 5. Investor Relations	1. Group OHS – Above Target, with strong results in OHS metrics including leading the Group's response to Covid-19 2. Succession/Talent/Diversity – Above Target, with continued progress in succession planning, talent development and diversity initiatives 3. Risk Management – Above Target, with strong results including leading the Group's response to Covid-19 and implementation of sustainability initiatives 4. Strategic Initiatives – At Target, as key strategic initiatives were implemented 5. Investor Relations – Above Target, with strong investor relations engagement in a challenging climate **Achievement 89% (as a % of maximum available)**
Total (100%)	**Achievement 97% (as a % of maximum available)**

[2] Based on the Group's $270 million (pre-Covid) NPAT guidance for FY2020

MANAGING DIRECTOR, JB HI-FI – CAMERON TRAINOR

MEASURE	PERFORMANCE COMMENTARY
Financial Measures (75%)	
1. Group EPS 2. JB Hi-Fi EBIT	1. Group EPS – Above Target (87.6% growth from 235.0[2] to 440.8 cents per share) 2. JB Hi-Fi EBIT – Above Target, with 34% EBIT growth from FY2020 **Achievement 100% (as a % of maximum available)**
Strategic Measures (25%)	
1. JB Hi-Fi OHS 2. Succession/Talent/Diversity 3. JB Hi-Fi Brand Strategy 4. Online Growth 5. Category Architecture 6. Process Iimprovements and Simplification	1. JB Hi-Fi OHS – Above Target, with strong results in OHS metrics as set out in Sustainability Report 2. Succession/Talent/Diversity – At Target, with continued progress in succession planning, talent development and diversity initiatives 3. JB Hi-Fi Brand Strategy – At Target, with ongoing development of JB Hi-Fi Brand Strategy 4. Online Growth – Above Target, with continued enhancement of online channels and significant growth 5. Category Architecture – Above Target, with continued improvements in category architecture 6. Process Improvement/Simplification – Above Target, with implementation of significant process improvements **Achievement 89% (as a % of maximum available)**
Total (100%)	**Achievement 97% (as a % of maximum available)**

[2] Based on the Group's $270 million (pre-Covid) NPAT guidance for FY2020

Legacy Long-Term Incentive ("LTI") Option Plan – pre FY2019

Some of the options granted to Executive KMP prior to FY2019 under the Company's previous LTI structure vested in FY2021. Details of options that vested and were exercised are set out on page 50. Further details of the terms of these options are included under the heading "Group Incentive Plans" on pages 51 and 52.

Relationship between financial performance and remuneration

The remuneration of Executive KMP is directly related to the performance of the Group through the linking of the 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 KMP remuneration to the performance of the Group is detailed in the graph and the table on page 38.

							Growth	
		FY2017[vi]	*FY2018[vi]*	*FY2019[vi]*	*FY2020*	*FY2021*	*FY2021*	*CAGR Last 5 years[iii]*
1.	Financial performance:							
	Sales ($m)	5,628.0	6,854.3	7,095.3	7,918.9	8,916.1	13%	18%
	EBIT ($m)	290.5[v]	350.6	372.9	483.3	743.1	54%	27%
	NPAT ($m)	192.2[v]	233.2	249.8	302.3	506.1	67%	27%
	Basic EPS (cents)	172.1[v]	203.1	217.4	263.1	440.8	68%	23%
2.	Shareholder value created:							
	Company share price at the end of the reporting period ($)	23.37	22.52	25.85	43.03	50.58	18%	16%
	Market capitalisation ($m)	2,674.0	2,587.2	2,969.7	4,943.4	5,810.8	18%	19%
	Enterprise value[i] ($m)	3,160.0	2,984.5	3,289.6	4,691.9	5,547.6	18%	18%
	Movement in enterprise value during the financial year ($m)	717.5	(175.5)	305.1	1,402.3	855.7		
	Dividends paid to shareholders during the financial year ($m)	119.1	151.6	157.4	172.3	310.2	80%	27%
	Shareholder value created[ii]							
	- per annum ($m)	836.6	(23.9)	462.5	1,574.6	1,165.9		
	- cumulative ($m) since IPO	3,928.1	3,904.2	4,366.7	5,941.3	7,107.2	20%	22%[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.

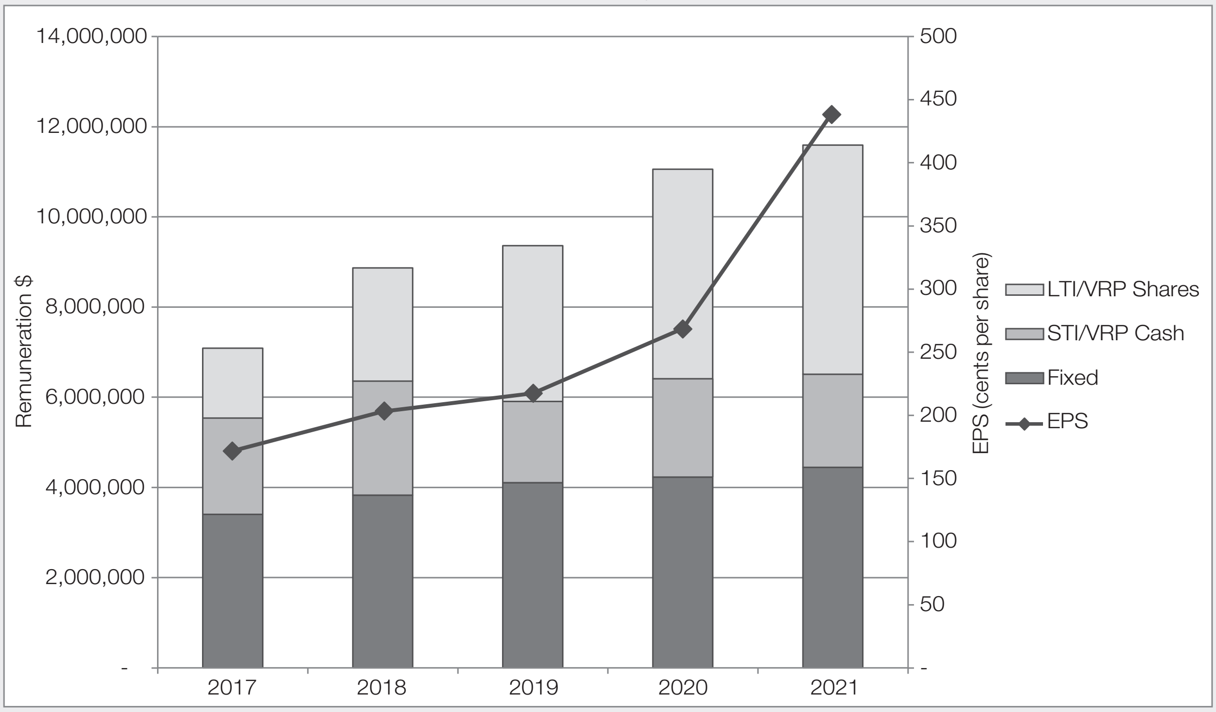
(iv) Percentage movement shown is the compound annual growth rate since IPO in 2003.

(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.

(vi) FY2017 to FY2019 results are prior to the adoption of AASB 16 Leases.

The graph below shows the relationship between total Executive KMP remuneration and EPS over the past 5 years (following the acquisition of The Good Guys in FY2017) and the high correlation between Executive KMP remuneration with Company performance.

Executive KMP remuneration and EPS over the last 5 financial years:



Notes

1. The graph shows the aggregate total of remuneration for Executive KMP for each year from 2017 to 2021, excluding payments made in relation to departures from the Group. For the purposes of this graph, Executive KMP for 2018 – 2021 were R. Murray, C. Trainor, T. Smart and N. Wells and for 2017 were R. Murray, C. Trainor, T. Smart, N. Wells and M. Ford (MD of The Good Guys until April 2017).
2. LTI/VRP expense is the current period LTI/VRP 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.
4. FY2017 to FY2019 EPS numbers are prior to the adoption of AASB 16 Leases.

Group CEO STI and VRP incentive achievement over the last 5 financial years:

Executive KMP incentive achievement outcomes continue to align with the financial performance and strategic objectives of the Group. The table below sets out the Group CEO's incentive achievement over the last 5 years, with FY2019 – FY2021 under the VRP and FY2017 – FY2018 under the Group's previous STI incentive structure.

	Group Financial Target				
Financial Year[(i)]	**Incentive Target (Growth)**	**Actual Growth**	**Achievement**	**Non-Financial Target Achievement**	**Total Achievement**
2017	0 - 10%	21.2%	100%	100%	100%
2018	23% - 34%[(ii)]	30.8%	71%	96%	77%
2019	0 - 10%	7.1%	77%	74%	76%
2020	0 - 10%	23.6%[(iii)]	91%[(iv)]	78%	87%
2021	0 - 10%	87.6%[(v)]	100%	88%	97%[(vi)]

Notes

(i) FY2017 – FY2018 STI target based on EBIT, FY2019 - FY2021 VRP targets based on EPS.

(ii) FY2018 target increased due to the acquisition of The Good Guys and JB Hi-Fi New Zealand goodwill impairment in the base in the prior year, on an underlying basis this represented 0-10% growth target.

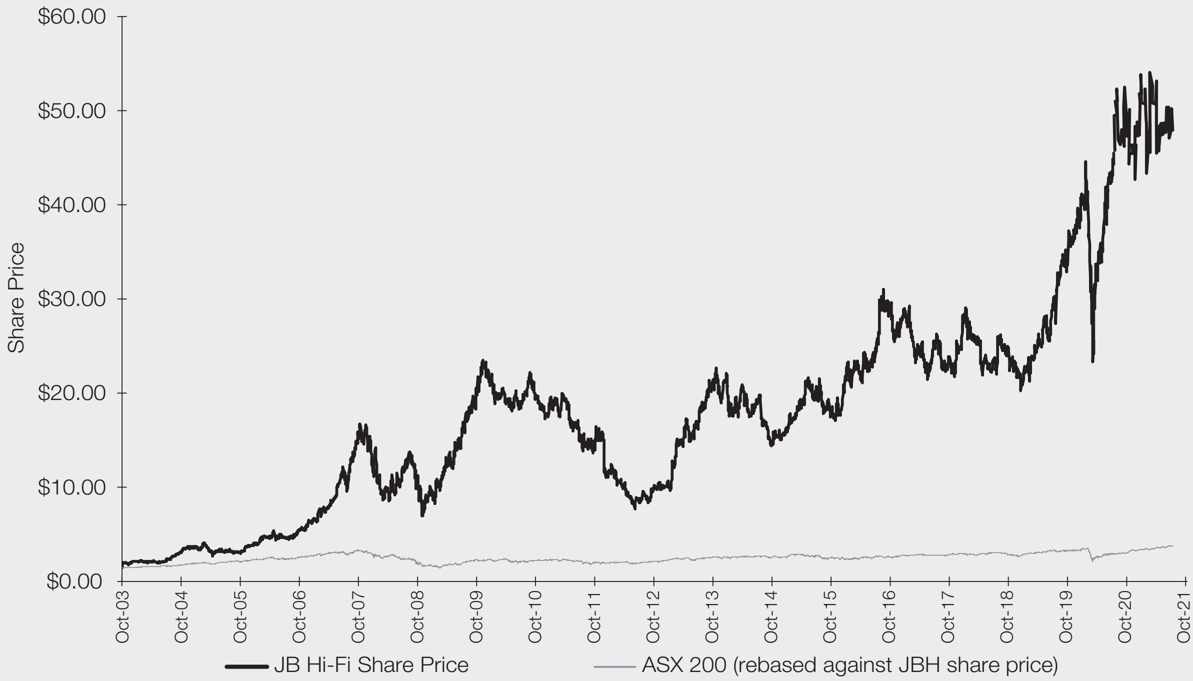
(iii) Based on statutory profit prior to the impact of AASB 16 Leases.

(iv) FY2020 achievement of Group Financial Target based on the Group's (pre-Covid) guidance of $270 million rather than reported NPAT result of $302.3m.

(v) FY2021 EPS growth from the Group's FY2020 $270 million (pre-Covid) NPAT guidance.

(vi) Unadjusted achievement of 97%, adjusted achievement of 24.25% taking account FY2021 VRP restricted share rewards foregone following R. Murray's resignation and scheduled departure in early FY2022.

The effectiveness of the Executive KMPs' 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 2021. The JB Hi-Fi closing share price compound annual growth rate between listing and 1 August 2021 is 20.6%, whilst the ASX 200 compound annual growth rate over the same period is 4.6%.



Key terms of Executive KMP employment agreements

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

Name	Notice Periods/Termination Payment/Non-compete
T. Smart	12 months' notice (or payment in lieu) 12 months' post termination non-compete and non-solicitation restriction
N. Wells	6 months' notice (or payment in lieu) 6 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

As announced to the ASX on 28 April 2021, R. Murray resigned and will leave the Company at the end of August 2021.

Each Executive KMP 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 KMP 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.

Richard Murray (Group CEO) exit terms

As announced to the ASX on 28 April 2021, and set out on page 15 of this Report, Richard Murray will leave the Company at the end of August 2021.

No severance payment will be made upon Richard's departure.

At the time of his departure, Richard will hold a number of restricted shares in the Company issued in previous years following testing against the applicable year's performance scorecard pursuant to its Variable Reward Plan. He will be permitted, pursuant to the terms of that Plan, to continue to hold those shares subject to the applicable restriction periods.

As set out on page 35 of this Report, recognising that Richard led the Group for the whole of FY2021, the Board determined that Richard will be paid the cash element (25%) of his Variable Reward Plan benefits for FY2021, subject to the achievement of the relevant KPIs. However, Richard will not receive the remaining 75% of his FY2021 VRP, which would otherwise have been paid in restricted shares.

Richard's employment contract contains a one-year restraint prohibiting him from working for competitors of JB Hi-Fi for 12 months following his departure (until August 2022), and a 12 month non-solicitation restriction. Richard has agreed the non-solicitation restriction will be increased in duration to 36 months and cover senior employees of the Group. In the event that Richard were to breach the non-compete or non-solicitation provisions, he will forfeit any of the restricted shares issued pursuant to the Variable Reward Plan that he holds at that time.

Minimum shareholding guidelines

Building Executive KMP shareholdings is a priority of the Board in the context of retention, and to ensure Executive KMP are invested in the long term success of the Group and aligned with shareholder interests.

In conjunction with introducing the VRP, a minimum shareholding requirement for Executive KMP was introduced in FY2019, being:

- 1.5 times fixed pay for the Group CEO; and
- 1.0 times fixed pay for the other Executive KMP.

This level of shareholding is required to be built over 5 years from the introduction of the VRP (or appointment, if later).

FY2022 Executive KMP remuneration

The Company will retain the same structure for FY2022 executive KMP remuneration as was used in FY2021.

As disclosed in the Company's "CEO Transition" announcement to the ASX in April 2021, Terry Smart's fixed annual remuneration as Group CEO will be $1.7 million with a maximum incentive opportunity of 206% of this amount. Nick Wells' remuneration package has increased by 14.3% from FY2021, recognising his increased responsibilities within the Group and his appointment as an Executive Director.

The Group financial component of the FY2022 VRP (EPS growth) will be set by reference to annual budgets, longer term corporate plans and current market expectations, taking account of the effects of Covid-19 including elevated sales and profit in FY2020 and FY2021 and ongoing restrictions throughout much of Australia.

NON-EXECUTIVE DIRECTOR REMUNERATION

FY2021 Non-Executive Director Remuneration

The following persons acted as non-executive directors of the Company both during and since the end of the financial year (except to the extent specified otherwise below) and are considered members of key management personnel for FY2021:

Stephen Goddard	Non-executive Director, Chair of the Board and of the Remuneration and Nominations Committee
Beth Laughton	Non-executive Director, Chair of the Audit and Risk Management Committee and Member of the Remuneration and Nominations Committee
Mark Powell	Non-executive Director, Member of the Audit and Risk Management Committee and Member of the Remuneration and Nominations Committee
Geoff Roberts	Non-executive Director and Member of the Audit and Risk Management Committee – with effect from 16 January 2021
Richard Uechtritz	Non-executive Director
Melanie Wilson	Non-executive Director and Member of the Audit and Risk Management Committee

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 enable the Board 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 FY2021 are set out below and are at the same level as those for FY2018 - FY2020. Aggregate non-executive director remuneration for FY2021 was within the amount determined by the Company in its Annual General Meeting on 26 October 2017 being $1,500,000.

Role	*Fees 2021 $*	*Fees 2020 $*
Chair of the Board	$300,000	$300,000
Non-executive director	$134,000	$134,000
Additional Committee Fees		
Remuneration and Nominations Committee Chair	$25,000	$25,000
Audit and Risk Management Committee Chair	$32,000	$32,000
Audit and Risk Management Committee member	$16,000	$16,000
Remuneration and Nominations Committee member	$14,000	$14,000

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 or the VRP.

In order to further align non-executive directors with shareholders of the Company, a minimum shareholding requirement for non-executive directors was introduced in October 2018, being 1 times the base board fees for each non-executive director. This level of shareholding is required to be built over 5 years from the introduction of the policy (or appointment, if later).

FY2022 Non-Executive Director Remuneration

Recognising the need to remain competitive in the market in order to continue to attract and retain talented directors, and noting that there had been no increase in non-executive director fees since FY2018, the Board has decided to increase fees for non-executive directors for FY2022 by 6%. There will be no change to the fees for Committee membership or chairing a Committee.

OTHER INFORMATION

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 vested options in JB Hi-Fi held by them. Each year directors and Executive KMP 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 2021 financial year from all directors and Executive KMP.

KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel for FY2021 include the non-executive directors and the four identified executives set out on page 33.

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

	Consolidated	
	2021 *$*	*2020* *$*
Short-term employee benefits		
Salary, fees & allowances	5,285,397	5,109,431
Bonus	–	913,837
VRP Cash	2,066,100	1,267,269
	7,351,497	7,290,537
Post-employment benefits		
Superannuation	180,709	186,824
	180,709	186,824
Share based payments		
Options expense	789,866	1,774,921
VRP expense	4,292,822	2,872,409
	5,082,688	4,647,330
Total compensation of Key Management Personnel	12,614,894	12,124,691

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			
	Salary, fees & allowances	*Bonus(ii)*	*VRP Cash(ii)*	*Total short-term employee benefits*	*Super-annuation*	*Options(i)(ii)*	*VRP(ii)(iii)*	*Total share based payments*	*Total*
2021	$	$	$	$	$	$	$	$	$
Non-executive directors									
S. Goddard	303,306	–	–	303,306	21,694	–	–	–	325,000
B. Laughton	164,384	–	–	164,384	15,616	–	–	–	180,000
M. Powell	149,772	–	–	149,772	14,228	–	–	–	164,000
G. Roberts	62,785	–	–	62,785	5,965	–	–	–	68,750
R. Uechtritz	122,374	–	–	122,374	11,626	–	–	–	134,000
M. Wilson	137,081	–	–	137,081	13,023	–	–	–	150,104
	939,702	–	–	939,702	82,152	–	–	–	1,021,854
Executives									
R. Murray	1,475,000	–	851,175	2,326,175	24,519	292,459	1,615,879(iv)	1,908,338	4,259,032
C. Trainor	1,025,600	–	439,335	1,464,935	24,519	143,238	1,061,417	1,204,655	2,694,109
T. Smart	1,064,095	–	442,723	1,506,818	25,000	264,275	479,616	743,891	2,275,709
N. Wells	781,000	–	332,867	1,113,867	24,519	89,894	1,135,910(v)	1,225,804	2,364,190
	4,345,695	–	2,066,100	6,411,795	98,557	789,866	4,292,822	5,082,688	11,593,040
	5,285,397	–	2,066,100	7,351,497	180,709	789,866	4,292,822	5,082,688	12,614,894

(i) In accordance with Accounting Standards, remuneration includes the amortisation of the fair value of options issued in prior years 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 (other than as set out in note (v) below).

(iii) In accordance with Accounting Standards, remuneration includes the amortisation of the value of VRP that is paid in restricted shares. The value of shares is progressively allocated to profit and loss over the restriction period of the share.

(iv) The VRP expense recognised for R. Murray in FY2021 represents the amortisation of the remaining fair value of VRP restricted shares allocated in prior years. In view of his resignation and departure from the Company in August 2021, R. Murray will not receive any part of his FY2021 VRP which would otherwise have been paid in restricted shares.

(v) In addition to the amortisation of his "standard" performance based FY2021 VRP amount of $802,577 shown on page 45, the figure for N. Wells includes amortisation of $333,334 relating to a one-off grant of restricted shares in 2019, to ensure the Group retained his services over the next 3 years. The grant value was equal to $800,000, being one year's fixed remuneration at that time, with half of the shares restricted until August 2021 and half restricted until August 2022. The shares will be forfeited in the event that N. Wells resigns prior to the end of the restriction period, but retained if employment is terminated for reasons other than for cause. In all other respects the restricted shares will be treated in the same way as restricted shares granted under the Company's Variable Reward Plan in August 2019. In accordance with Accounting Standards, the value of shares is progressively amortised to profit and loss over the restriction period of the shares.

Performance based Short-term employee benefits

2021	Bonus – Maximum Potential $	Bonus – Maximum Potential % of total potential remuneration	Bonus – Actual $	Bonus – Actual % of total actual remuneration	VRP Cash – Maximum Potential $	VRP Cash – Maximum Potential % of total potential remuneration	VRP Cash – Actual $	VRP Cash – Actual % of total actual remuneration
Executives								
R. Murray	–	–	–	–	877,500	19%	851,175	20%
C. Trainor	–	–	–	–	451,758	16%	439,335	16%
T. Smart	–	–	–	–	451,758	20%	442,723	19%
N. Wells	–	–	–	–	342,720	14%	332,867	14%
	–	–	–	–	2,123,736	18%	2,066,100	18%

Performance based Share based payments

2021	Options(iii) – Maximum Potential $	Options(iii) – Maximum Potential % of total potential remuneration	Options(iii) – Actual $	Options(iii) – Actual % of total actual remuneration	VRP Shares(ii) – Maximum Potential $	VRP Shares(ii) – Maximum Potential % of total potential remuneration	VRP Shares(ii) – Actual $	VRP Shares(ii) – Actual % of total actual remuneration
Executives								
R. Murray(i)	292,459	6%	292,459	7%	1,921,218	42%	1,615,879	38%
C. Trainor	143,238	5%	143,238	5%	1,176,071	42%	1,061,417	39%
T. Smart	264,275	12%	264,275	12%	489,405	22%	479,616	21%
N. Wells	89,894	4%	89,894	4%	881,280	36%	802,577	34%
	789,866	7%	789,866	7%	4,467,974	37%	3,959,489	34%

(i) The VRP expense for R. Murray in FY2021 represents the amortisation of the remaining fair value of VRP restricted shares allocated in prior years. In view of his resignation and departure from the Company in August 2021, R. Murray will not receive any part of his FY2021 VRP which would otherwise have been paid in restricted shares.

(ii) The maximum potential and actual values represent the amortisation of the VRP restricted shares over the restriction period of the share in accordance with Accounting Standards.

(iii) The maximum potential and actual values represent the amortisation of the fair value of the share options over the vesting period in accordance with Accounting Standards.

The VRP Shares amounts included in the table above represent the FY2021 Maximum Potential accounting expense and Actual accounting expense recognised in accordance with Accounting Standards.

The Maximum Potential VRP Shares available for each Executive KMP, based on their remuneration package, and the Actual VRP Shares earned in FY2021, are set out in the table below. The VRP Shares earned in FY2021 will be allocated in August 2021. VRP shares allocated to T. Smart and N. Wells (who will become Executive Directors at the end of August 2021), will be subject to a condition subsequent that shareholder approval for the allocation be obtained at the Company's Annual General Meeting held in October 2021. If shareholder approval by simple majority of those voting is not obtained, the Board will consider alternative remuneration arrangements for T. Smart and N. Wells which are consistent with the Company's remuneration principles and policy.

2021	*VRP Incentive Package* – *Maximum Potential Cash* $	*Maximum Potential Shares* $	*Total VRP Incentive Package* $	*VRP Incentive Achieved* – *Achieved* %	*Actual Cash* $	*Actual Shares* $	*Total VRP achieved* $
Executives							
R. Murray	877,500	– (i)	877,500	97%(ii)	851,175	–	851,175
C. Trainor	451,758	1,355,274	1,807,032	97%	439,335	1,318,005	1,757,340
T. Smart	451,758	1,355,274	1,807,032	98%	442,723	1,328,169	1,770,892
N. Wells	342,720	1,028,160	1,370,880	97%	332,867	998,601	1,331,468
	2,123,736	3,738,708	5,862,444	97%	2,066,100	3,644,775	5,710,875

(i) In view of his resignation and departure from the Company in August 2021, R. Murray will not receive any part of his FY2021 VRP Incentive Package which would otherwise have been paid in restricted shares (Maximum Potential Shares value of$2,632,500).

(ii) Achievement of 97% of the Maximum Potential Cash component of R. Murray's FY2021 VRP Incentive only. Overall Total VRP achievement for R. Murray was 24.25% taking account the FY2021 VRP restricted share rewards foregone as per footnote (i) above.

2020	Short-term employee benefits: Salary, fees & allowances $	Short-term employee benefits: Bonus(ii) $	Short-term employee benefits: VRP Cash(ii) $	Short-term employee benefits: Total short-term employee benefits $	Post-employment benefits: Super-annuation $	Share based payments: Options(i)(ii) $	Share based payments: VRP(ii)(iii) $	Share based payments: Total share based payments $	Total $
Non-executive directors									
G. Richards	303,997	–	–	303,997	21,003	–	–	–	325,000
B. Laughton	164,384	–	–	164,384	15,616	–	–	–	180,000
W. Tang	99,848	–	–	99,848	9,486	–	–	–	109,334
R. Uechtritz	122,374	–	–	122,374	11,626	–	–	–	134,000
S. Goddard	142,692	–	–	142,692	13,556	–	–	–	156,248
M. Powell	137,964	–	–	137,964	13,107	–	–	–	151,071
M. Wilson	10,385	–	–	10,385	987	–	–	–	11,372
	981,644	–	–	981,644	85,381	–	–	–	1,067,025
Executives									
R. Murray	1,350,480	–	610,563	1,961,043	25,481	668,296	1,240,766	1,909,062	3,895,586
C. Trainor	1,024,327	–	368,517	1,392,844	25,481	323,011	745,110	1,068,121	2,486,446
T. Smart(iv)	1,005,000	913,837	–	1,918,837	25,000	581,962	–	581,962	2,525,799
N. Wells	747,980	–	288,189	1,036,169	25,481	201,652	886,533(v)	1,088,185	2,149,835
	4,127,787	913,837	1,267,269	6,308,893	101,443	1,774,921	2,872,409	4,647,330	11,057,666
	5,109,431	913,837	1,267,269	7,290,537	186,824	1,774,921	2,872,409	4,647,330	12,124,691

(i) In accordance with Accounting Standards, remuneration includes the amortisation of the fair value of options issued in prior years 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 (other than as set out in note (v) below).

(iii) In accordance with Accounting Standards, remuneration includes the amortisation of the value of VRP that is paid in restricted shares. The value of shares is progressively allocated to profit and loss over the restriction period of the share.

(iv) Given T. Smart received a one-off 3 year grant of LTI on re-joining the Group in April 2017, he did not participate in the VRP for FY2020. Instead, he was able to earn an STI in FY2020. 80% of this STI will be paid in cash with 20% paid in deferred shares.

(v) In addition to the amortisation of his "standard" performance based FY2020 VRP amount of $553,200, the figure for N. Wells includes amortisation of $333,334 relating to a one-off grant of restricted shares in 2019, to ensure the Group retained his services over the next 3 years. The grant value was equal to $800,000, being one year's fixed remuneration, with half of the shares restricted until August 2021 and half restricted until August 2022. The shares will be forfeited in the event that N. Wells resigns prior to the end of the restriction period, but retained if employment is terminated for reasons other than for cause. In all other respects the restricted shares will be treated in the same way as restricted shares granted under the Company's Variable Reward Plan in August 2019. In accordance with Accounting Standards, the value of shares is progressively amortised to profit and loss over the restriction period of the shares.

Performance based Short-term employee benefits

2020	Bonus				VRP Cash			
	Maximum Potential		*Actual*		*Maximum Potential*		*Actual*	
	$	*% of total potential remuneration*	*$*	*% of total actual remuneration*	*$*	*% of total potential remuneration*	*$*	*% of total actual remuneration*
Executives								
R. Murray	–	–	–	–	698,625	17%	610,563	16%
C. Trainor	–	–	–	–	412,000	16%	368,517	15%
T. Smart(i)	1,030,000	39%	913,837	36%	–	–	–	–
N. Wells	–	–	–	–	320,000	14%	288,189	13%
	1,030,000	9%	913,837	8%	1,430,625	12%	1,267,269	11%

Performance based Share based payments

2020	Options(iii)				VRP Shares(ii)			
	Maximum Potential		*Actual*		*Maximum Potential*		*Actual*	
	$	*% of total potential remuneration*	*$*	*% of total actual remuneration*	*$*	*% of total potential remuneration*	*$*	*% of total actual remuneration*
Executives								
R. Murray	668,296	16%	668,296	17%	1,513,688	36%	1,240,766	32%
C. Trainor	323,011	12%	323,011	13%	892,667	34%	745,110	30%
T. Smart(i)	581,962	22%	581,962	22%	–	–	–	–
N. Wells	201,652	9%	201,652	9%	650,000	28%	553,200	26%
	1,774,921	15%	1,774,921	16%	3,056,355	26%	2,539,076	23%

(i) Given T. Smart received a one-off 3 year grant of LTI on re-joining the Group in April 2017, he did not participate in the VRP for FY2020. Instead, he was able to earn an STI in FY2020.

(ii) The maximum potential and actual values represent the amortisation of the VRP restricted shares over the restriction period of the share in accordance with Accounting Standards.

(iii) The maximum potential and actual values represent the amortisation of the fair value of the share options over the vesting period in accordance with Accounting Standards.

The VRP Shares amounts included in the table above represent the FY2020 Maximum Potential accounting expense and Actual accounting expense recognised in accordance with Accounting Standards.

The Maximum Potential VRP Shares available for each Executive KMP, based on their remuneration package, and the Actual VRP Shares earned in FY2020, are set out in the table below. The VRP Shares earned in FY2020 were allocated in August 2020 and those allocated to the Executive Director, Richard Murray, were subsequently approved at the Company's AGM in October 2020.

2020	***VRP Incentive Package***			***VRP Incentive Achieved***			
	Maximum Potential Cash	*Maximum Potential Shares*	*Total VRP Incentive Package*	*Achieved*	*Actual Cash*	*Actual Shares*	*Total VRP achieved*
	$	*$*	*$*	*%*	*$*	*$*	*$*
Executives							
R. Murray	698,625	2,095,875	2,794,500	87%	610,563	1,831,689	2,442,252
C. Trainor	412,000	1,236,000	1,648,000	89%	368,517	1,105,551	1,474,068
T. Smart	–	–	–	–	–	–	–
N. Wells	320,000	960,000	1,280,000	90%	288,189	864,567	1,152,756
	1,430,625	4,291,875	5,722,500	89%	1,267,269	3,801,807	5,069,076

All bonuses (including VRP cash) are paid in the financial year following the year in which they were earned, for example the FY2021 bonuses are paid in August 2021 (the 2022 financial year).

KEY MANAGEMENT PERSONNEL EQUITY/OPTIONS

Fully paid ordinary shares of JB Hi-Fi Limited

2021	*Balance at 1 July 2020 No.*	*Granted as compensation[i] No.*	*Received on exercise of options No.*	*Net other change No.*	*Balance at 30 June 2021 No.*	*Balance held nominally No.*
S. Goddard	4,500	–	–	–	4,500	–
B. Laughton	5,804	–	–	–	5,804	–
M. Powell	3,000	–	–	1,000	4,000	–
G. Roberts	–	–	–	–	–	–
R. Uechtritz	4,816	–	–	–	4,816	–
M. Wilson	–	–	–	1,500	1,500	–
R. Murray	154,027	36,687	65,088	(117,000)	138,802	–
C. Trainor	30,881	22,143	31,044	(41,337)	42,731	–
T. Smart	9,405	3,660	53,156	–	66,221	–
N. Wells	48,247	17,316	19,177	(27,290)	57,450	–
	260,680	79,806	168,465	(183,127)	325,824	–

(i) Shares allocated under the Company's Variable Reward Plan and executive deferred STI plan.

2020	*Balance at 1 July 2019 No.*	*Granted as compensation[i] No.*	*Received on exercise of options No.*	*Net other change No.*	*Balance at 30 June 2020 No.*	*Balance held nominally No.*
G. Richards	26,486	–	–	(4,000)	22,486	3,455
B. Laughton	5,804	–	–	–	5,804	–
R. Uechtritz	11,516	–	–	(6,700)	4,816	–
S. Goddard	4,500	–	–	–	4,500	–
M. Powell	2,000	–	–	1,000	3,000	–
M. Wilson	–	–	–	–	–	–
R. Murray	110,122	51,723	79,462	(87,280)	154,027	–
C. Trainor	36,819	30,881	32,209	(69,028)	30,881	–
T. Smart	56,416	4,690	–	(51,701)	9,405	–
N. Wells	32,758	47,306	19,483	(51,300)	48,247	–
	286,421	134,600	131,154	(269,009)	283,166	3,455

(i) Shares allocated under the Company's executive deferred STI and Variable Reward Plan including one-off grant to N. Wells as detailed on page 44.

(ii) W. Tang ceased to be a non-executive director on 14 February 2020 and, at this time, held 5,000 shares in the Company. W. Tang had no transactions in ordinary shares during the period in FY2020 in which she was a director.

Share options of JB Hi-Fi Limited

2021	*Balance at 1 July 2020 No.*	*Granted as compensation No.*	*Exercised No.*	*Net other change No.*	*Balance at 30 June 2021 No.*	*Balance vested at 30 June 2021 No.*	*Options vested during year No.*
R. Murray	111,793	–	(65,088)	–	46,705	–	65,088
C. Trainor	53,881	–	(31,044)	–	22,837	–	31,044
T. Smart	106,312	–	(53,156)	–	53,156	–	53,156
N. Wells	33,530	–	(19,177)	–	14,353	–	19,177
	305,516	–	(168,465)	–	137,051	–	168,465

2020	*Balance at 1 July 2019 No.*	*Granted as compensation No.*	*Exercised No.*	*Net other change No.*	*Balance at 30 June 2020 No.*	*Balance vested at 30 June 2020 No.*	*Options vested during year No.*
R. Murray	191,255	–	(79,462)	–	111,793	–	79,462
C. Trainor	86,090	–	(32,209)	–	53,881	–	32,209
T. Smart	106,312	–	–	–	106,312	–	–
N. Wells	53,013	–	(19,483)	–	33,530	–	19,483
	436,670	–	(131,154)	–	305,516	–	131,154

During the financial year all options exercised by key management personal were zero exercise price options. During FY2020 75,597 zero exercise price options and 55,557 options with an exercise price were exercised by key management personnel. The weighted average exercise price for options with an exercise price in FY2020 was $17.72 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:

2021	*Value of options granted – at the grant date*(i) *$*	*Value of options exercised – at the exercise date* *$*
R. Murray	–	3,289,580
C. Trainor	–	1,567,002
T. Smart	–	2,735,408
N. Wells	–	934,500
	–	8,526,490

(i) The value of options granted during the period is recognised in remuneration over the vesting period of the option, in accordance with Accounting 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
- the share price at the time the option is exercised multiplied by the number of options exercised.

Options granted during the financial year

There were no share options granted during FY2021 to key management personal (or the five most highly remunerated officers of the Company). Instead, these employees participate in the VRP as set out on page 34.

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	Exercise price $	Share price at exercise date $	Performance condition – cumulative EPS growth per annum	Performance condition – achieved
R. Murray	130	18,382	19/08/2020	18,382	–	$50.24	4%-8%	Yes
	147	16,032	24/08/2020	16,032	–	$51.46	4%-8%	Yes
	163	30,674	19/08/2020	30,674	–	$50.24	9%-15%	Yes
		65,088		65,088				
C. Trainor	130	8,206	19/08/2020	8,206	–	$50.24	4%-8%	Yes
	147	6,026	24/08/2020	6,026	–	$51.46	4%-8%	Yes
	163	16,812	19/08/2020	16,812	–	$50.24	9%-15%	Yes
		31,044		31,044				
T. Smart	158	53,156	24/08/2020	53,156	–	$51.46	9%-15%	Yes
		53,156		53,156				
N. Wells	130	4,825	18/08/2020	4,825	–	$48.07	4%-8%	Yes
	147	3,735	24/08/2020	3,735	–	$51.46	4%-8%	Yes
	163	10,617	18/08/2020	10,617	–	$48.07	9%-15%	Yes
		19,177		19,177				
		168,465		168,465				

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

Since the end of the financial year, no options have been granted to key management personnel (or the five most highly remunerated officers of the Company), and no options issued to key management personnel (or the five most highly remunerated officers of the Company) have been exercised or lapsed.

SHARE OWNERSHIP-BASED REMUNERATION SCHEMES

Group Incentive Plans

The Group has the following share ownership-based remuneration schemes for executives and non-executive management (excluding non-executive directors).

Variable Reward Plan (as detailed on page 34)

Participants are Executive KMP, other executives and selected senior management.

Employee Share Option Plan (as detailed below)

Participants are executives and management. With effect from FY2019 Executive KMP no longer participate in this scheme and, instead, participate in the Variable Reward Plan. Under this Employee Share Option Plan, participants are granted options to acquire shares. Options under this Plan which are currently "on foot" or which vested, were exercised, or expired in FY2020 or FY2021 have the following features.

- Issue Price – no issue price is payable on the issue of an option;
- Exercise Price – for some of the options issued to Executive KMP and other executives prior to 30 June 2015, an exercise price was 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. In some circumstances, this price was calculated by reference to another date or time period, for example where a grant of options occurred as the result of an executive or non-executive manager joining the Group or being promoted and the grant did not occur following the release of results. For options that had an exercise price payable on exercise of the option, a share price condition provided that options would 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 exceeded the option exercise price (at a time when all other conditions had been satisfied);
- Zero Exercise Price – for some options issued before 30 June 2015, and all options issued after 30 June 2015, a zero exercise price;
- Performance Conditions – for options issued to Executive KMP and other executives, 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. These performance hurdles require compound annual earnings per share growth of between 4% and 15% per annum. 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;
- Service Conditions – the options issued to Executive KMP and other executives in FY2015 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 was for options issued to Terry Smart in April 2017, which vested one half each on each of the third and fourth anniversaries of the grant date, provided that he remained employed at that time. Options issued to Executive KMP and other executives in FY2018 also vest one half each on each of the third and fourth anniversaries of the grant date, provided the relevant executive remains employed at that time. Options issued to certain (non KMP) executives since FY2019 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. 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;
- Vesting – all conditions must be satisfied for an option to vest;
- Expiry – options issued to non-executive management generally expire five years after they are issued. Options issued to Executive KMP and other executives prior to 30 June 2017 generally expire six years after they are issued. Options issued to Executive KMP and other executives between 1 July 2017 and 30 June 2018 expire five years after they are issued. Options issued to certain (non KMP) executives since FY2019 also 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;

- Valuation – 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;
- Entitlement to Shares – each option entitles the holder to one ordinary share in JB Hi-Fi Limited;
- Share Issues – 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;
- Change of Control – upon a change of control of the Company all vested and unvested options will automatically lapse unless the Company determines otherwise; and
- Other Conditions – other conditions including, amongst other things, treatment of the options in the event of a capital reorganisation.

On-market purchase of shares for purposes of Group incentive plans

During FY2021, 216,507 ordinary shares in the Company were purchased at an average price of $50.51 per share in order to satisfy the entitlements of the Executives and employees to acquire securities under the Group's incentive plans.

Shares under option

Details of interests under option at the date of this Report are set out below. 306,864 of the outstanding options are vested and exercisable. 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) $*
142	880	2/05/2016	$22.18	1/05/2022	$0.00	31.4%	4.2%	2.1%	$17.45
148	41,083	22/08/2016	$28.95	21/08/2022	$0.00	31.3%	3.4%	1.5%	$24.84
159	53,156	18/04/2017	$24.46	17/04/2023	$0.00	28.8%	4.6%	2.0%	$20.68
162	2,317	1/05/2017	$24.69	30/04/2022	$0.00	28.6%	4.0%	2.1%	$20.72
164-167	168,153	29/08/2017	$23.56	28/08/2022	$0.00	28.2%	4.6%	2.2%	$20.70
168-170	163,063	20/08/2018	$26.21	19/08/2023	$0.00	27.5%	5.0%	2.2%	$21.49
172-173	5,064	3/12/2018	$23.40	2/12/2023	$0.00	27.1%	5.5%	2.2%	$19.22
174-176	209,636	19/08/2019	$32.06	18/08/2024	$0.00	27.0%	4.5%	0.7%	$27.14
177	45,711	17/08/2020	$49.60	16/08/2025	$0.00	36.2%	3.7%	0.4%	$46.35
178	45,641	16/08/2020	$47.33	15/08/2025	$0.00	33.6%	3.7%	0.4%	$44.66
179	45,593	14/08/2020	$47.33	13/08/2025	$0.00	31.8%	3.7%	0.4%	$43.03
180-182	2,118	7/12/2020	$43.97	6/12/2025	$0.00	34.4%	4.1%	0.3%	$40.22
	782,415								

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

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 are ordinary shares in JB Hi-Fi Limited and no amounts remain unpaid.

2021

Option Series	*Grant date*	*Number exercised*	*Number of shares*	*Amount paid per share $*	*Share price at exercise date[(i)] $*
130	14/08/2015	42,874	42,874	$0.00	$48.07 to $50.24
136	5/11/2015	5,480	5,480	$0.00	$48.81
141	2/05/2016	880	880	$0.00	$48.07
145-147	22/08/2016	78,528	78,528	$0.00	$45.46 to $52.40
154	19/10/2016	492	492	$0.00	$47.91
157	2/11/2016	492	492	$0.00	$48.81
158	18/04/2017	53,156	53,156	$0.00	$51.46
161	1/05/2017	2,317	2,317	$0.00	$48.07
163-167	29/08/2017	170,363	170,363	$0.00	$44.62 to $52.40
168-169	20/08/2018	81,563	81,563	$0.00	$45.39 to $52.40
171	3/12/2018	2,531	2,531	$0.00	$51.59
174	19/08/2019	921	921	$0.00	$52.18
		439,597	439,597		

2020

Option Series	*Grant date*	*Number exercised*	*Number of shares issued*	*Amount paid per share $*	*Share price at exercise date[(i)] $*
103-104	15/08/2014	63,777	63,777	$17.72	$31.61 to $31.92
109-113	15/08/2014	21,111	21,111	$0.00	$30.97 to $32.06
117-118	27/11/2014	10,624	10,624	$15.58	$41.21
123-127	27/11/2014	3,165	3,165	$0.00	$41.21 to $42.95
129-133	14/08/2015	91,421	91,421	$0.00	$30.97 to $41.60
135	5/11/2015	5,479	5,479	$0.00	$36.73
139	18/12/2015	747	747	$0.00	$42.95
140	2/05/2016	880	880	$0.00	$31.92
144-146	22/08/2016	78,474	78,474	$0.00	$31.61 to $41.60
153	19/10/2016	491	491	$0.00	$36.72
156	2/11/2016	491	491	$0.00	$36.47
160	1/05/2017	2,317	2,317	$0.00	$30.99
165	29/08/2017	75,581	75,581	$0.00	$30.97 to $41.60
		354,558	354,558		

(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 option plans. Details of the features and conditions of such options are included in the section of this Report entitled "Group Incentive Plans" on pages 51 and 52. 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)*	*Date for first testing*	*Relevant Financial Year*	*Exercise Price $*	*Expiry Date*
Vested (time based service condition and performance hurdle achieved)						
142	2/05/2016	4%-8%	2/05/2021	2020	$0.00	1/05/2022
159	18/04/2017	9%-15%	18/04/2021	2021	$0.00	17/04/2023
164	29/08/2017	9%-15%	9/08/2021	2021	$0.00	28/08/2022
Not vested (performance hurdle achieved but time based service condition not achieved)						
148	22/08/2016	4%-8%	22/08/2021	2021	$0.00	21/08/2022

(i) 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.

(ii) 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.

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Board of Directors
JB Hi-Fi Limited
Podium Level, 60 City Road
Southbank VIC 3006

16 August 2021

Dear Board Members

Auditor's Independence Declaration to 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 2021, 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 faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T Simkin

Travis Simkin
Partner
Chartered Accountants

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

Report on the Audit of 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 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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:

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- 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 (including Independence Standards)* (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 in forming 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 12 Intangible assets* As at 30 June 2021, the carrying value of The Good Guys cash generating unit ("TGG CGU") included $575.6 million of goodwill and $241.3 million of indefinite useful life brand names, both of which are required to be assessed for impairment annually or where there is an indicator of impairment. The recoverable amount of the TGG CGU has been determined by management based on a value-in-use ("VIU") model, which incorporates significant judgement related to the estimation of future cash flows, short term growth rates, long term growth rates and an appropriate discount rate. The estimation uncertainty associated with future cash flows and key assumptions was elevated as at 30 June 2021 due to the continuing uncertainty arising from the COVID-19 pandemic and its impact on macroeconomic factors, both globally and in Australia.	Our audit procedures included, but were not limited to: • Understanding managements processes and controls related to the preparation of the VIU model for the TGG CGU. • Agreeing forecast cash flows for FY22 to the latest Board reviewed budget and assessing the historical accuracy of budgeting for the TGG CGU. • Assessing how management factored in estimation uncertainty in setting the FY22 budget and selecting key assumptions, by comparing the estimates to historical performance, industry reports and industry peers. • In conjunction with our valuation specialists, assessing the VIU methodology used by management and the mathematical accuracy of the VIU model, as well as comparing the discount rate and long term growth rate to external benchmark data. • Performing independent sensitivity analysis to challenge key assumptions. • Evaluating the appropriateness of the disclosures included in Note 12 to the financial statements.
Lease accounting *Refer to Note 16 of Right of use assets and lease liabilities* The Group holds right of use assets of $536.3 million and lease liabilities of $631.3 million. In applying AASB 16 *Leases*, the Group is required to make a number of significant judgments and estimates as disclosed in Note 16, including: • Measuring the lease term and determining whether renewal options are 'reasonably certain'. • Determining the 'enforceable period' for stores in holdover, with reference to IFRS Interpretations Committee Guidance. • Determining an appropriate incremental borrowing rate to be applied in the measurement of right of use assets and lease liabilities.	Our audit procedures included, but not limited to: • Understanding managements processes and key controls related to the accounting for leases. • Testing on a sample basis, movements in the right of use assets and lease liabilities and recalculating the interest and depreciation recognised in profit or loss. • Evaluating the estimates and judgements applied by management, including the probability of exercising renewal options and the lease term assigned to leases in holdover. • In conjunction with our treasury specialists, assessing the incremental borrowing rates adopted by management, by preparing an independent expectation of the incremental borrowing rates. • Evaluating the appropriateness of the disclosures included in Note 16 to the financial statements.

Other Information

The directors are responsible for the other information.

The other information comprises:

- the Governance Statement, Directors' Report, Operating and Financial Review and additional securities exchange information, which we obtained prior to the date of this auditor's report, and are included in the Group's Annual Report;
- the Chairman's and Group Chief Executive Officer's Report, which will be included in the Group's Annual Report, which is expected to be made available to us after the date of this auditor's report.

The other information does not include the financial report or the Remuneration Report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not and will 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's and Group Chief Executive Officer's 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.

Responsibilities of the Directors 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 directors' 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, actions taken to eliminate threats or safeguards applied.

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 54 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of JB Hi-Fi Limited, for the year ended 30 June 2021, 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

T Simkin

Travis Simkin
Partner
Chartered Accountants
Melbourne, 16 August 2021

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

Stephen Goddard
Chairman
16 August 2021

Richard Murray
Group Chief Executive Officer

	Notes	Consolidated 2021 $m	2020 $m
Revenue	5	8,916.1	7,918.9
Cost of sales		(6,938.9)	(6,224.8)
Gross profit		1,977.2	1,694.1
Other income		2.9	3.6
Sales and marketing expenses		(845.8)	(809.8)
Occupancy expenses		(293.6)	(313.1)
Administration expenses		(41.3)	(41.7)
Other expenses		(54.7)	(48.7)
Finance costs	6	(24.7)	(36.4)
Profit before tax		720.0	448.0
Income tax expense	7	(213.9)	(145.7)
Profit for the year attributable to Owners of the Company		506.1	302.3
		Cents	*Cents*
Earnings per share			
Basic (cents per share)	3	440.75	263.11
Diluted (cents per share)	3	437.83	260.69

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

	Consolidated	
	2021 $m	*2020 $m*
Profit for the year	506.1	302.3
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)	–	0.2
Exchange differences on translation of foreign operations	–	(0.4)
Other comprehensive income for the year (net of tax)	–	(0.2)
Total comprehensive income for the year attributable to Owners of the Company	506.1	302.1

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

		Consolidated	
	Notes	*2021 $m*	*2020 $m*
ASSETS			
Current assets			
Cash and cash equivalents	17	263.2	251.5
Trade and other receivables	9	211.6	220.3
Inventories	8	938.8	739.3
Other current assets	10	35.7	34.7
Total current assets		1,449.3	1,245.8
Non-current assets			
Plant and equipment	11	169.0	172.3
Deferred tax assets	7	30.3	22.2
Intangible assets	12	1,031.4	1,031.4
Right-of-use assets	16	536.3	642.2
Other non-current assets	10	39.0	38.4
Total non-current assets		1,806.0	1,906.5
Total assets		3,255.3	3,152.3
LIABILITIES			
Current liabilities			
Trade and other payables	13	777.4	854.1
Deferred revenue	14	212.9	196.6
Provisions	15	105.5	98.9
Lease liabilities	16	167.3	164.0
Current tax liabilities		92.2	32.3
Total current liabilities		1,355.3	1,345.9
Non-current liabilities			
Deferred revenue	14	85.0	81.6
Provisions	15	42.6	41.5
Lease liabilities	16	464.0	577.6
Total non-current liabilities		591.6	700.7
Total liabilities		1,946.9	2,046.6
Net assets		1,308.4	1,105.7
EQUITY			
Contributed equity	19	393.0	403.2
Reserves	20	83.8	66.8
Retained earnings		831.6	635.7
Total equity		1,308.4	1,105.7

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 2019		434.8	54.2	5.0	0.6	(6.1)	555.6	1,044.1
Adjustment on adoption of AASB 16 (net of tax)		–	–	–	–	–	(49.9)	(49.9)
Restated total equity at the beginning of the financial year		434.8	54.2	5.0	0.6	(6.1)	505.7	994.2
Profit for the year		–	–	–	–	–	302.3	302.3
Cash flow hedges (net of tax)		–	–	–	0.2	–	–	0.2
Exchange difference on translation of foreign operations		–	–	(0.4)	–	–	–	(0.4)
Total comprehensive income for the year		–	–	(0.4)	0.2	–	302.3	302.1
Allocation of shares under share option plans	19	1.3	–	–	–	–	–	1.3
Dividends paid	4	–	–	–	–	–	(172.3)	(172.3)
Share-based payments - expense		–	12.1	–	–	–	–	12.1
Share-based payments - income tax		–	1.2	–	–	–	–	1.2
Acquisition of shares by employee share trust	19	(32.9)	–	–	–	–	–	(32.9)
Balance at 30 June 2020		403.2	67.5	4.6	0.8	(6.1)	635.7	1,105.7
Balance at 1 July 2020		403.2	67.5	4.6	0.8	(6.1)	635.7	1,105.7
Profit for the year		–	–	–	–	–	506.1	506.1
Total comprehensive income for the year		–	–	–	–	–	506.1	506.1
Dividends paid	4	–	–	–	–	–	(310.2)	(310.2)
Acquisition of shares by employee share trust	19	(10.2)	–	–	–	–	–	(10.2)
Share-based payments - expense		–	13.5	–	–	–	–	13.5
Share-based payments - income tax		–	3.5	–	–	–	–	3.5
Balance at 30 June 2021		393.0	84.5	4.6	0.8	(6.1)	831.6	1,308.4

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

	Notes	Consolidated 2021 $m	2020 $m
Cash flows from operating activities			
Receipts from customers		9,837.1	8,759.3
Payments to suppliers and employees		(9,096.7)	(7,624.5)
Interest received		1.6	1.1
Interest and other finance costs paid on borrowings		(3.3)	(11.5)
Interest on lease liabilities	16	(21.3)	(24.9)
Income taxes paid		(158.7)	(118.2)
Net cash inflow from operating activities	17	558.7	981.3
Cash flows from investing activities			
Payments for plant and equipment	11	(57.7)	(43.1)
Proceeds from sale of plant and equipment		–	0.1
Net cash (outflow) from investing activities		(57.7)	(43.0)
Cash flows from financing activities			
Proceeds from issues of shares	19	–	1.3
Payments for shares acquired by the employee share trust	19	(10.2)	(32.9)
Repayment of borrowings		–	(440.0)
Payments for debt issue costs		–	(0.1)
Dividends paid to owners of the Company	4	(310.2)	(172.3)
Payment of lease liabilities	16	(168.9)	(161.8)
Net cash (outflow) from financing activities		(489.3)	(805.8)
Net increase in cash and cash equivalents		11.7	132.5
Cash and cash equivalents at the beginning of the financial year		251.5	119.2
Effects of exchange rate changes on cash and cash equivalents		–	(0.2)
Cash and cash equivalents at end of year		263.2	251.5

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 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.

(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 Podium Level, 60 City Road, Southbank, Victoria.

The financial statements were authorised for issue by the directors on 16 August 2021.

(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:

Areas of judgement and estimate	Note
Inventory net realisable value	8
Impairment of goodwill and other intangible assets	12
Right-of-use assets and lease liabilities	16

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 2021 is as follows:

2021	*JB Aust* *$m*	*JB NZ*[(i)] *$m*	*TGG* *$m*	*Elimininations* *$m*	*Total* *$m*
Revenue from external customers	5,956.8	243.6	2,715.7	–	8,916.1
EBITDA	658.5	11.4	291.7	–	961.6
Depreciation and impairment	(135.5)	(6.0)	(77.0)	–	(218.5)
EBIT	523.0	5.4	214.7	–	743.1
Interest on leases	(12.3)	(0.4)	(8.6)	–	(21.3)
Interest revenue					1.6
Other finance costs					(3.4)
Profit before income tax	510.7	5.0	206.1	–	720.0
Other segment information					
Segment Assets	1,689.2	47.3	1,731.8	(213.0)	3,255.3
Segment Liabilities	1,444.3	35.9	679.7	(213.0)	1,946.9

(i) As a result of the asset impairments highlighted in Note 6, JB Hi-Fi New Zealand FY2021 profit before tax has benefitted from a reduction in depreciation on right of use assets and fixed assets of $5.9 million. After allowing for the impact of current year impairment losses of $6.0 million, the net impact on JB Hi-Fi New Zealand FY2021 profit before tax was a $0.1 million reduction (2020: $19.7 million).

2020	*JB Aust* *$m*	*JB NZ* *$m*	*TGG* *$m*	*Elimininations* *$m*	*Total* *$m*
Revenue from external customers	5,318.9	211.2	2,388.8	–	7,918.9
EBITDA	525.6	4.9	187.5	–	718.0
Depreciation and impairment	(134.1)	(26.0)	(74.6)	–	(234.7)
EBIT	391.5	(21.1)	112.9	–	483.3
Interest on leases	(15.3)	(0.5)	(9.1)	–	(24.9)
Interest revenue					1.1
Other finance costs					(11.5)
Profit before income tax	376.2	(21.6)	103.8	–	448.0
Other segment information					
Segment Assets	1,452.5	45.9	1,656.2	(2.3)	3,152.6
Segment Liabilities	1,261.0	39.6	748.3	(2.3)	2,046.6

(i) EBIT and EBITDA

The Group Chief Executive Officer assesses the performance of the Group's operating segments based on EBIT and EBITDA. EBIT excludes the effects of interest revenue, finance costs (including interest on leases) and income tax. EBITDA further excludes depreciation, amortisation and impairment charges.

2 SEGMENT INFORMATION (continued)

(c) Covid-19

The Group's operations were affected significantly by the Covid-19 pandemic and resulting government actions.

The Group remained committed to supporting government and community efforts to limit the spread of the virus. The Group's highest priority is the health and wellbeing of its team members, customers, business partners and the wider community, whilst responding to its customers' changing needs and maintaining financial stability.

During the year the Group continued to take measures to protect the health and safety of all people who worked in or visited its premises. Some stores were closed at various times throughout the financial year in accordance with government restrictions but continued to fulfil online and click-and-collect orders where possible. In addition, the Group voluntarily closed its airport stores and some CBD stores for certain periods in response to a shift in foot traffic away from these areas. Despite these challenges, performance across the JB Hi-Fi and The Good Guys businesses remained strong with elevated sales growth driven by homemaker and free-standing stores and a significant acceleration in online, as the businesses provided customers with the essential products they needed to prepare for and respond to Covid-19. These included technology products that enabled remote working, learning and communication, essential home appliances for food storage and preparation and home entertainment products as customers spent more time at home. The Group was pleased with its well executed promotional program and how its online businesses scaled and maintained a high level of customer service and on-time delivery during a period of significantly increased volume. The Group will continue to respond and adapt to its customers' changing needs through the pandemic.

	Consolidated	
	2021 Cents	*2020 Cents*
3 EARNINGS PER SHARE		
Basic (cents per share)	440.75	263.11
Diluted (cents per share)	437.83	260.69

	Consolidated	
	2021 $m	*2020 $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	506.1	302.3
Diluted earnings per share		
Profit for the year attributable to owners of the Company	506.1	302.3

	Consolidated	
	2021 Number m	*2020 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	114.9
Adjustments for calculation of diluted earnings per share:		
Options	0.8	1.1
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	115.6	116.0

(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 (776,443 options are considered dilutive (2020: 1,062,413), zero are considered anti-dilutive (2020: zero)). The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 27.

	2021		2020	
	Cents per share	*$m*	*Cents per share*	*$m*
4 DIVIDENDS				
Recognised amounts				
Final Dividend - previous financial year	90.00	103.4	51.00	58.6
Interim Dividend - current financial year	180.00	206.8	99.00	113.7
	270.00	310.2	150.00	172.3
Unrecognised amounts				
Final Dividend - current financial year	107.00	122.9	90.00	103.4

In respect of the financial year ended 30 June 2021, the directors have recommended the payment of a final dividend of 107 cents per share. The record date is 27 August 2021.

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

	Consolidated	
	2021 $m	*2020 $m*
(a) Franking account balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2020: 30.0%)	470.1	384.3

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 $52.7 million (2020: $44.3 million).

	Consolidated	
	2021 $m	*2020 $m*
5 REVENUE		
Sale of goods and services - Stores and other	7,852.2	7,321.7
Sale of goods and services - Online	1,063.9	597.2
Total Revenue	8,916.1	7,918.9

(a) 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, whitegoods, cooking products, heating and cooling products, small appliances, kitchen accessories and information technology and consulting services. The Group's revenue is primarily generated on a point in time basis. The amount of revenue recognised by the Group on an 'over time' basis is not material in the context of the Group's total revenue.

(b) 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:

5 REVENUE (continued)

(b) Revenue recognition (continued)

(i) Sale of goods

Revenue associated with the sale of goods is recognised when the performance obligation of the sale has been fulfilled and control of the goods has transferred to the customer, which occurs at the point of sale when the goods are collected/delivered.

Gift cards and store credits are considered a prepayment for goods and services to be delivered in the future. The Group has an obligation to transfer the goods or services in the future - creating a performance obligation. The Group recognises deferred revenue for the amount of the prepayment and recognises revenue when the customer redeems the gift card or store credit and the Group fulfils the performance obligation related to the transaction or likelihood of the gift card being redeemed by the customer is deemed remote.

In recognising revenue from the sale of goods, the Group considers its historical experience with sales returns to determine if its 'highly probable' that a significant reversal of revenue will arise in the future.

(ii) Commissions

The Group acts as an agent in the sale of various products and services to customers such as telecommunication contracts. Commissions associated with agency sales are recognised on a point in time basis when all performance obligations have been completed to entitle the Group to the commission.

(iii) Rendering of services

The Group generates revenue from the provision of various services including installation, customer delivery, IT services and extended care and customer support services.

Revenue relating to installation, customer delivery and IT services is principally recognised on a point in time basis, which occurs upon completion of the service given the short time period over which the services are provided.

Revenue relating to extended care and customer support services is recognised over the period of cover where the Group retains the responsibility for the performance obligations associated with the services and at point of sale when a third party assumes responsibility for the performance obligations associated with the services. Amounts collected for services not yet provided are recorded as deferred revenue in the balance sheet.

	Consolidated	
	2021 $m	*2020 $m*
6 EXPENSES		
Profit before income tax includes the following specific expenses:		
Finance costs		
Interest and other finance costs on borrowings	3.2	8.7
Interest on leases	21.3	24.9
Fair value loss on interest swaps designated as cash flow hedges	–	2.0
Other interest expense	0.2	0.8
	24.7	36.4
Employee benefits expenses		
Share-based payments - expense	13.5	12.1
Defined contribution superannuation expense	62.4	56.7
Other employee benefits	726.8	703.8
	802.7	772.6
Depreciation and impairment		
Depreciation - Plant and equipment	51.8	54.0
Impairment - Plant and equipment	3.0	5.9
Depreciation - Right-of-use assets	159.1	160.4
Impairment - Right-of-use assets	4.6	14.4
	218.5	234.7

The impairment losses recognised in the current and prior year principally relate to JB Hi-Fi New Zealand. The Group is focused on continuing to improve the performance of JB Hi-Fi New Zealand however, the past performance and ongoing uncertainty arising from the current environment, has resulted in its right-of-use and plant and equipment assets being impaired.

	Consolidated 2021 $m	Consolidated 2020 $m
7 TAXATION		
(a) Income tax expense		
Current tax	222.0	146.2
Deferred tax	(8.1)	(0.5)
	213.9	145.7
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	720.0	448.0
Tax at the Australian tax rate of 30.0% (2020: 30.0%)	216.0	134.4
Effect of expenses that are not deductible in determining taxable profit	4.4	4.3
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.1)	0.2
Effect of other deductibles in determining taxable profit	(4.8)	(3.4)
Effect of New Zealand deferred tax asset derecognised	–	10.1
Unrecognised New Zealand tax losses recouped	(1.4)	–
Other	(0.2)	0.1
Tax expense	213.9	145.7
(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	3.5	1.2
(d) Deferred tax		
The balance comprises temporary differences attributable to:		
Deferred tax assets		
Provisions	39.1	36.9
Inventories	11.4	11.9
Deferred revenue	37.4	37.0
Lease liabilities	184.7	217.9
Other	20.9	13.6
	293.5	317.3
Deferred tax liabilities		
Brand names	(85.2)	(85.2)
Prepayments	(17.1)	(17.2)
Right-of-use asset	(160.9)	(192.7)
	(263.2)	(295.1)
Net deferred tax assets/(liabilities)	30.3	22.2

All movements in the above temporary differences have been charged to income.

7 TAXATION (continued)

(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.

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 2021 $m	Consolidated 2020 $m
8 INVENTORIES		
Finished goods	938.8	739.3

(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 estimated costs necessary to make the sale.

When determining the net realisable value of inventories (which is most applicable to obsolete, end of life and slow moving inventory), the Group uses its judgement to determine the expected selling price and the estimated costs necessary to make the sale considering the nature of the inventories. Determining the expected selling price requires the use of management judgement. The key assumptions and variables affecting the expected selling price are reviewed at least annually. As the inventories held by the Group are all finished goods, the estimated costs necessary to make the sale typically relate to staff commissions. Such costs are not considered material to the estimation of net realisable value. Any change in the measurement of net realisable value in a particular year will affect the cost of goods sold.

	Consolidated 2021 $m	Consolidated 2020 $m
9 TRADE AND OTHER RECEIVABLES		
Trade receivables	59.8	59.7
Allowance for expected credit losses	(2.1)	(1.5)
	57.7	58.2
Non-trade receivables	153.9	162.1
	211.6	220.3

(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 expected credit losses using a provision matrix based on historical credit loss rates. Credit insurance is carried for most commercial debtor accounts. Trade receivables are recognised at amortised cost less allowance for expected credit losses.

Non-trade receivables

Non-trade receivables principally represent rebates receivable from suppliers for purchases of inventories and contributions from landlords. Rebates associated with the purchases of inventory are recorded as a reduction in the cost of inventory on hand until the inventory is sold. No amount is considered irrecoverable from suppliers and therefore no allowance has been made.

	Consolidated 2021 $m	Consolidated 2020 $m
(b) Ageing of trade receivables (net of allowance for expected credit losses)		
Not past due	52.2	53.4
Past due but not impaired:		
0 - 30 days	4.7	4.1
31 - 60 days	0.5	0.7
61 - 90 days	0.3	–
91+ days	–	–
	57.7	58.2

	Consolidated 2021 $m	2020 $m
9 TRADE AND OTHER RECEIVABLES (continued)		
(c) Movements in allowance for expected credit losses		
Balance at the beginning of the year	1.5	1.4
Remeasurement of loss allowance	1.0	0.5
Receivables written off during the year as uncollectable	(0.4)	(0.4)
	2.1	1.5

(d) Collectability of trade receivables

An allowance has been made for expected credit losses (ECL) calculated by using a simplified provision matrix that is based on historical credit loss rates. The historical loss rates are adjusted to reflect current and forward-looking information specific to the economic environment and affecting customers' ability to settle their receivables. Trade receivables are written off against the allowance account where there is no reasonable expectation of recovery.

The amount of the ECL is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against the same line item

	Consolidated 2021 $m	2020 $m
10 OTHER ASSETS		
Current		
Prepayments	30.7	30.8
Other	5.0	3.9
	35.7	34.7
Non-current		
Prepayments	39.0	38.4
	39.0	38.4

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
11 PLANT AND EQUIPMENT			
At 1 July 2019			
Cost	354.1	201.0	555.1
Accumulated depreciation and impairment	(221.8)	(141.8)	(363.6)
Net book amount	132.3	59.2	191.5
Year ended 30 June 2020			
Opening net book amount	132.3	59.2	191.5
Additions	20.6	22.5	43.1
Disposals	(0.7)	(1.7)	(2.4)
Depreciation charge	(36.2)	(17.8)	(54.0)
Impairment charge	(4.2)	(1.7)	(5.9)
Closing net book amount	111.8	60.5	172.3
At 30 June 2020			
Cost	460.7	221.6	682.3
Accumulated depreciation and impairment	(348.9)	(161.1)	(510.0)
Net book amount	111.8	60.5	172.3
Year ended 30 June 2021			
Opening net book amount	111.8	60.5	172.3
Additions	33.7	24.0	57.7
Disposals	(6.0)	(0.2)	(6.2)
Depreciation charge	(31.2)	(20.6)	(51.8)
Impairment charge	(2.6)	(0.4)	(3.0)
Closing net book amount	105.7	63.3	169.0
At 30 June 2021			
Cost	431.1	237.1	668.2
Accumulated depreciation and impairment	(325.4)	(173.8)	(499.2)
Net book amount	105.7	63.3	169.0

(a) Recognition and measurement

Plant and equipment and leasehold improvements are stated at cost less accumulated depreciation and impairment losses. 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
12 INTANGIBLE ASSETS					
Year ended 30 June 2020					
Opening net book amount	747.0	284.4	2.4	3.5	1,037.3
Adjustment on adoption of AASB 16	–	–	(2.4)	(3.5)	(5.9)
Closing net book amount	747.0	284.4	–	–	1,031.4
Year ended 30 June 2021					
Opening net book amount	747.0	284.4	–	–	1,031.4
Closing net book amount	747.0	284.4	–	–	1,031.4

(a) Recognition and measurement

Goodwill

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

Goodwill is not amortised. Instead, it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment is recognised as an expense and is not subsequently reversed. Goodwill is carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the related business combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit (higher of its value in use and fair value less costs of disposal) is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset.

Further details regarding the allocation of goodwill to cash generating units and the Group's impairment testing results for the year ended 30 June 2021, including an overview of key assumptions, is set out below.

Brand names

Brand names that are acquired as part of a business combination are recognised separately from goodwill. These assets are measured at their fair value at the date of acquisition using the relief from royalty method. Brand names are subsequently carried at cost less accumulated impairment losses.

Brand names have indefinite useful lives and therefore do not attract amortisation. As at 30 June 2021, management has concluded that an indefinite useful life remains appropriate as the Group expect to continue using the brand names for the foreseeable future and there are no legal, technical or commercial factors indicating that the brand names have a limited life.

For the purpose of impairment testing, brand names with indefinite useful lives are assessed for impairment annually, or more frequently when there is an indication that a brand name may be impaired.

An impairment loss is recognised for the amount by which the assets carrying value exceeds its recoverable amount (higher of its value in use and fair value less costs of disposal). None of the Group's brand names have incurred an impairment in previous periods.

12 INTANGIBLE ASSETS (continued)

(b) Impairment testing

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

	Consolidated 2021 $m	Consolidated 2020 $m
Goodwill		
The Good Guys	575.6	575.6
JB Hi-Fi Australia	171.4	171.4
	747.0	747.0
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 has been determined based on value in use calculations.

The key assumptions used in the value in use calculations include the FY2022 financial budget, sales growth, gross margin, cost of doing business (CODB) and the discount rate. These assumptions are based on past experience and the Company's forecast operating and financial performance for each CGU taking into account current market and economic conditions, risks, uncertainties and opportunities for improvement for each CGU.

The value in use calculations use cash flow projections over a 5 year period, extrapolated into perpetuity using a long term growth rate of 2.5% (2020: 2.5%), which is consistent with the mid-point of long-term inflation forecasts by recognised bodies.

The cash flows projections in Year 1 are based on financial budgets for the FY2022 financial year, as reviewed by the Board. The cash flow projections thereafter assume a steady growth rate of 2.5% (2020: 2.5%), consistent with historical experience.

A post-tax discount rate of 9.0% (2020: 9.0%) has been used for all CGUs.

Sensitivity analysis indicates that no reasonably possible change in key assumptions would result in an impairment loss. Accordingly, the Group has concluded that no impairment is required based on current market and economic conditions and expected future performance.

	Consolidated 2021 $m	Consolidated 2020 $m
13 TRADE AND OTHER PAYABLES		
Trade payables	716.1	796.2
Goods and services tax (GST) payable	39.8	22.6
Other creditors and accruals	21.5	35.3
	777.4	854.1

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 2021 $m	Consolidated 2020 $m
14 DEFERRED REVENUE		
Current		
Deferred revenue	212.9	196.6
	212.9	196.6
Non-current		
Deferred revenue	85.0	81.6
	85.0	81.6

14 DEFERRED REVENUE (continued)

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 5(b) for the Group's revenue recognition accounting policy.

It is expected that 74% (2020: 76%) of Non-Current Deferred Revenue will be recognised in the next 3 financial years and the remaining 26% (2020: 24%) recognised in the following 3 years.

	Consolidated	
	2021 $m	*2020 $m*
15 PROVISIONS		
Current		
Employee benefits	104.0	97.0
Lease provision	1.5	1.9
	105.5	98.9
Non-current		
Employee benefits	9.4	8.2
Lease provision	33.2	33.3
	42.6	41.5

(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 at the end of the lease term in accordance with the terms of the lease.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group leases various properties and equipment in Australia and New Zealand.

The non-cancellable period for these leases is generally between:

Properties	
Stores	1-10 years
Offices	1-10 years
Warehouses	1-7 years
Equipment	1-5 years

The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Extension options are included in a number of the Group's lease agreements, which are used to maximise operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group does not have any options to purchase leased assets.

Increase clauses are in line with market practices and include inflation-linked, fixed rates, resets to market rents and hybrids of these. Certain store leases contain variable lease payment terms that are linked to store sales.

The carrying value of right-of-use assets and lease liabilities is presented below:

	Properties $m	*Equipment $m*	*Total $m*
(a) Right-of-use assets			
At 1 July 2019			
Cost	747.9	3.9	751.8
Accumulated depreciation and impairment	–	–	–
Carrying value	747.9	3.9	751.8
Year ended 30 June 2020			
Opening carrying value	–	–	–
Adoption of AASB 16	747.9	3.9	751.8
Additions, modifications and other reassessments of leases	63.3	2.5	65.8
Depreciation	(158.8)	(1.6)	(160.4)
Impairment charge	(14.4)	–	(14.4)
Foreign exchange translation	(0.6)	–	(0.6)
Closing carrying value	637.4	4.8	642.2
At 30 June 2020			
Cost	810.6	6.4	817.0
Accumulated depreciation and impairment	(173.2)	(1.6)	(174.8)
Closing carrying value	637.4	4.8	642.2
Year ended 30 June 2021			
Opening carrying value	637.4	4.8	642.2
Additions, modifications and other reassessments of leases	53.3	4.5	57.8
Depreciation	(156.9)	(2.2)	(159.1)
Impairment charge	(4.6)	–	(4.6)
Closing carrying value	529.2	7.1	536.3
At 30 June 2021			
Cost	869.0	10.9	879.9
Accumulated depreciation and impairment	(339.8)	(3.8)	(343.6)
Closing carrying value	529.2	7.1	536.3

	Properties $m	Equipment $m	Total $m
16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)			
(b) Lease liabilities			
Year ended 30 June 2020			
Opening carrying value	–	–	–
Adoption of AASB 16	832.9	4.0	836.9
New and modified leases	64.4	2.6	67.0
Payment of lease liabilities	(160.2)	(1.6)	(161.8)
Payment of interest on lease liabilities	(24.8)	(0.1)	(24.9)
Interest expense	24.8	0.1	24.9
Foreign exchange translation	(0.5)	-	(0.5)
Closing carrying value	736.6	5.0	741.6
At 30 June 2020			
Current	162.5	1.5	164.0
Non-Current	574.2	3.4	577.6
Total	736.7	4.9	741.6
Year ended 30 June 2021			
Opening carrying value	736.7	4.9	741.6
New and modified leases	54.2	4.5	58.7
Payment of lease liabilities	(166.7)	(2.2)	(168.9)
Payment of interest on lease liabilities	(21.2)	(0.1)	(21.3)
Interest expense	21.2	0.1	21.3
Foreign exchange translation	(0.1)	–	(0.1)
Closing carrying value	624.1	7.2	631.3
At 30 June 2021			
Current	165.1	2.2	167.3
Non-Current	459.0	5.0	464.0
Total	624.1	7.2	631.3

	2021 $m	2020 $m
(c) Amounts recognised in the Statement of Profit or Loss		
Depreciation expense on right of use assets	159.1	160.4
Impairment expense on right of use assets	4.6	14.4
Interest expense on lease liabilities	21.3	24.9
Property lease expense[(i)]	6.2	7.2

(i) The property lease expense includes short-term, low value and variable rent expenses not recognised as part of AASB 16 leases.

(d) Recognition and Measurement

The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets primarily comprise office equipment such as printers and photocopiers.

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

(d) Recognition and Measurement (continued)

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The Group's weighted average incremental borrowing rate used during the year ended 30 June 2021 was 3.25% (2020: 3.24%).

Each lease payment is allocated between the lease liability and finance costs. The finance cost is charged to profit or loss over the period of the lease to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option (if the lessee is reasonably certain to exercise); and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has elected to apply this practical expedient.

The carrying amount of a lease liability is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. inflation-linked payments or market rate rent reviews). A corresponding adjustment is made to the right of use asset.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- estimated restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, with depreciation recognised on a straight-line basis over the shorter of the asset's useful life and the lease term. The Group applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 12.

Extension options

The Group assesses at lease commencement whether it is reasonably certain to exercise extension options, and where it is reasonably certain, the extension period is included in the lease liability. The Group considers an option to extend a lease to be reasonably certain when the extension date is within 24 months, no decision has been made to terminate the lease, a decision has been made to exercise the option or when there is a clear economic incentive for extension.

The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

Store leases in holdover

When a store lease enters holdover, management considers all facts and circumstances to determine whether an 'enforceable period' exists in lieu of a contractual lease term. In reaching this conclusion, the Group considers their ability and economic incentive to remain in the store location and the significance of the economic penalty that would arise from termination of the arrangement.

When an 'enforceable period' is identified, management estimate the expected lease term, lease liability and related right of use asset based on information available at the date the store enters holdover. When a new lease agreement is subsequently entered into, management account for any change in terms in accordance with the principles that apply to lease modifications.

17 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 and trade finance facilities.

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled as follows:

	Consolidated	
	2021 $m	*2020 $m*
Cash	273.6	251.5
Bank overdrafts	(10.4)	–
Cash and cash equivalents	263.2	251.5
(b) Reconciliation of net cash inflow from operating activities to profit		
Profit for the year	506.1	302.3
Depreciation and amortisation	210.9	214.4
Impairment charges	7.6	20.3
Share-based payments - expense	13.5	12.1
Share-based payments - income tax	3.5	1.2
Net loss on disposal of non-current assets	6.2	2.3
Change in operating assets and liabilities net of effects from acquisition of businesses:		
(Increase) decrease in inventories	(199.3)	146.6
(Increase) decrease in current receivables	8.7	35.1
(Increase) decrease in other current assets	(1.0)	2.1
(Increase) decrease in deferred tax assets	(8.1)	(0.5)
(Decrease) increase in current provisions	6.6	16.5
(Decrease) increase in current payables	(76.7)	181.9
(Decrease) increase in current deferred revenue	16.3	30.9
(Decrease) increase in non-current deferred revenue	3.4	(8.5)
(Decrease) increase in other current liabilities	–	(0.2)
(Decrease) increase in non-current provisions	1.1	(2.8)
(Decrease) increase in other non-current liabilities	–	(0.3)
(Decrease) increase in current tax liabilities	59.9	27.9
Net cash inflow from operating activities	558.7	981.3

	Consolidated	
	2021 $m	*2020 $m*
18 BORROWINGS		
Reconciliation of liabilities arising from financing activities		
Opening borrowings	–	439.1
Repayment of borrowings	–	(440.0)
Debt issue costs paid	–	(0.1)
Amortisation of debt issue costs	–	1.0
	–	–

18 BORROWINGS (continued)

During the year, as a result of the continuing strong cash position of the Group, the Group's trade finance facility was reduced from $400.0 million to $200.0 million and the Group's term debt facilities were reduced from $380.0 million to $138.0 million. The Group's bank overdraft facilities were also reduced from $59.3 million to $29.3 million and therefore the Group has total borrowing facilities of $367.3 million of which $356.9 million are unused at 30 June 2021 in addition to cash on hand of $263.2 million. Refer to note 21(a)
for further details on the Group's financing facilities.

(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	
	2021 Shares	*2020 Shares*	*2021 $m*	*2020 $m*
19 CONTRIBUTED EQUITY				
(a) Share capital				
Ordinary shares - fully paid	114,883,372	114,883,372	393.0	403.2

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 2019	Opening balance	114,883,372	434.8
	Shares acquired by employee share trust	(895,147)	(32.9)
	Allocation of shares under share option, variable reward and deferred STI plans	543,551	1.3
	Balance excluding shares held by employee share trust	114,531,776	403.2
	Unallocated shares held by employee share trust	351,596	–
30 June 2020	Closing balance	114,883,372	403.2
1 July 2020	Opening balance	114,883,372	403.2
	Unallocated shares held by employee share trust	(351,596)	–
	Balance excluding shares held by employee share trust	114,531,776	403.2
	Shares acquired by employee share trust	(216,507)	(10.2)
	Allocation of shares under share option, variable reward and deferred STI plans	566,438	–
	Balance excluding shares held by employee share trust	114,881,707	393.0
	Unallocated shares held by employee share trust	1,665	–
30 June 2021	Closing balance	114,883,372	393.0

19 CONTRIBUTED EQUITY (continued)

(c) Share options

In accordance with the provisions of the Company's share option plans, as at 30 June 2021, executives and non-executive management have options over 785,543 ordinary shares (of which 4,862 were vested), in aggregate, with various expiry dates.

As at 30 June 2020, executives and non-executive management had options over 1,091,782 ordinary shares (of which 3,197 were vested), 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.

(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.

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, 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 2021 and 30 June 2020 were as follows:

	Consolidated	
	2021 $m	*2020 $m*
Return on invested capital		
Profit before tax	720.0	448.0
Net finance costs	23.1	35.3
EBIT	743.1	483.3
Cash and cash equivalents	(263.2)	(251.5)
Total equity	1,308.4	1,105.7
Invested capital	1,045.2	854.2
Return on invested capital	71.1%	56.6%
Gearing ratio		
Term debt	–	–
EBIT	743.1	483.3
Depreciation and impairment	218.5	234.7
EBITDA	961.6	718.0
Gearing ratio	0.00	0.00

	Consolidated 2021 $m	Consolidated 2020 $m
20 RESERVES		
Equity-settled benefits	84.5	67.5
Common control reserve	(6.1)	(6.1)
Hedging reserves	0.8	0.8
Foreign currency translation reserve	4.6	4.6
	83.8	66.8

(a) Nature and purpose of reserves

(i) Equity-settled benefits

The equity-settled benefits reserve arises on the grant of share options and restricted shares to executives and non-executive management under the Company's share option plans and variable reward plan. Further information about share based payments is in note 27 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 29(a), 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 29(b).

21 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 holds the following financial assets and liabilities at reporting date:

	Consolidated 2021 $m	Consolidated 2020 $m
Financial assets		
Cash and cash equivalents	263.2	251.5
Trade and other receivables	211.6	220.3
	474.8	471.8
Financial liabilities		
Trade and other payables	777.4	854.1
Lease liabilities	631.3	741.6
	1,408.7	1,595.7

21 FINANCIAL RISK MANAGEMENT (continued)

(a) 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 borrowing facilities at the end of the reporting period:

	Consolidated	
	2021 *$m*	*2020* *$m*
Unsecured bank overdraft facility:		
amount used	10.4	–
amount unused	18.9	59.3
	29.3	59.3
Unsecured trade finance facility:		
amount used	–	–
amount unused	200.0	400.0
	200.0	400.0
Unsecured indemnity guarantees:		
amount used	3.5	3.6
amount unused	2.8	2.7
	6.3	6.3
Unsecured bank loan facilities (term debt):		
amount used	–	–
amount unused	138.0	380.0
	138.0	380.0
Headroom in total borrowing facilities (excluding security indemnity guarantees)	356.9	839.3

21 FINANCIAL RISK MANAGEMENT (continued)

(a) 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.

2021	*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	777.4	–	–	–	–	777.4	–
Lease liabilities	94.6	90.7	160.7	284.6	62.5	693.1	3.25%
	872.0	90.7	160.7	284.6	62.5	1,470.5	

2020	*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	854.1	–	–	–	–	854.1	–
Lease liabilities	93.6	91.6	175.7	352.7	95.3	808.9	3.24%
	947.7	91.6	175.7	352.7	95.3	1,663.0	

(b) 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.

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:

		Ownership interest	
Name of entity	*Country of incorporation*	*2021 %*	*2020 %*
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	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) The Company has a trust to administer the Company's share options plans and variable reward plan. 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:

	2021 $m	*2020 $m*
(a) Consolidated statement of profit or loss, statement of profit or loss and other comprehensive income		
Statement of profit or loss		
Revenue	6,086.7	5,456.2
Cost of sales	(4,740.5)	(4,264.1)
Gross profit	1,346.2	1,192.1
Other income	354.2	186.6
Sales and marketing expenses	(623.9)	(587.2)
Occupancy expenses	(252.6)	(197.0)
Administration expenses	(33.0)	(33.5)
Finance costs	(24.2)	(35.8)
Other expenses	(49.0)	(56.9)
Profit before income tax	717.7	468.3
Income tax expense	(213.9)	(141.3)
Profit for the year	503.8	327.0
Statement of profit or loss and other comprehensive income		
Profit for the year	503.8	327.0
Other comprehensive income		
Items that may be reclassified to profit or loss		
Changes in the fair value of cash flow hedges (net of tax)	–	0.2
Other comprehensive income for the year (net of tax)	–	0.2
Total comprehensive income for the year	503.8	327.2

	2021 $m	2020 $m
23 DEED OF CROSS GUARANTEE (continued)		
(b) Balance sheet		
Current assets		
Cash and cash equivalents	253.5	236.4
Trade and other receivables	192.5	199.3
Inventories	643.1	508.4
Other current assets	35.2	34.2
Total current assets	1,124.3	978.3
Non-current assets		
Plant and equipment	123.6	131.0
Right-of-use assets	536.3	642.2
Deferred tax assets	102.8	94.6
Intangible assets	77.9	77.9
Investments in subsidiaries	911.8	911.7
Other non-current assets	377.4	337.4
Total non-current assets	2,129.8	2,194.8
Total assets	3,254.1	3,173.1
Current liabilities		
Trade and other payables	769.6	823.1
Deferred revenue	142.0	138.0
Lease liabilities	162.1	159.7
Current tax liabilities	92.2	32.3
Provisions	104.9	101.6
Total current liabilities	1,270.8	1,254.7
Non-current liabilities		
Deferred revenue	85.0	81.6
Lease liabilities	453.5	566.7
Provisions	31.5	40.3
Total non-current liabilities	570.0	688.6
Total liabilities	1,840.8	1,943.3
Net assets	1,413.3	1,229.8
Equity		
Contributed equity	405.5	414.5
Reserves	79.7	63.3
Retained earnings	928.1	752.0
Total equity	1,413.3	1,229.8

	Parent Entity 2021 $m	Parent Entity 2020 $m
24 PARENT ENTITY		
Assets		
Current assets	0.1	0.5
Non-current assets[i]	623.5	548.0
Total assets	623.6	548.5
Liabilities		
Current liabilities	97.4	37.2
Non-current liabilities	0.2	0.1
Total liabilities	97.6	37.3
Shareholders' equity		
Contributed equity	393.0	403.2
Reserves	84.5	67.5
Retained earnings	48.5	40.5
	526.0	511.2
Profit for the year	318.2	184.4
Total comprehensive income	318.2	184.4

(i) Non-current assets are predominantly loans to subsidiaries that have no set repayment and are effectively at call to enable the Parent entity to satisfy any liabilities required to be settled within the next 12 months.

25 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 2021 $'000	Consolidated 2020 $'000
26 KEY MANAGEMENT PERSONNEL DISCLOSURES		
The aggregate compensation of the key management personnel of the Group is set out below:		
Short-term employee benefits	7,351	7,291
Post-employment benefits	181	187
Share-based payments expense	5,083	4,647
	12,615	12,125

Detailed remuneration disclosures are provided in the remuneration report on pages 31 to 54.

27 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 pages 51 to 54.

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*
2021					
Outstanding Zero Exercise Price Options	1,091,782	141,974	(448,213)	785,543	4,862

	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*
2020					
Outstanding Share Options with an exercise price	74,401	–	(74,401)	–	–
Outstanding Zero Exercise Price Options	1,178,530	217,561	(304,309)	1,091,782	3,197
	1,252,931	217,561	(378,710)	1,091,782	3,197
Weighted average exercise price of those with an exercise price	$17.41	–	$17.41	–	–

The weighted average remaining contractual life of share options outstanding at the end of the period was 903 days (2020: 1,007 days).

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 2021 was $44.61 (2020: $27.14). 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.

27 SHARE-BASED PAYMENTS (continued)

(a) Group share option plans (continued)

Fair value of options granted (continued)

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 2021 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 54.

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.

(b) Variable reward plan

In the 2019 financial year, the Group introduced a Variable Reward Plan (VRP) for Group Executives which replaces their previous short term and long term incentives. Under the VRP, performance is assessed at the end of each financial year against a scorecard of robust measures and awards under the VRP are 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.

There are also certain non-Group executives who participate in the VRP in addition to their existing short term and long term incentives, however the whole amount is delivered in restricted shares that are released progressively in equal tranches over years 2, 3 and 4. Further details on the VRP are set out in the remuneration report on page 34.

The component of the VRP that is paid in cash is treated as a bonus and is expensed to the profit and loss in the period the bonus is earned. The component of the VRP that is delivered in shares is expensed on a straight line basis over the restriction period of each tranche, with the expense recorded as part of the share based payments expense and a corresponding increase in equity.

	Consolidated	
	2021 $'000	*2020 $'000*
28 REMUNERATION OF AUDITORS		
Audit and other services		
Audit and review of group financial statements	704	678
Audit and review of subsidiary financial statements	34	34
Other assurance services	9	9
Total remuneration for audit and other services	747	721

The auditor of the Group is Deloitte Touche Tohmatsu.

During the current and prior financial years the Group engaged Deloitte Touche Tohmatsu to assist with certain pre-acquisition tax matters associated with The Good Guys. The fees associated with these services will be paid for by the previous owner and there will be no cost to the Group.

29 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) 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.

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 the cash flow hedge reserve within 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'.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are 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.

(b) 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.

29 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Foreign currency translation (continued)

(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.

(c) 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.

(d) 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. Their adoption has not had any material impact on the disclosures or on amounts reported in these financial statements.

(i) AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business*

(ii) AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material*

(iii) AASB 2019-1 *Amendments to Australian Accounting Standards - References to the Conceptual Framework*

29 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) New accounting standards and interpretations (continued)

Software-as-a-Service ("SaaS") arrangements

In March 2021, the IFRS Interpretations Committee ("IFRIC") issued an agenda decision to clarify the accounting treatment for SaaS arrangements, including the accounting for related implementation, customisation and configuration costs.

The IFRIC clarified that SaaS arrangements are service contracts that provide the Group with the right to access the cloud provider's software over a period of time. As a result, the underlying software the Group has the right to access is not controlled by the Group and therefore ongoing access fees as well as costs incurred to implement, customise and configure the cloud provider's software are recognised as an expense when incurred. Costs incurred related to software controlled by the Group are capitalised and amortised on a straight-line basis over their useful life.

Accordingly, the Group has revised its accounting policy in relation to SaaS arrangements in line with the new guidance. The effect of this change in accounting policy resulted in the derecognition of certain capitalised software costs as a disposal in FY2021 (as reflected in Note 11 - Plant and equipment). Given the quantum of the impact arising from the change in accounting policy, the Group has elected not to restate its comparative financial information.

All expenditure in the current financial year in relation to SaaS arrangements has been assessed under the new guidance and expensed or capitalised as appropriate.

The effects of the following Standards and Interpretations that are issued but not yet effective are not expected to be material:

(i) AASB 2014-10 *Amendments to Australian Accounting Standards: Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* (effective 1 January 2022)

(ii) AASB 2015-10 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128* (effective 1 January 2022)

(iii) AASB 2017-5 *Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections* (effective 1 January 2022)

(iv) AASB 17 *Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards - Insurance Contracts* (effective 1 January 2023)

(v) AASB 2020-1 *Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-Current* (effective 1 January 2022)

(vi) AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments* (effective 1 January 2022)

(vii) AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform - Phase 2* (effective 1 June 2021)

(viii) AASB 2021-2 *Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates* (effective 1 January 2023)

(ix) AASB 2021-3 *Amendments to Australian Accounting Standards - Covid-19-Related Rent Concessions beyond 30 June 2021* (effective 1 April 2021)

30 EVENTS OCCURRING AFTER THE REPORTING PERIOD

A number of JB Hi-Fi and The Good Guys stores have been temporarily closed to customers at various times since 1 July 2021 as a result of Covid-19 restrictions. The majority of these stores have continued to fulfil online and Click-and-Collect orders whilst closed to customers.

There have been no other 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.

The shareholder information set out below was applicable as at 9 August 2021.

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	26,141	7,170,877	6.24
1,001 - 5,000	4,100	8,284,289	7.21
5,001 - 10,000	310	2,139,692	1.86
10,001 - 100,000	145	3,868,271	3.37
100,001 and over	27	93,420,243	81.32
	30,723	114,883,372	100.00

There were 555 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 PTY LIMITED	32,490,524	28.28
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	31,131,401	27.10
3. CITICORP NOMINEES PTY LIMITED	12,204,330	10.62
4. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,666,251	4.93
5. NATIONAL NOMINEES LIMITED	3,260,177	2.84
6. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,038,577	2.64
7. BNP PARIBAS NOMS PTY LTD <DRP>	1,401,876	1.22
8. WARBONT NOMINEES PTY LTD <SETTLEMENT ENTREPOT A/C>	488,000	0.42
9. WOODROSS NOMINEES PTY LTD	475,915	0.41
10. BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	360,034	0.31
11. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	291,991	0.25
12. BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	284,455	0.25
13. AMP LIFE LIMITED	272,019	0.24
14. CPU SHARE PLANS PTY LIMITED	255,149	0.22
15. 3RD WAVE INVESTORS PTY LTD	250,000	0.22
16. BNP PARIBAS NOMINEES PTY LTD <IOOF INSTMT MGT LTD DRP>	190,914	0.17
17. SCCASP HOLDINGS PTY LTD <H & R SUPER FUND A/C>	175,400	0.15
18. BUTTONWOOD NOMINEES PTY LTD	165,626	0.14
19. JEREMY AND LYNETTE KING SUPERANNUATION PTY LTD	150,000	0.13
20. BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	143,373	0.12
	92,696,012	80.66

C. Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares	*Number held*	*Voting Power %*
AustralianSuper Pty Ltd	12,741,156	11.09
Blackrock	7,384,822	6.43
The Vanguard Group	6,957,042	6.06
Magellan Financial Group	6,948,678	6.05

	Number on issue	*Number of holders*
D. Unquoted equity securities		
Employee share options issued under the Company's share option plans	782,415	163

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COMPANY SECRETARY

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