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J B **HI-FI**

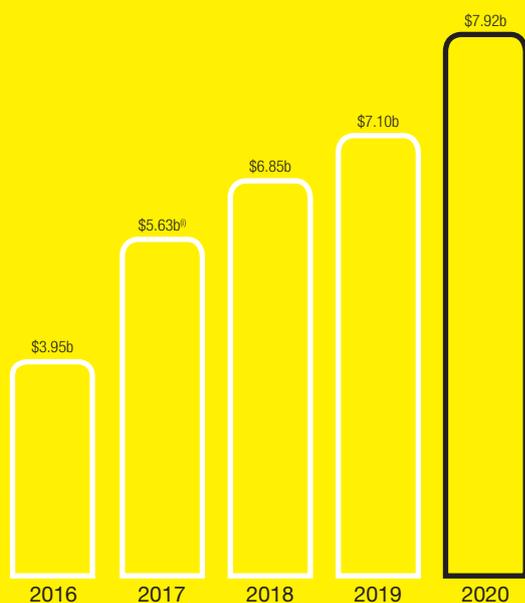
ANNUAL REPORT
2020

Financial Summary

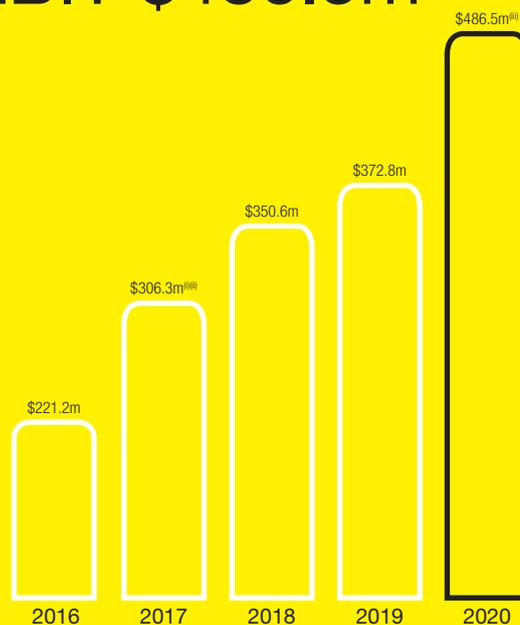
FINANCIAL PERFORMANCE

	2016 Statutory	2017 ⁽ⁱ⁾ Underlying ⁽ⁱⁱ⁾	2018 Statutory	2019 Statutory	2020 Statutory	2020 Underlying ⁽ⁱⁱⁱ⁾	Growth Underlying
Sales	\$3.95b	\$5.63b	\$6.85b	\$7.10b	\$7.92b	\$7.92b	11.6%
EBIT	\$221.2m	\$306.3m	\$350.6m	\$372.8m	\$483.2m	\$486.5m	30.5%
NPAT	\$152.2m	\$207.7m	\$233.2m	\$249.8m	\$302.3m	\$332.7m	33.2%
Earnings per share	153.8cps	186.0cps	203.1cps	217.4cps	263.1cps	289.6cps	33.2%
Total dividend - fully franked	100.0cps	118cps	132cps	142cps	189cps	189cps	33.1%

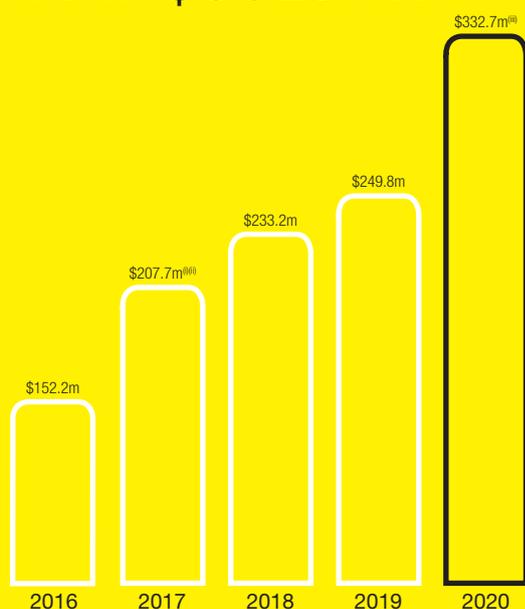
Sales \$7.92b



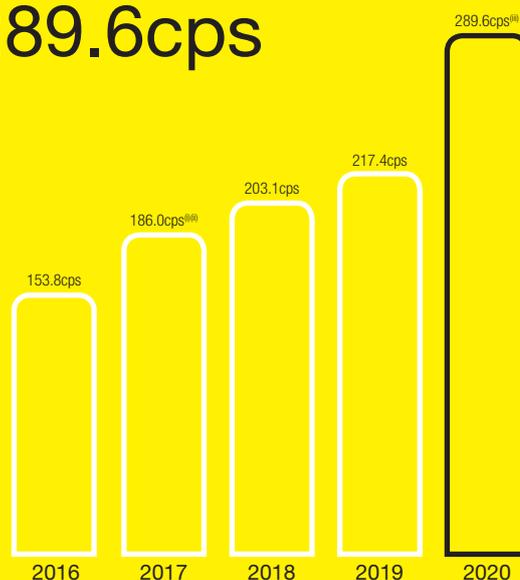
EBIT \$486.5m



NPAT \$332.7m



Earnings per share
289.6cps



- (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 totalling \$22.4m associated with the acquisition of The Good Guys in November 2016 and \$15.8m of fixed asset and goodwill impairments in New Zealand.
- (iii) 2020 underlying results exclude the impact of AASB 16 Leases and impairment of New Zealand plant and equipment, right-of-use assets and deferred tax balances totalling \$24.0m AUD (post tax).

Chairman's and Group Chief Executive Officer's Report

Dear fellow shareholder,

FY20 has been a strong year in the most challenging of times for JB Hi-Fi Limited and its subsidiaries (the "Group"). We were pleased to report strong sales and earnings for the year ended 30 June 2020 and importantly, we provided customers with the products they required as they spent time working and learning at home as well as upgrading their home appliances and entertainment products, and kept our team members in jobs with an absolute focus on health and safety.

Covid-19 Update

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 Covid-19.

The health, safety and wellbeing of our team members, customers, business partners and the wider community was, and remains, the Group's highest priority.

The Group was pleased with how its businesses adapted to the challenges presented by the virus and resulting restrictions, including how its online and supply chain operations scaled and maintained a high level of customer service and on-time delivery during a period of significantly increased volume.

We would like to again thank our almost 13,000 team members who did an incredible job in meeting the extraordinary challenges faced during Covid-19. In recognition of their incredible contribution, in June the Group paid a cash bonus of \$1,000 to each of its full-time customer facing team members (pro-rated for part-timers and casuals) in JB Hi-Fi Australia, The Good Guys and JB Hi-Fi New Zealand.

Chairman Succession

The Group would like to recognise Greg Richards who retired as Chairman of its Board and as a non-executive director on 30 June 2020 after 12 years of service.

Greg made a significant contribution to the growth and performance of the Group during his tenure. On behalf of the Group, we would like to thank Greg for the role that he has played as both a director and as Chairman of the Group. We wish him all the best for the future.

Stephen Goddard was appointed as Chairman of the Board upon Greg's retirement and brings more than 30 years' retail experience having held senior executive positions with some of Australia's best-known retailers.

Stephen is looking forward to his role as Chairman and continuing the focus on delivering sustainable long-term growth for shareholders.

Passing of Wai Tang

It is with deep sadness and sincere condolences that the Group acknowledges the passing of Wai Tang. Wai was appointed to the Board in September 2015 and retired in February 2020 shortly before passing away.

Wai's passion for retail was evident through her time on the Board, particularly her ongoing focus on the Group's digital channels, customer experience and supply chain. She made a significant contribution to the Group and is greatly missed.

Wai is survived by her husband Kee, and our thoughts are with Kee and their families.

Group Overview¹

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 314 store network, online and phone offerings, and through our commercial channels, JB Hi-Fi Solutions and The Good Guys Commercial.

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

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

The Group achieved sales of \$7.9 billion in FY20, up 11.6% on the prior year. Underlying EBIT was up 30.5% to \$486.5 million and Underlying NPAT was up 33.2% to \$332.7 million (Statutory NPAT up 21.0% to \$302.3 million). Underlying Earnings per share was up 33.2% to 289.6 cents per share and the total dividend for FY20 was up 33.1% or 47 cents per share to 189 cents per share.

¹ The Group adopted the new Accounting Standard AASB 16 Leases on 1 July 2019 and, accordingly, FY20 Statutory Results have been prepared in accordance with the new standard. The Group used the modified retrospective approach when adopting AASB 16 and, as a result, prior period comparatives were not restated. FY20 Statutory NPAT also includes a \$24.0m AUD (post tax) non-cash write-off of certain JB Hi-Fi New Zealand assets ("NZ impairment"). Unless otherwise stated, all results disclosed in this Chairman's and Group Chief Executive Officer's Report are underlying results and exclude the impact of AASB 16 and the NZ impairment.

Brand Overview¹*JB Hi-Fi Australia*

JB Hi-Fi Australia total sales grew by 12.5% to \$5.32 billion, with comparable sales up 12.2%. Sales momentum was strong through the year and accelerated in Q4 as customers spent more time working, learning and seeking entertainment at home. Online sales grew 56.6% to \$404.0 million or 7.6% of total sales, with Q4 sales up 155.2%.

Gross profit increased by 11.7% to \$1.17 billion resulting in a gross margin of 22.0%. CODB was 14.1%, down 80 bps on the prior year. The business's low CODB remains a competitive advantage and is maintained through a continued focus on productivity, minimising unnecessary expenditure and leveraging scale.

Elevated sales growth and cost control more than offset the additional operating costs associated with ensuring that team members and customers remained safe during Covid-19 and resulted in strong earnings growth. EBIT was up 26.2% on the pcp to \$380.8 million with EBIT margin up 78 bps to 7.2%.

JB Hi-Fi New Zealand

Total sales were down 5.7% to NZD222.8 million, with comparable sales down 5.7%. Q4 sales were materially impacted by the temporary closure of stores as a result of the New Zealand Government restrictions. Online sales in New Zealand grew 53.3% to NZD20.4 million, or 9.1% of total sales, with Q4 sales up 145.0%.

Gross margins declined 75 bps to 16.5% and CODB was 16.6%, down 14 bps on the pcp. EBIT was (NZD1.9 million), in line with last year as the impact of the temporary store closures was offset by the wage subsidy received from the New Zealand Government and reductions in depreciation.

The Group is focussed on continuing to improve performance in New Zealand however, as a result of past performance and the ongoing uncertainty arising from the current environment, in FY20 the Group reviewed the carrying value of certain JB Hi-Fi New Zealand assets. This review resulted in a one off NZD25.6 million (AUD 24.0 million) non-cash, post tax impairment.

The Good Guys

Total sales grew by 11.2% to \$2.39 billion, with comparable sales up 10.8%. Sales momentum improved through the year and accelerated in Q4 as customers spent more time working and learning at home as well as upgrading their home appliances and entertainment products.

Online sales were up 33.0% to \$174.2 million or 7.3% of total sales, with Q4 sales up 91.3% as strong sales on The Good Guys website were partially offset by a decline in third party marketplace sales.

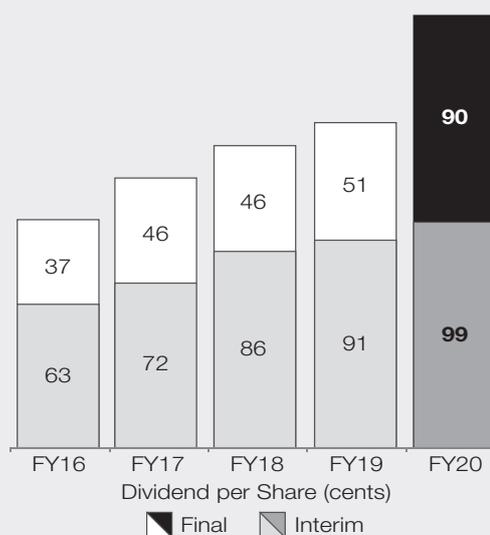
Gross profit was \$490.2 million whilst gross margin was down 9 bps to 20.5%, with sales mix offsetting gross margin improvements. CODB was 15.4%, down 121 bps as store wages remained well controlled throughout the year. Strong operating leverage from the elevated sales growth and cost control drove strong EBIT growth. EBIT was up 47.8% on the pcp to \$107.8 million with EBIT margin up 112 bps to 4.5%.

Group Balance Sheet, Capital Management and Dividends

The balance sheet continued to grow in strength with relatively low financial and operating leverage, evidenced by our solid fixed charges cover of 3.4 times, gearing of 0.0 and interest cover of 40.4 times.

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

The Board declared a final dividend of 90 cents per share fully franked, up 76.5% on the prior year, bringing the total dividend for FY20 to 189 cents per share, up 33.1% or 47 cents per share on the prior year. The Board believes that the dividend payout ratio of 65% appropriately balances the distribution of profit to shareholders, the repayment of debt and the reinvestment of earnings for future growth.

Final dividend up 76.5% to 90 cps

Generating sustainable long-term growth

The Board recognises the importance of environmental, social and governance matters to our shareholders, suppliers and customers.

In FY20 the Group adopted a Sustainability Plan, outlining the Group's commitment to having a positive impact on its people, its community and its environment.

The Group is committed to:

- developing its 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 its team members live and work; and
- minimising the impact of waste and greenhouse gases generated by its operations on the natural environment.

The Group released its first Sustainability Report which can be found on the Group's investor website (<https://investors.jbhifi.com.au/>) and is pleased with the progress made to date and the overwhelmingly positive response from its team members.

Board and Management Approach

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

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

Outlook

While the Group is pleased with its start to FY21 and current trading, in view of the uncertainty arising from Covid-19, the Group does not currently consider it appropriate to provide FY21 sales guidance.

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

The key success drivers of the Group continue to be having the biggest range and the lowest prices, supported by a talented and enthusiastic team of almost 13,000 team members across Australia and New Zealand. Our team members are our number one asset and our most important competitive advantage, their dedication and knowledge continues to delight our customers everyday. We look forward to another successful year in FY21.



Stephen Goddard
Chairman



Richard Murray
Group Chief Executive Officer

25 August 2020

Annual Report

for the financial year ended **30 June 2020**

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GOVERNANCE STATEMENT

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 first Sustainability Report to the ASX, setting out the Company’s approach to such matters, 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 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (the “ASX Recommendations”); and
- during the 2020 financial year, the Company has been compliant with the spirit of the principles contained in the ASX Recommendations.

The Company is currently reviewing its policies and practices in view of the release of the 4th edition of the ASX Corporate Governance Council Principles and Recommendations, noting that compliance with the 4th edition is required for FY2021 onwards.

This Corporate Governance Statement has been approved by the Board and is effective as at 17 August 2020.

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 experience
- Retail expertise and experience, both physical and online/digital
- Operational Management expertise and experience
- Financial expertise
- Property expertise
- Mergers & Acquisitions expertise and experience
- Governance expertise and experience
- Other board experience
- Experience in setting executive remuneration
- Risk Management expertise and experience

The Company maintains a majority of non-executive directors on its Board. The Board currently comprises six directors, being five 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 each of the GPT Wholesale Shopping Centre Fund and Kiwi Property Group Limited have ownership interests in shopping centres in which the Company currently leases stores. The Board is of the opinion that Beth and Mark are independent directors on the basis that individual leasing arrangements at the Company, 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.

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 has adopted a program for periodically reviewing 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 has an induction program for new directors.

BOARD COMMITTEES

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

Audit and Risk Management Committee

The Board has established an Audit and Risk Management Committee.

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

- oversight of the reliability, 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; and
- review of the Group's policies on risk oversight and management, and in discharging its responsibility to satisfy itself that an adequate and sound system of risk management and internal control has been implemented to manage the material risks affecting the Group's businesses, including compliance with all applicable laws.

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

During the 2020 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: Ongoing member and Chair of Committee;
- Mark Powell: Ongoing member of Committee;
- Melanie Wilson: Ongoing member of Committee since 3 June 2020;
- Stephen Goddard: Member of the Committee until 30 June 2020; and
- Wai Tang: Member of the Committee until 14 February 2020.

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 2020 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 established a Remuneration and Nominations Committee. Prior to 23 April 2020, the Committee was known as the Remuneration Committee, with the Board itself being responsible for the activities set out in the second bullet point below.

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 2020 financial year, the Remuneration and Nominations Committee comprised the following directors, each of whom are considered by the Company to be independent:

- Stephen Goddard: Ongoing member (since 20 January 2020) and Chair of Committee (since 1 July 2020);
- Beth Laughton: Ongoing member of Committee;
- Mark Powell: Ongoing member of Committee since 3 June 2020;
- Greg Richards: Member of the Committee and Chair of the Committee until 30 June 2020; and
- Wai Tang: Member of the Committee until 14 February 2020.

The Remuneration and Nominations Committee meets as required. Details of the meetings held and members' attendance during the 2020 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 FY2020.

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 FY2020.

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 launched 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 (<https://investors.jbhifi.com.au/>).

SAFETY

The Group is committed to providing a healthy and safe work environment for all its team members, contractors, customers and visitors. Detail 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 (<https://investors.jbhifi.com.au/>).

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

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

- (a) the financial records of the consolidated entity (consisting of the Company and the entities it controlled for the financial year ended 30 June 2020) for the financial year have been properly maintained in accordance with section 286 of the Corporations Act;
- (b) the financial statements for the financial year and the notes required by the accounting standards give a true and fair view of the consolidated entity's financial position and performance, and comply with the accounting standards;
- (c) the statements in (a) and (b) above are founded on a sound system of risk management and internal control which is operating effectively; and
- (d) subsequent to 30 June 2020, no changes or other matters have arisen that would have a material effect on the operation of the risk management and internal control systems of the Group.

The Company's financial statements are subject to an annual audit by an independent, professional auditor who also reviews the Company's half yearly financial statements. The Audit and Risk Management Committee oversees this process on behalf of the Board. Deloitte has been the Company's external auditor since 2002. The audit engagement partner is rotated every five years.

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

CONTINUOUS DISCLOSURE

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

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

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

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 executives;
- Board and Board Committee charters and other corporate governance documents;
- a calendar of forthcoming key dates such as the date of results releases and the Company's AGM;
- a summary of the Company's dividend policy and its dividend payment history; and
- details of how investors can contact the Company and its share registry.

Shareholders can elect to receive communications from, 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 previous years this has been held in Melbourne with shareholders who are unable to attend being able to appoint a proxy to attend and vote or, alternatively, vote electronically in advance of the Meeting. All resolutions at the Meeting are decided by a poll rather than a show of hands.

The Company ensures that the external auditor attends its Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report. In view of restrictions arising from Covid-19, the Company will hold its 2020 AGM as a "virtual" meeting via an online platform which will be webcast live with shareholders able to submit questions either in advance or during the meeting.

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 2019.

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 first Sustainability Report to the ASX. The Sustainability Report can be found on the Company's investor website (<https://investors.jbhifi.com.au/>). 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), and through its commercial business.

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 actively encourage enhanced, Board and management effectiveness.

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

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

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

Directors may also discuss the Chair's performance with the Chair of the Company's Audit 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 Board, Board Committees, individual directors and Group executives has been conducted in respect of the 2020 financial year.

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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.

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DIRECTORS' 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 2020. In order to comply with the provisions of the *Corporations Act 2001*, the Directors report as follows:

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

<i>Name</i>	<i>Particulars</i>
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 JB Hi-Fi 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. 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, an 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. He is also involved on a voluntary basis on the boards of several not-for-profit organisations.
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 on 3 June 2020 and is a member of the Audit and Risk Management Committee. Melanie gained extensive experience in senior 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 Ltd and 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 on 1 July 2014 having been appointed to the Board in June 2012. Richard has 25 years' experience in retail and finance. He joined JB Hi-Fi as CFO in 2003 and took the business through the IPO process. Prior to this Richard worked with Deloitte for 10 years. He is currently Chairman of Workplace Giving Australia's Leadership Group, which aims to encourage Australian businesses to set up workplace giving programs.

Mr Greg Richards
Former Chairman and Non-Executive Director
B.Ec (Hons)

Greg was appointed to the Board in December 2007 and retired on 30 June 2020. Greg was Chairman of the Board and the Remuneration Committee from June 2012 until his retirement. Greg was Chairman of the Audit and Risk Management Committee from February 2010 – May 2012.

Ms Wai Tang
Former Non-Executive Director
BAppSC, MBA, GAICD

Wai was appointed to the Board in September 2015 and retired on 14 February 2020 due to illness, shortly before passing away on 16 February 2020. Wai was a member of the Company's Audit and Risk Management Committee and Remuneration Committee.

It is with deep sadness and sincere condolences that the Company acknowledges Wai's passing. Wai's passion for retail was evident through her time on the Board, particularly her ongoing focus on the Group's digital channels, customer experience and supply chain. She made a significant contribution to the Group and is greatly missed.

Each of the aforementioned directors held office for the whole financial year and since the end of the financial year other than Melanie Wilson, Greg Richards and Wai Tang as set out above.

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:

<i>Name</i>	<i>Company</i>	<i>Period of Directorship</i>
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 13 December 2018
Mark Powell	Kiwi Property Group Limited (NZX)	Since October 2017
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
Wai Tang (non-executive director until 14 February 2020)	Vicinity Limited	May 2014 – February 2020
	Ovato Limited	October 2017 – February 2020
	Metcash Limited	August 2019 – February 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

Following the Victorian Government's announcement of stage 4 restrictions in metropolitan Melbourne, 46 JB Hi-Fi stores and 21 The Good Guys stores were temporarily closed to customers from 6th of August for a minimum period of 6 weeks.

Following the New Zealand Government's re-introduction of alert level 3 restrictions in Auckland, 7 JB Hi-Fi New Zealand's stores were temporarily closed to customers from midday 12th of August for a minimum period of 2 weeks.

In metropolitan Melbourne and Auckland, the Group's online and commercial operations continue to trade with fulfillment via contactless click and collect and home delivery from its store network and warehouses.

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 2019, as detailed in the Directors' Report for that financial year, an interim dividend of 91.0 cents per share and a final dividend of 51.0 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 8 March 2019 and 6 September 2019 respectively.

In respect of the financial year ended 30 June 2020, an interim dividend of 99.0 cents per share was paid to the holders of fully paid ordinary shares on 6 March 2020 and the directors have declared the payment of a final dividend of 90.0 cents per share to be paid to the holders of fully paid ordinary shares on 11 September 2020. Both dividends are franked to 100% at the 30% corporate income tax rate. The total dividend for the financial year of 189 cents per share represents a payout ratio of approximately 65% of the underlying net profit after tax of \$332.7 million (as set out on page 20).

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.

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Directors' meetings

The following table sets out the number of directors' meetings (including meetings of Committees of directors) held during the 2020 financial year and the number of meetings attended by the members of the Board or the relevant Committee. During the financial year, 19 Board meetings, 5 Remuneration and Nominations Committee meetings and 6 Audit and Risk Management Committee meetings were held.

Directors	Board of Directors		Remuneration and Nominations Committee		Audit and Risk Management Committee	
	Held	Attended	Held	Attended	Held	Attended
S. Goddard	19	19	3	3	6	6
B. Laughton	19	19	5	5	6	6
M. Powell	19	19	–	–	6	6
R. Uechtritz	19	19	–	–	–	–
M. Wilson (apptd 3/6/20)	2	2	–	–	–	–
R. Murray	19	19	–	–	–	–
G. Richards (retd 30/6/20)	19	19	5	5	–	–
W. Tang (retd 14/2/20)	13	10	3	2	4	3

Directors' shareholdings

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

Directors	Fully paid ordinary shares			Executive share options		
	Direct number	Indirect number	Total	Direct number	Indirect number	Total
S. Goddard	4,500	–	4,500	–	–	–
B. Laughton	5,804	–	5,804	–	–	–
M. Powell	3,000	–	3,000	–	–	–
R. Uechtritz	4,816	–	4,816	–	–	–
M. Wilson	–	–	–	–	–	–
R. Murray ⁽ⁱ⁾	151,723	2,304	154,027	111,793	–	111,793

(i) Excludes any restricted shares that may be granted by the Board in October 2020 pursuant to achievement of incentives under the Company's Variable Reward Plan.

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 FY2020 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 FY2020 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 30 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

17 August 2020



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 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) and musical instruments.

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 (195 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 2020), 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, JB Hi-Fi Solutions and The Good Guys Commercial.

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 ~21.4%) 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 FY2020 – HIGHLIGHTS

The statutory results for FY2020 reflect the adoption of the new Accounting Standard AASB 16 *Leases*. The Group has adopted AASB 16 using the modified retrospective approach and, as a result, prior period comparatives have not been restated. The “Pre AASB 16” FY2020 results disclosed below are pre application of AASB 16 and exclude the impact of AASB 16. A reconciliation between “Statutory” and “Pre AASB 16” FY2020 results is set out in Note 31(e) to the financial statements.

Following the ongoing challenging performance of the JB Hi-Fi New Zealand business and the expected continuing uncertainty, a non cash impairment of New Zealand plant and equipment, right-of-use assets and deferred tax balances totalling \$24.0m AUD (post tax) was recognised in the current year. A breakdown of the NZ Impairment is set out in Note 6 to the financial statements.

The “Statutory” and “Pre AASB 16” FY2020 results disclosed below include the impairment of these JB Hi-Fi New Zealand assets (“NZ impairment”). The “Underlying” FY2020 results disclosed below exclude the impact of AASB 16 and the NZ impairment to allow for prior period comparisons.

Unless otherwise stated, all commentary in this Operating and Financial Review is based on the “Underlying” results.

	<i>FY2020 (Statutory)</i>	<i>FY2020 (Pre AASB 16)</i>	<i>FY2020 (Underlying)</i>	<i>FY2019</i>	<i>Growth (Underlying)</i>	
Total Sales (\$m)	7,918.9	7,918.9	7,918.9	7,095.3	823.6	+11.6%
Earnings before interest and tax (\$m)	483.2	466.7	486.5	372.8	113.6	+30.5%
Net profit after tax (\$m)	302.3	308.7	332.7	249.8	82.9	+33.2%
Earnings per share (basic ¢)	263.1	268.7	289.6	217.4	+72cps	+33.2%
Dividend per share (¢)	189.0	189.0	189.0	142.0	+47cps	+33.1%

Total sales grew by 11.6% to \$7,918.9 million, with Australian sales accelerating from March as customers spent more time working and learning at home, as well as upgrading their home appliances and entertainment products. New Zealand sales were impacted by the temporary closure of stores from March through to April. Total online sales across the Group grew by 48.8% to \$597.5 million, representing 7.5% of total sales, with fourth quarter sales up 134.3%.

Underlying EBIT grew 30.5% to \$486.5m, with strong operating leverage from the elevated sales growth and disciplined cost control more than offsetting the investment in additional operating costs associated with ensuring team members and customers remained safe during Covid-19. Underlying net profit after tax grew by 33.2% to \$332.7 million, with statutory net profit after tax up 21.0% to \$302.3 million. Underlying earnings per share were up 33.2% to 289.6 cps. Dividends per share are up 47 cps or 33.1% to 189.0 cps, with the final dividend of 90.0 cps up 39.0 cps or 76.5%.

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.

As a result of the virus, the Group invested in additional measures to protect the health and safety of all people who worked in or visited its premises, including:

- additional and intensive cleaning of all stores, offices and distribution centres;
- customer store traffic limits and management processes;
- social distancing practices in high traffic areas such as counter queues;

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- cashless transactions;
- installation of protective screens at store counters and distribution centres;
- installation of hand sanitiser stations at store entrances;
- temperature testing for employees in Victoria;
- restricting travel and meetings;
- the adoption of flexible working arrangements, including remote working for all support office employees; and
- support for team members health and wellbeing through the Group's employee assistance programs.

Performance across the JB Hi-Fi Australia 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 retail and commercial 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, and essential home appliances for food storage and preparation. The Group was pleased with 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.

In response to the shift in foot traffic away from airports, CBD locations and tier one shopping centres caused by Covid-19, the JB Hi-Fi Australia business temporarily closed three airport stores and seven stores in CBD locations from early April 2020. As at 30 June 2020, seven of these stores remained closed. Team members from these locations were redeployed across the store network. All of The Good Guys stores remained open throughout the year. No employees were stood down in Australia as a result of the virus.

As announced on 26 March 2020, following the New Zealand Government's introduction of alert level 4 restrictions that limited all 'non-essential' businesses, JB Hi-Fi New Zealand's 14 stores, online and commercial operations were closed on the 26 March 2020. Between 2 April 2020 and the re-opening of stores in mid-May 2020, the New Zealand stores continued to service customers online to the extent permitted by government restrictions. While the majority of JB Hi-Fi New Zealand workers were unable to work at this time, the business paid almost all team members 100% of their base pay entitlements during this period in addition to the bonus detailed below.

The Group provided a cash bonus of \$1,000 to each of its full-time customer facing team members (pro-rated for part-timers and casuals) in JB Hi-Fi Australia, The Good Guys and JB Hi-Fi New Zealand, in recognition of the incredible contribution they have made during Covid-19 to date.

The Group did not receive any Australian Government Covid-19 subsidies. The Group received NZ\$3.0 million from the New Zealand Government's wage subsidy scheme.

DIVISIONAL PERFORMANCE

JB Hi-Fi Australia

	<i>FY2020⁽ⁱ⁾</i> <i>(Underlying)</i>	<i>FY2019</i>	<i>Growth</i> <i>(Underlying)</i>
Total Sales (\$m)	5,318.9	4,726.0	+12.5%
Gross Profit (\$m)	1,169.0	1,046.2	+11.7%
Gross Margin (%)	21.98%	22.14%	(16 bps)
Cost of Doing Business (%)	14.09%	14.89%	(80 bps)
EBITDA (\$m)	419.5	342.3	+22.6%
EBITDA Margin (%)	7.89%	7.24%	+65 bps
EBIT (\$m)	380.8	301.7	+26.2%
EBIT Margin (%)	7.16%	6.38%	+78 bps
Stores (#)	195	196	(1 stores)

(i) Underlying FY2020 results exclude the impact of AASB 16.

Total sales were up 12.5% to \$5,318.9 million (FY2019: \$4,726.0 million) with comparable sales growth up 12.2%. Sales momentum was strong through the year but accelerated in the fourth quarter as customers spent more time working, learning and seeking entertainment at home.

Hardware and services sales (all sales excluding Music, Movies and Games Software categories) were up 15.1% for the financial year, with comparable sales up 14.6%, driven by the Communications, Audio, Computers, Visual and Small Appliances categories. Software sales were down 12.1%, and on a comparable basis were down 11.7%, as a result of continued declines in the Movies and Music categories and a decline in the Games Software category as the business cycled strong new release titles in the prior year. By value, software sales represent 7.3% of total sales (FY2019: 9.3%).

Online sales in Australia grew 56.6% (FY2019: 23.0%) to \$404.0 million or 7.6% of total sales (FY2019: 5.5%) with a significant acceleration in the fourth quarter, growing 155.2%. 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 during the fourth quarter while experiencing a significant increase in volumes.

The Commercial business recorded strong growth through the first three quarters of the year, but was impacted in the fourth quarter by the slowdown in business spend.

A continued focus on growing sales and gross profit dollars saw gross profit increase by 11.7% to \$1,169.0 million. Gross margin decreased by 16 bps to 21.98%, driven primarily by sales mix as a result of an acceleration of growth in low margin technology products to support customers living, learning and working from home.

The JB Hi-Fi Australia business' low Cost of Doing Business ("CODB") remains a competitive advantage and is maintained through continued focus on productivity, minimising unnecessary expenditure and leveraging scale. CODB decreased by 80 bps to 14.09%.

Sales growth combined with cost control more than offset the additional operating costs associated with ensuring that team members remained safe during COVID-19 and drove EBITDA growth of 22.6%. Depreciation declined by 4.9% as the business managed its investment in the store network. EBIT was up 26.2% to \$380.8 million, while EBIT Margin was up 78 bps to 7.16%.

JB Hi-Fi New Zealand⁽ⁱ⁾

	FY2020 ⁽ⁱⁱ⁾ (Underlying)	FY2019	Growth (Underlying)
Total Sales (NZ\$m)	222.8	236.2	(5.7%)
Gross Profit (NZ\$m)	36.8	40.8	(9.8%)
Gross Margin (%)	16.54%	17.29%	(75 bps)
Cost of Doing Business (%)	16.57%	16.71%	(14 bps)
EBITDA (NZ\$m)	(0.1)	1.4	(105.3%)
EBITDA Margin (%)	(0.03%)	0.58%	(61 bps)
EBIT (NZ\$m)	(1.9)	(1.9)	(1.0%)
EBIT Margin (%)	(0.85%)	(0.80%)	(6 bps)
Stores (#)	14	14	–

(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) Underlying FY2020 results exclude the impact of AASB 16 and the NZ impairment, of which NZ\$21.1m is included in EBIT.

Total sales were down 5.7% to NZ\$222.8 million, with comparable sales down 5.7%. The fourth quarter sales in New Zealand were materially impacted by the temporary closure of stores resulting from the New Zealand Government restrictions.

The key growth categories were Communications, Small Appliances, Accessories and Fitness. Online sales in New Zealand grew 53.3% to NZ\$20.4 million or 9.1% of total sales (FY2019: 5.6%) with a significant acceleration in the fourth quarter, growing 145.0%.

Gross margin was down 75 bps on FY2019 to 16.54% due to sales mix. CODB was down 14 bps on FY2019 to 16.57%, as store wages remained well controlled and were supported by the New Zealand Government wage subsidy scheme. In absolute terms CODB declined 6.5% on FY2019.

EBITDA was -NZ\$0.1 million, down NZ\$1.5 million or 105.3%, driven by the sales and gross margin declines. Depreciation declined by 43.6%, as the business managed its investment in the store network and cycled impairments in the prior year. EBIT was -NZ\$1.9 million in line with FY2019.

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The Good Guys

	FY2020 ⁽ⁱ⁾ (Underlying)	FY2019	Growth (Underlying)
Total Sales (\$m)	2,388.8	2,147.9	+11.2%
Gross Profit (\$m)	490.2	442.7	+10.7%
Gross Margin (%)	20.52%	20.61%	(9 bps)
Cost of Doing Business (%)	15.42%	16.63%	(121 bps)
EBITDA (\$m)	121.8	85.5	+42.4%
EBITDA Margin (%)	5.10%	3.98%	+112 bps
EBIT (\$m)	107.8	72.9	+47.8%
EBIT Margin (%)	4.51%	3.40%	+112 bps
Stores (#)	105	105	–

(i) Underlying FY2020 results exclude the impact of AASB 16.

Total sales grew by 11.2% to \$2,388.8 million (FY2019: \$2,147.9 million) with comparable sales growth up 10.8%. Sales momentum improved throughout the year, and accelerated in quarter four as customers spent more time working and learning from home and upgrading their home appliances and entertainment products.

The key growth categories for FY2020 were Portable Appliances, Floorcare, Laundry, Computers and Televisions.

Online sales for FY2020 were up 33.0% to \$174.2 million or 7.3% of total sales (FY2019: 6.1%), with fourth quarter sales up 91.3% with strong sales on The Good Guys website partially offset by a decline in third party marketplace 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 during the fourth quarter while it experienced a significant increase in volumes.

Gross profit for FY2020 was up 10.7% to \$490.2 million from \$442.7 million in FY2019, whilst gross margin was down 9 bps to 20.52% (FY2019: 20.61%) with sales mix offsetting gross margin improvements.

CODB for FY2020 was down 121 bps to 15.42% and in absolute terms grew 3.2% on FY2019 as store wages remained well controlled throughout the year.

Strong operating leverage from the elevated sales growth and cost control drove strong EBITDA growth of 42.4%. Depreciation grew by 11.1%, driven by the continued investment in the store upgrade program and accelerated depreciation and impairment of an underperforming store. EBIT was up 47.8% to \$107.8 million from \$72.9 million in the previous financial year, while EBIT Margin was up 112 bps to 4.51%.

GROUP BALANCE SHEET, CAPITAL MANAGEMENT AND DIVIDENDS

The Group's total net assets at the end of the financial year were \$1,105.7 million, which was \$61.6 million higher than at the end of FY2019.

Following the uncertainty created by the Covid-19 pandemic, the Group increased its existing trade finance facility by \$60.0 million to \$200.0 million, which is renewable annually, and obtained an additional trade finance facility of \$200.0 million which expires in December 2020. The Group has maintained its overdraft facilities of \$50.0 million and NZ\$10.0 million which are renewable annually. Following strong trading throughout the last quarter of FY2020, in June 2020 the Group reduced its term debt facilities by \$60.0 million to \$380.0 million.

The Group now has \$839.3 million total facilities as follows, all of which were undrawn as at 30 June 2020:

- \$200.0 million trade finance facility with an expiry date of December 2020;
- \$200.0 million trade finance facility renewable annually;
- \$50.0 million and NZ\$10.0 million overdraft facilities renewable annually (total AU\$59.3 million);
- \$242.0 million term debt facility with an expiry date of July 2021; 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 no interest bearing liabilities and cash on hand of \$251.5 million resulting in net cash of \$251.5 million, compared to net debt of \$319.9 million in the prior year. The significant improvement in the Group's net debt/net cash position in the financial year has been a result of the Covid-19 pandemic, which has driven strong sales and constrained stock supply causing a significant shift in the working capital balances as detailed below.

The total dividend for the 2020 financial year of 189.0 cents per share represents a payout ratio of approximately 65% of the full year underlying earnings. The Board currently believes a 65% dividend payout ratio appropriately balances the distribution of profit to shareholders, the repayment of debt and reinvestment of earnings for future growth.

The final dividend for the 2020 financial year of 90.0 cents per share fully franked will be paid on 11 September 2020 with a record date of 28 August 2020.

AASB 16 LEASES

AASB 16 *Leases*, which requires most operating leases to be recognised on balance sheet, was adopted by the Group on 1 July 2019. As the Group's store network is operated from leased premises, these leases are now recognised on balance sheet and this has significantly impacted the reported results for the 2020 financial year.

Note 16 of the financial statements provides further details of the impact of AASB 16 *Leases* on the Group.

INVESTMENTS FOR FUTURE PERFORMANCE

Investments of \$43.1 million were made during the financial year in capital expenditure projects, a decrease of \$16.2 million from \$59.3 million during the previous financial year. Capital expenditure was down on FY2019 as fourth quarter store capital initiatives were impacted by accessibility issues resulting from the social distancing restrictions implemented due to Covid-19.

The Group's investing activities are anticipated to contribute towards earnings growth in FY2021 and beyond.

WORKING CAPITAL

Total inventory on hand decreased from the previous financial year by \$147.4 million, due to supply shortages arising from heightened consumer demand. Inventory turnover was up 139 bps to 7.7 times from 6.3 times in FY2019.

Payables were up in FY2020 due to the increased purchasing of inventory late in quarter four, required to meet heightened customer demand and replenish inventory levels. Payment terms with suppliers and partners have been maintained consistent with FY2019, all suppliers have continued to be paid in line with their payment terms and in full and on time.

Receivables were down year on year as a result of actively managing outstanding receivables and supplier claims, in order to improve the liquidity position during Covid-19.

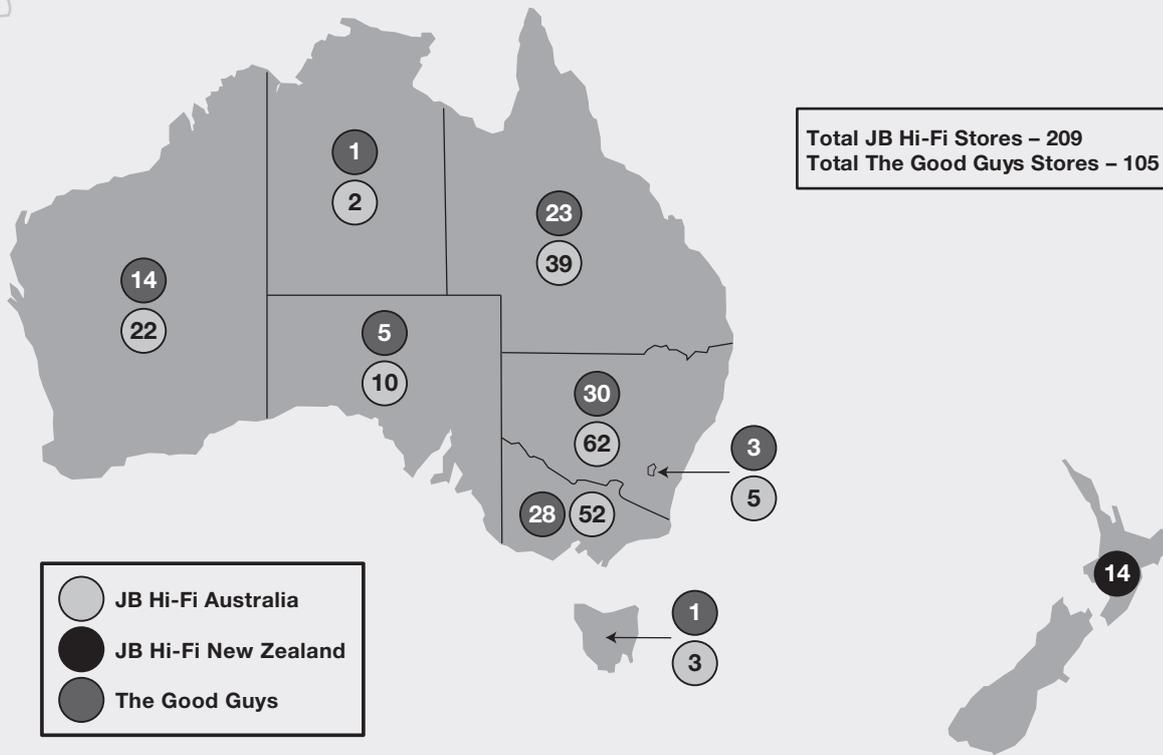
Financial and operating leverage remains low as is evidenced by solid fixed charges cover of 3.4 times (FY2019: 3.0 times) and interest cover of 40.4 times (FY2019: 26.1 times). The Company's gearing ratio decreased to 0.0 (FY2019: 1.0) as there were no borrowings at 30 June 2020.

The Group had net cash of \$251.5 million at 30 June 2020, however net debt is expected to normalise when inventory availability improves and inventory can be replenished.

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 2020 are set out below.



In Australia, 3 new JB Hi-Fi stores were opened and four were closed in FY2020. There were no JB Hi-Fi New Zealand or The Good Guys stores opened or closed in during FY2020.

SUPPLY CHAIN

The Group commenced the consolidation of 18 “bulky goods” distribution centres, several of which were operated by third parties, into Home Delivery Centres (HDCs) operated by the Group. In FY2020, HDCs have been opened in Sydney, Melbourne and Brisbane, allowing the Group to close 8 distribution centres in these locations.

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 FY2020.

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 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. Additionally, The Good Guys Business has won the Canstar Blue Most Satisfied Customers Electronic Retailers Award every year from 2011 to 2019. 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 and high levels of customer service. The Group seeks to mitigate this risk through careful monitoring of its competitors' pricing and market share data, senior management monitoring of customer complaints, and use of customer service and engagement analytics;
 - a major information security breach of the Group's IT systems. The Group seeks to mitigate this risk through investment in IT security measures, including incident response planning and testing;
 - a major workplace health and safety incident or customer injury. The Group seeks to mitigate this risk through having appropriate occupational health and safety procedures 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. The Group seeks to mitigate this via its sustainability and corporate social responsibility initiatives under its Group Sustainability Framework.
- 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 FY2020, the Group's diverse store portfolio (including its online stores) meant that the Group was able to respond to changes in consumer behaviour brought about by Covid-19, as foot traffic shifted way from CDB 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 and, following the launch of new online platform for JB Hi-Fi Australia, the business will focus on leveraging this new platform and building on its 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.
- Acquisition of The Good Guys business – if the acquisition of The Good Guys business does not deliver the expected outcomes for the Group. For example, The Good Guys business does not, itself, perform as expected or the acquisition has an adverse effect on the performance of the Group.
- 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.
- JB Hi-Fi New Zealand business - if the performance of the JB Hi-Fi New Zealand business does not improve, 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 15.6% over the past 5 years to 30 June 2020), and rising energy costs. However, the increasing scale of the Group's operations continues to deliver cost reductions which mean that higher wage costs can be offset to some extent by cost reductions in other areas.
- Leasing arrangements – the ability to identify suitable sites and negotiate suitable leasing terms for new and existing stores is key to the Group's ongoing growth and profitability. The Group believes that it will continue to be able to do this as it has done successfully to date.
- Loss of, or inability to attract and retain, key staff – the Group's ability to attract and retain talented staff is critical to its operating and financial performance. In recognition of this, succession planning and executive/senior management team composition is a key focus for the Board and Group executive team.
- IT systems – the Group's increasing reliance on IT systems means that outages, disruptions and security breaches could have a detrimental impact on its operating and financial performance, and any failure to maintain and upgrade its IT systems over time has the potential to inhibit the achievement of the Group's business initiatives. To mitigate these risks, the Group has documented disaster recovery processes (including off-site IT back-up infrastructure) and invests in IT security measures. The Group also continues to invest and develop its IT resources and capabilities to support the Group's strategic objectives.

- 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, acquiring additional debt facilities, 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 23 and 24.
- Fraud and corruption – the Group has no history of material fraud or corruption and seeks to minimise the risk of loss arising from fraud and corruption through appropriate policies, procedures and controls.
- Changes to Australian Accounting Standards – the Australian Accounting Standards are set by the Australian Accounting Standards Board (“AASB”). Changes to the Australian Accounting Standards issued by AASB could adversely affect the financial performance and position reported in the Group’s financial statements.
- Litigation/breach of legal or regulatory requirements – legal proceedings and claims may arise from time to time in the ordinary course of the Group’s businesses and may result in high legal costs, adverse monetary judgements and/or damage to the Group’s businesses which could have an adverse impact on the Group’s financial position and financial performance. Additionally, a significant breach of regulatory requirements or laws could adversely impact the Group’s ability to carry on its business. The Group seeks to mitigate this risk through appropriate staff training on key regulatory and legislative requirements relevant to its business, as well as making legal and regulatory compliance a key focus of the management team.

Business Strategies

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

- focus on driving sales across all sales channels – in-store, online 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 FY2021 the businesses will focus, in particular, on the expansion of their Communications and Connected Tech/Appliances categories, and will continue to optimise category space allocation to maintain floor space productivity;
- proactive management of its store portfolio with continued investment in, and optimisation of, the store network to maximise profitability. In FY2021, the JB Hi-Fi business will continue to trial alternate 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. In the longer term, this includes the roll-out of small format JB Hi-Fi stores in selected airport locations;
- enhancement of the Group’s partnerships with major suppliers to extend its capabilities, with a focus for The Good Guys in FY2021 on being the partner of choice for the launch of new products and on continuing to enhance and evolve the offer with improved ranging and the introduction of new brands;
- 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, with a focus in FY2021 on providing an enhanced delivery experience for customers through the use of the Group supply chain capability;
- 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 and drive continued growth in online sales, as evidenced by the successful migration of the JB Hi-Fi website to the Shopify Plus program in FY2020;
- 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 FY2021 being the roll-out of technology to streamline in-store processes, inventory efficiency and the simplification of 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 26 to 28.

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 as follows:

- 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; and
 - establishing key performance indicators and safety targets to monitor and improve performance.
- Diversity and Inclusion – the Group's approach is that Board appointments, employment and advancement decisions should be based on merit, qualifications and competence, and that employment opportunities should not be influenced, affected or limited by discrimination. The Group's Diversity Policy outlines the approach to diversity.
- 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, whilst also providing the policies and processes to build and maintain a safe, respectful and inclusive workplace. The Group surveys its employees periodically to understand the level of employee engagement and to identify opportunities for improvement.
- 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.
- Packaging, Waste and Recycling – the products that the Group sells 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.
- 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-leased cars as well as domestic and international business travel. The Group will adopt the key recommendations of the Task Force for Climate Related Disclosures (TCFD) and implement a strategic plan with measurable targets to reduce carbon emissions over time.

SALES UPDATE AND TRADING OUTLOOK – AS AT 17 AUGUST 2020

July 2020 sales update

- total sales growth for the JB Hi-Fi Australia business in July 2020 was 42.1% (July 2019: 4.1%) with comparable sales growth of 44.2% (July 2019: 3.2%);
- total sales growth for the JB Hi-Fi New Zealand business in July 2020 was 9.1% (July 2019: -0.4%) with comparable sales growth of 9.1% (July 2019: -0.3%); and
- total sales growth for The Good Guys business in July 2020 was 40.4% (July 2019: -2.1%) with comparable sales growth of 40.4% (July 2019: -3.4%).

Covid-19 temporary store closures

Following the Victorian Government's announcement of stage 4 restrictions in metropolitan Melbourne, 46 JB Hi-Fi stores and 21 The Good Guys stores were temporarily closed to customers from 6th of August for a minimum period of 6 weeks.

Following the New Zealand Government's reintroduction of alert level 3 restrictions in Auckland, 7 JB Hi-Fi New Zealand stores were temporarily closed to customers from midday 12th of August for a minimum period of 2 weeks.

In metropolitan Melbourne and Auckland, the Group's online and commercial operations continue to trade with fulfillment via contactless click and collect and home delivery from its store network and warehouses.

August 2020 sales update and outlook

The Group has seen a significant acceleration in online sales in Victoria in the first 11 days following the stage 4 temporary store closures. This, combined with continuing sales momentum across the rest of Australia, has resulted in the Group achieving strong sales growth in August to date.

While the Group is pleased with its start to FY2021 and current trading, in view of the uncertainty arising from Covid-19, the Group does not currently consider it appropriate to provide FY2021 sales guidance.

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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 12,900 employees of the Group across Australia and New Zealand. The Company's remuneration strategy seeks to appropriately reward, incentivise and retain key employees. The Board aims to achieve this by setting competitive remuneration packages that include a mix of fixed remuneration and incentives ("packages").

Snapshot

Executive KMP FY2020 remuneration packages

To remain competitive in attracting and retaining key talent in FY2020 the Board considered the remuneration levels and remuneration structures for Executive KMP with reference to external market benchmarks as well as the skills, experience, complexity and responsibilities of the Executive KMP roles and the challenging market conditions at the time. As a result of this review, for FY2020 the Board:

- retained fixed remuneration and annual remuneration packages at FY2019 levels for all Executive KMP, other than Nick Wells (as detailed on page 34); and
- retained the remuneration structure used in FY2019 for Executive KMP remuneration, including the Variable Reward Plan adopted in FY2019. The Board continues to believe that the Variable Reward Plan is the most appropriate form of incentive plan for Executive KMP for the reasons set out on pages 34 and 35.

Executive KMP FY2020 incentive achievement

The 2020 financial year has been a successful year for the Group, with management having delivered record revenue (up 11.6%), EBIT (up 25.2%¹) and EPS (up 23.6%¹). This strong financial performance has also been reflected in the near 70% appreciation in the Company's share price over the 12 months of the financial year and in the record level of dividends to be paid to shareholders in respect of the FY2020 year.

The Board acknowledges that, for this financial year, the Covid-19 pandemic contributed to the elevated sales and profit figures, but notes that the Group was already performing strongly prior to the impact of virus. In addition to a sales uplift, the pandemic has also brought challenges, and the Group's employees, from its leadership team to its team members in both JB Hi-Fi and The Good Guys stores, have risen to the challenges of social distancing, increased safety requirements, and the stresses placed on its supply chain, in order to enable the Group to fulfil the needs of its many customers as they live, work and learn during these difficult times. The Group's number one priority at this time has been the health and wellbeing of its team members, customers, business partners and the wider community, and the Group provided a cash bonus of \$1,000 to each of its full-time customer facing team members (pro-rated for part-timers and casuals) in JB Hi-Fi Australia, The Good Guys and JB Hi-Fi New Zealand, in recognition of their commitment and effort during these trying times.

¹ EBIT and EPS prior to the impact of AASB 16 Leases as detailed on page 20

For FY2020, recognising that there is a balance to be struck between having remuneration outcomes reflect management's strong performance (both before and since the impact of the pandemic), the impact of Covid-19 on the trading environment, and the potential volatility of the trading environment going forward, the Board has determined that, for the purposes of determining Executive KMP FY2020 incentive achievement, the Group's FY2020 results will be normalised to reflect performance based on the Group's most recent market guidance prior to the onset of Covid-19, in order to essentially remove the impact of the virus to FY2020 profit.

Accordingly, rather than the reported NPAT result of \$308.7² million being the basis for outcomes under the Variable Reward Plan (VRP), remuneration outcomes for Executive KMP for FY2020 have been based off the top end of the guidance range given to the market in February 2020 prior to the pandemic triggering social restrictions in Australia and New Zealand, being \$270 million. This is referred to solely within this Remuneration Report as the Group's FY2020 "pre-Covid" NPAT guidance. This will result in the financial component of the VRP scorecard resulting in outcomes at approximately 90% of maximum (noting that, without adjustment, management would have received 100% of the financial component this year).

As a result of the above, and as detailed below, the vesting outcomes of FY2020 incentives for Executive KMP result in between 87% and 90% of rewards available under the VRP for the year (or, in the case of Terry Smart, the Company's STI plan) being earned.

25% of VRP rewards made in relation to FY2020 are paid in cash. The remaining 75% of the VRP rewards made in relation to FY2020 are delivered in deferred equity. One third of these shares will be released from dealing restrictions in each of August 2021, August 2022 and August 2023, and these rewards will therefore be subject to the share price performance over the medium to longer term.

Executive KMP FY2021 Incentive Measures

In setting FY2021 KMP Incentive Measures, the Board notes that FY2021 is not without challenges for the Group. As the economy attempts to regain momentum, while the virus continues to threaten societal freedoms and normal ways of living and as Government support reduces, the impact on the Group for FY2021 is unclear. It is also not clear whether much of the FY2020 revenue was a "bring forward" of some of what the Group would normally sell in FY2021.

While it is difficult to predict FY2021 performance, the Board's current position is that the FY2021 financial targets for the VRP will be set off the Group's FY2020 (pre-Covid) NPAT guidance used to measure VRP achievement for FY2020 (\$270 million). This is consistent with the Company's approach to measuring FY2020 incentive achievement in removing any impact from Covid-19 from FY2020 profit. The Company will maintain its growth targets under the VRP of between 0 and 10% growth in FY2021 from the Group's FY2020 (pre-Covid) guidance EPS, noting that achieving the 10% stretch target in FY2021 would represent approximately 19% growth over the two years from FY2019 to FY2021. While the Board recognises that this will result in FY2021 VRP awards being based off a lower result than the Company has reported in FY2020, the Board believes this sets a challenging target for management and would deliver strong growth for shareholders over this very difficult two year period. The Board acknowledges the businesses' strong start to FY2021 in July, but notes the uncertain economic outlook for the coming months, the closure of the Group's Melbourne stores in August/September 2020, the anticipated removal of Government support during FY2021 and its related impact on the economy, and the implications of further social restrictions as Australia and New Zealand manage Covid-19. The Board will continue to review this position during the year and will reassess the growth targets to ensure they remain appropriate.

Non-Executive Directors FY2020 remuneration

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

² Statutory profit prior to the impact of AASB 16 Leases as detailed on page 20

EXECUTIVE KMP REMUNERATION FOR FY2020

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

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

Following changes to the senior management structure of the Group (including the consolidation of IT and HR services to the Group, and an increased focus on the Group's supply chain and its commercial business) the Group has reviewed which individuals it believes meet the definition of "key management personnel" as defined by the Accounting Standards, being those individuals with the authority for planning, directing and controlling the activities of the Group and its two main businesses. As a result of that review it was determined that the following employees, whilst remaining integral members of the management team and overseeing a range of functional areas of the business that enable and support the business activities, are not classified as key management personnel for FY2020.

Tim Carter Group Supply Chain Director
James Saretta Strategy & Digital Director
Lynda Blakely Group HR Director
Simon Page Group Technology Director

Executive KMP remuneration policy – FY2020

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 FY2020 remuneration packages, the Board and the Remuneration and Nominations Committee considered a number of factors, including current market practice and external benchmarking. The Group's policy in relation to executive remuneration is to target total remuneration levels (i.e. fixed pay plus the maximum grant value of the Variable Reward Plan) at a level between the 60th and 75th 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, including 10% EPS growth on the previous period, 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 FY2020 were as follows:

Executive	Fixed	Incentive ⁽ⁱ⁾	Total
R. Murray	33%	67%	100%
C. Trainor	38%	62%	100%
T. Smart	38%	62%	100%
N. Wells	38%	62%	100%

(i) For all Executive KMP other than T. Smart, FY2020 incentive is in the form of VRP. For T. Smart the incentive is the combined STI/LTI opportunity as set out on page 37.

Further details on each of the key elements of Executive KMP remuneration for the 2020 financial year are set out below.

Fixed remuneration – FY2020

Fixed remuneration is paid by way of base salary, motor vehicle allowances and superannuation. No elements of fixed remuneration are dependent on performance conditions. The Company benchmarks its Remuneration Packages for Executive KMP against the companies comprising the ASX 51 – 150 and the ASX 76 – 125 indices. The Company's policy over recent years has been to aim to provide total remuneration (including the full opportunity value of the VRP) between the 60th and 75th percentiles of these comparator groups.

For FY2020 the Board retained fixed remuneration at FY2019 levels for all Executive KMP, other than Nick Wells. Following a review of Nick's role, taking account of external benchmarking, and recognising his importance to the long-term success of the Group, the Board approved a 14% increase to Nick Wells' fixed remuneration (and his remuneration package), effective 1 January 2020.

The Board noted that the Group Chief Executive Officer's package was modest when compared to his market peers and taking into account the policy referred to above, but decided not to increase the CEO's pay in FY2020 given the uncertain conditions faced as the Group entered the financial year.

Variable Reward Plan Incentive – FY2020

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

When considering the appropriateness of the previous STI and LTI structure, the Board noted that:

- it was increasingly difficult to set long term EPS growth targets that were seen as motivating by executives and considered challenging enough by shareholders in a volatile retail environment where it is difficult to confidently form a long term view on performance; and
- in the past, the success of meeting LTI targets (or not) was often linked to macro-economic factors or share price volatility as often as the quality of Company or executive performance. This led to volatility in LTI vesting (generally near or close to 100% or not at all).

To address these challenges, for FY2019 the Board elected to simplify its Group executive reward framework to one that is fit for a retail business that is subject to many short term influences, by combining the previous Group STI and LTI structures into a single VRP. The VRP allows for flexibility in setting performance targets year by year (generally in line with a policy of rewarding year on year growth within a range of 0 to 10% Group EPS growth) to take into account changing trading conditions, and therefore provides a more motivating remuneration framework for Executive KMP and greater alignment with shareholders. Following a review of the Executive KMP remuneration structure for FY2020, the Board continues to believe that the Variable Reward Plan is 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.

The percentage of cash paid is a significant reduction from the proportion of cash that was available annually to executives under the STI and LTI plans in place prior to FY2019. 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 stronger shareholder alignment than the Group's previous STI and LTI program. 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, or the actual average cost incurred by the Company in acquiring the shares.

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.

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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 will, 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);
- 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 FY2020 VRP is set out below.

FY2020 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 is 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.

For FY2020, for the Group financial component of the VRP, the performance range was in line with the Company's historical incentive ranges, i.e. commencing rewards when performance exceeds the previous year's earnings performance and paying maximum reward at 10% earnings growth. Within this range the percentage of the incentive payable was set (on a non-linear basis) taking account of budgets reviewed by the Board and longer term corporate plans.

As set out previously, recognising that there is a balance to be struck between having remuneration outcomes reflect management's strong performance (both before and since the impact of the pandemic), the impact of Covid-19 on the trading environment, and the potential volatility on the trading environment going forward including the temporary closure of Melbourne stores in August/September 2020 and airport stores, the Board has determined that, for the purposes of assessing FY2020 Executive KMP remuneration, the Group's FY2020 results will be normalised to a level that essentially removes the one-off impact of the virus to profit. Accordingly, rather than the reported NPAT result of \$308.7³ million being the basis for outcomes under the Variable Reward Plan (VRP), remuneration outcomes for Executive KMP FY2020 have been based off the top end of the guidance range given to the market in February 2020, prior to the pandemic triggering social restrictions in Australia and New Zealand, being \$270 million. This is reflected in the achievement of FY2020 VRP outcomes (STI outcomes for Terry Smart).

FY2020 VRP achievement outcomes, measured against the financial and strategic measures, are set out in the tables below.

GROUP CEO – RICHARD MURRAY

MEASURE	PERFORMANCE COMMENTARY
Financial Measures (75%)	
1. Group EPS	1. Group EPS – Above Target (8.1% growth from 217.4 to 235.0 cents per share based on the Group's \$270 million (pre-Covid) NPAT guidance) Achievement 91% (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 – Below Target, but progress made with launch of Group diversity strategy and introduction of other significant diversity initiatives as set out in Sustainability Report 3. Succession/Talent – At Target, with continued progress in succession planning and talent development 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 78% (as a % of maximum available)
Total (100%)	Achievement 87% (as a % of maximum available)

³ Statutory profit prior to the impact of AASB 16 Leases as detailed on page 20

MANAGING DIRECTOR, JB HI-FI – CAMERON TRAINOR

MEASURE	PERFORMANCE COMMENTARY
Financial Measures (75%)	
<ol style="list-style-type: none"> 1. Group EPS 2. JB Hi-Fi EBIT 3. JB Hi-Fi comparative sales 4. JB Hi-Fi stock turns 	<ol style="list-style-type: none"> 1. Group EPS – Above Target (8.1% growth from 217.4 to 235.0 cents per share based on the Group’s \$270 million (pre-Covid) NPAT guidance) 2. JB Hi-Fi EBIT – Above Target, assessed based on performance prior to the onset of Covid-19 3. JB Hi-Fi comparative sales - Above Target, assessed based on performance prior to the onset of Covid-19 4. JB Hi-Fi stock turns – Above Target <p>Achievement 94% (as a % of maximum available)</p>
Strategic Measures (25%)	
<ol style="list-style-type: none"> 1. JB Hi-Fi OHS 2. Succession/talent/diversity 3. JB Hi-Fi Brand Strategy 4. Category architecture 5. Process improvements and simplification 	<ol style="list-style-type: none"> 1. JB Hi-Fi OHS – At 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. Category Architecture – At Target, category architecture has been further refined 5. Process Improvement/Simplification – At Target, with implementation of process improvements <p>Achievement 77% (as a % of maximum available)</p>
Total (100%)	Achievement 89% (as a % of maximum available)

MANAGING DIRECTOR, THE GOOD GUYS – TERRY SMART

MEASURE	PERFORMANCE COMMENTARY
Financial Measures (75%)	
<ol style="list-style-type: none"> 1. Group EPS 2. TGG EBIT 3. TGG comparative sales 4. TGG stock turns 	<ol style="list-style-type: none"> 1. Group EPS – Above Target (8.1% growth from 217.4 to 235.0 cents per share based on the Group’s \$270 million (pre-Covid) NPAT guidance) 2. TGG EBIT – Above Target, assessed based on performance prior to the onset of Covid-19 3. TGG comparative sales – Below Target, assessed based on performance prior to the onset of Covid-19 4. TGG stock turns – Above Target <p>Achievement 91% (as a % of maximum available)</p>
Strategic Measures (25%)	
<ol style="list-style-type: none"> 1. TGG OHS 2. Succession/talent/diversity 3. TGG Brand Strategy 4. Category architecture 5. Process improvements and simplification 	<ol style="list-style-type: none"> 1. TGG OHS – At 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. TGG Brand Strategy – At Target, with ongoing development of TGG Brand Strategy 4. Category Architecture – Above Target, with significant advancements in category architecture and store layouts 5. Process Improvement/Simplification – At Target, with implementation of process improvements <p>Achievement 83% (as a % of maximum available)</p>
Total (100%)	Achievement 89% (as a % of maximum available)

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GROUP CFO – NICK WELLS

MEASURE	PERFORMANCE COMMENTARY
Financial Measures (75%)	
1. Group EPS 2. Group stock turns	1. Group EPS – Above Target (8.1% growth from 217.4 to 235.0 cents per share based on the Group’s \$270 million (pre-Covid) NPAT guidance) 2. Group stock turns – Above Target Achievement 91% (as a % of maximum available)
Strategic Measures (25%)	
1. Group OHS 2. Succession/talent/diversity 3. Risk management 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 – At Target, continued progress in succession planning, talent development and diversity initiatives 3. Risk Management – At Target, with strong results including leading the Group’s response to Covid-19 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 87% (as a % of maximum available)
Total (100%)	Achievement 90% (as a % of maximum available)

Short-term incentive

Given Terry 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 based on the same scorecard structure as other Executive KMP under the VRP. 80% of the STI earned by Terry will be paid in cash, with the remaining 20% deferred into shares which are subject to a restriction on sale/disposal for 1 year after issue. During the restricted period, dividends are paid on the restricted shares and the executive may exercise votes attaching to these shares. The number of shares granted will be calculated on the basis of the volume weighted average share price for the Company’s shares in the five days following the release of the Company’s FY2020 results to the ASX.

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

Subject to the Board exercising its discretion to the contrary, if Terry ceases to be employed during the restriction period he will, subject to the Board’s discretion:

- forfeit the restricted shares if he is a “bad leaver” (termination for cause); and
- retain the restricted shares, subject to the restrictions if he leaves in any other circumstances.

For FY2021 and thereafter, Terry will participate in the VRP and will no longer be eligible to receive an STI.

Long-Term Incentive (“LTI”) Plan

Some of the options granted to Executive KMP prior to FY2019 under the Company’s previous LTI structure vested in FY2020. 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 share option 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 39.

	FY2016	FY2017	FY2018	FY2019	FY2020	Growth	
						FY2020	CAGR Last 5 years ⁽ⁱⁱ⁾
1. Financial performance:							
Sales (\$m)	3,954.5	5,628.0	6,854.3	7,095.3	7,918.9	12%	17%
EBIT (\$m)	221.2	290.5 ^(vi)	350.6	372.9	466.7 ^(vi)	25%	18%
NPAT (\$m)	152.2	192.2 ^(vi)	233.2	249.8	308.7 ^(vi)	24%	18%
Basic EPS (cents)	153.8	172.1 ^(vi)	203.1	217.4	268.7 ^(vi)	24%	14%
2. Shareholder value created:							
Company share price at the end of the reporting period (\$)	24.10	23.37	22.52	25.85	43.03	66%	17%
Market capitalisation (\$m)	2,384.6	2,674.0	2,587.2	2,969.7	4,943.4	66%	21%
Enterprise value ⁽ⁱ⁾ (\$m)	2,442.5	3,160.0	2,984.5	3,289.6	4,691.9	43%	18%
Movement in enterprise value during the financial year (\$m)	423.8	717.5	(175.5)	305.1	1,402.3		
Dividends paid to shareholders during the financial year (\$m)	93.2	119.1	151.6	157.4	172.3	9%	15%
On market share buy-back (\$m)	13.2	–	–	–	–		
Shareholder value created⁽ⁱⁱ⁾							
- per annum (\$m)	530.2	836.6	(23.9)	462.5	1,574.6		
- cumulative (\$m) since IPO	3,091.4	3,928.1	3,904.2	4,366.7	5,941.3	36%	23% ^(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.

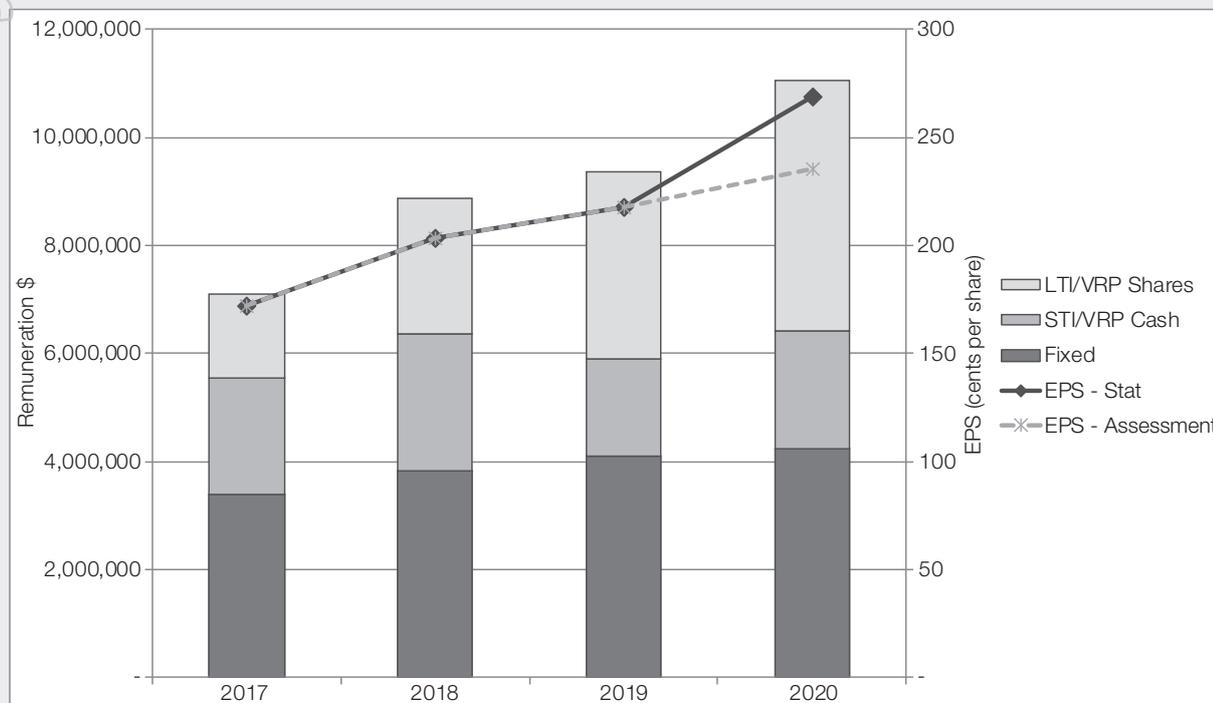
(iv) Percentage movement shown is the compound annual growth rate since IPO in 2003.

(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) FY2020 EBIT, net profit and EPS exclude the impact of AASB 16 Leases as detailed on page 20.

The graph below shows the relationship between total Executive KMP remuneration and EPS over the past 4 years (following the acquisition of The Good Guys in FY2017) and the high correlation between Executive KMP remuneration with Company performance. Note for FY2020, the graph shows both the EPS pre AASB 16 of 268.7 cents (to enable comparison with prior years) and the Group's (pre-Covid) guidance EPS of 235.0 cents (based on \$270 million NPAT) used to assess Executive KMP FY2020 incentive achievement.

Group executive remuneration and EPS over the last 4 financial years:



Notes

- The graph shows the aggregate total of remuneration for Executive KMP for each year from 2017 to 2020, excluding payments made in relation to departures from the Group. For the purposes of this graph, Executive KMP for 2018 – 2020 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).
- LTI/VRP expense is the current period LTI/VRP expense only, excluding any prior period write-backs.
- 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.
- "EPS – Stat" in the 2020 financial year is based on statutory profit prior to the impact of AASB 16 as detailed on page 20.

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

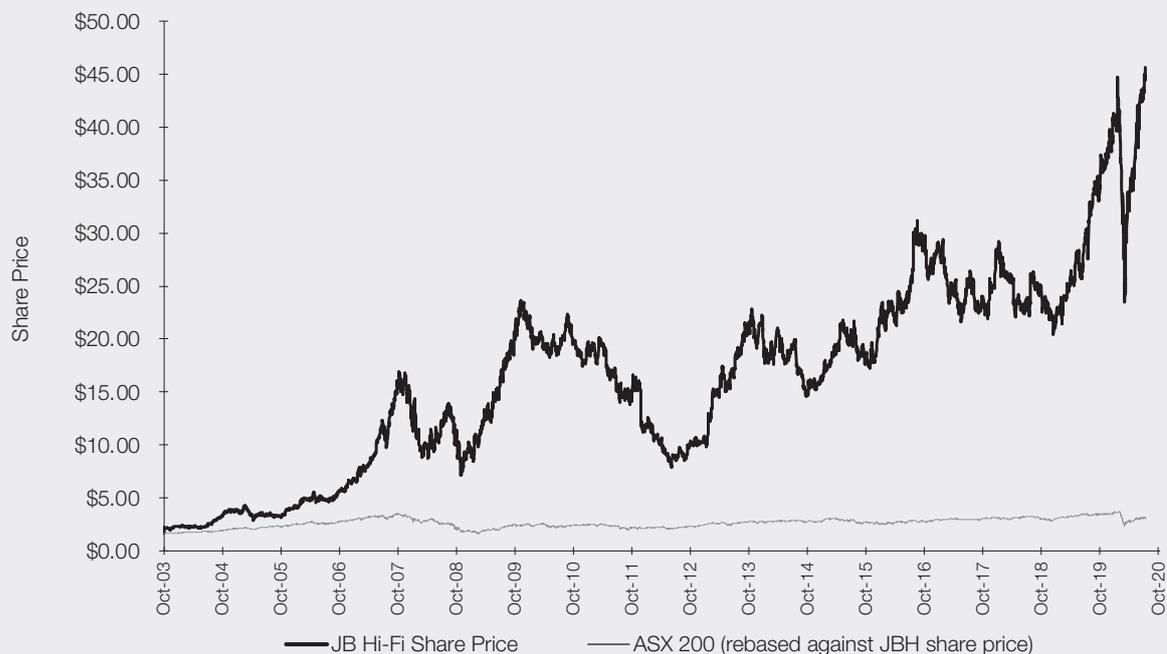
Executive KMP incentive achievement outcomes continue to align with the financial performance and strategic objectives of the Group. The table below sets out the Group CEO's incentive achievement over the last 5 years, with FY2019 and FY2020 under the VRP and FY2015 to FY2018 under the Group's previous STI incentive structure.

Financial Year ⁽ⁱ⁾	Group Financial Target			Non-Financial Target Achievement	Total Achievement
	Incentive Target (Growth)	Actual Growth	Achievement		
2016	0 - 10%	10.1%	100%	100%	100%
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% ^(iv)

Notes

- FY2015 – FY2018 STI target based on EBIT, FY2019 and FY2020 VRP targets based on EPS.
- 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.
- Based on statutory profit prior to the impact of AASB 16 Leases as detailed on page 20.
- FY2020 achievement of Group Financial Target based on the Group's (pre-Covid) guidance of \$270 million rather than reported NPAT result of \$308.7m (prior to the impact of AASB 16 Leases as detailed on page 20).

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 2020. The JB Hi-Fi closing share price compound annual growth rate between listing and 1 August 2020 is 21.6%, whilst the ASX 200 compound annual growth rate over the same period is 3.6%.



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
R. Murray	12 months' notice (or payment in lieu) 12 months' post termination non-compete and non-solicitation restriction
C. Trainor	9 months' notice (or payment in lieu) if terminated by the Company 6 months' notice if notice is given by the executive 6 months' post termination non-compete and non-solicitation restriction
T. Smart, N. Wells	6 months' notice (or payment in lieu) 6 months' post termination non-compete and non-solicitation restriction

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.

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).

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NON-EXECUTIVE DIRECTOR REMUNERATION

FY2020 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 FY2020:

Greg Richards	Non-executive Director, Chair of the Board and the Remuneration and Nominations Committee – retired 30 June 2020
Stephen Goddard	Non-executive Director and (from 20 January 2020) Member of the Remuneration and Nominations Committee and (until 30 June 2020) Member of the Audit and Risk Management Committee. Chair of the Board and the Remuneration and Nominations Committee since 1 July 2020.
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 and Member of the Audit and Risk Management Committee and (from 3 June 2020) Member of the Remuneration and Nominations Committee
Melanie Wilson	Non-executive Director and Member of the Audit and Risk Management Committee – with effect from 3 June 2020
Richard Uechtritz	Non-executive Director
Wai Tang	Non-executive Director, Member of the Audit and Risk Management Committee and the Remuneration and Nominations Committee – resigned 14 February 2020

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 FY2020 are set out below and are at the same level as those for FY2018 and FY2019. Aggregate non-executive director remuneration for FY2020 was within the amount determined by the Company in its Annual General Meeting on 26 October 2017 being \$1,500,000.

Role	<i>Fees 2020 \$</i>	<i>Fees 2019 \$</i>
Chair of the Board	\$300,000	\$300,000
Non-executive director	\$134,000	\$134,000
<i>Additional Committee Fees</i>		
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 the 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).

FY2021 Non-Executive Director Remuneration

Non-executive directors' fees will remain at the current level for FY2021. The Remuneration and Nominations Committee will continue to review remuneration for non-executive directors on an annual basis in order to ensure that the objectives set out above in respect of non-executive directors' remuneration are met.

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 2020 financial year from all directors and Executive KMP.

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KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel for FY2020 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	
	2020 \$	2019 ⁽ⁱ⁾ \$
Short-term employee benefits		
Salary, fees & allowances	5,109,431	6,175,428
Bonus	913,837	746,652
VRP Cash	1,267,269	1,388,686
	7,290,537	8,310,766
Post-employment benefits		
Superannuation	186,824	238,607
	186,824	238,607
Share based payments		
Options expense	1,774,921	2,723,538
VRP expense	2,872,409	1,506,541
	4,647,330	4,230,079
	12,124,691	12,779,452

(i) The figures for 2019 cover the KMP at that time, being the non-executive directors and eight identified executives. See page 33 for further explanation.

REMUNERATION REPORT (continued)

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			Total	
	<i>Salary, fees & allowances</i>	<i>Bonus⁽ⁱ⁾</i>	<i>VRP Cash⁽ⁱⁱ⁾</i>	<i>Total short-term employee benefits</i>	<i>Super-annuation</i>	<i>Options⁽ⁱⁱⁱ⁾</i>	<i>VRP^(iv)</i>		<i>Total share based payments</i>
2020	\$	\$	\$	\$	\$	\$	\$	\$	\$
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 ^(v)	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 ^(vi)	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. Further detail is set out on page 37.
- (v) In addition to the amortisation of his "standard" performance based FY2020 VRP amount of \$553,200 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 retains 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.

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Performance based Short-term employee benefits

	Bonus				VRP Cash			
	Maximum Potential		Actual		Maximum Potential		Actual	
	<i>% of total potential</i>	<i>% of total potential</i>	<i>% of total actual</i>	<i>% of total actual</i>	<i>% of total potential</i>	<i>% of total potential</i>	<i>% of total actual</i>	<i>% of total actual</i>
2020	\$	\$	\$	\$	\$	\$	\$	\$
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

	Options⁽ⁱⁱⁱ⁾				VRP Shares⁽ⁱⁱ⁾			
	Maximum Potential		Actual		Maximum Potential		Actual	
	<i>% of total potential</i>	<i>% of total potential</i>	<i>% of total actual</i>	<i>% of total actual</i>	<i>% of total potential</i>	<i>% of total potential</i>	<i>% of total actual</i>	<i>% of total actual</i>
2020	\$	\$	\$	\$	\$	\$	\$	\$
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. Further detail is set out on page 37.

(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 Group Executive, 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 will be issued in August 2020, other than those to be issued to R. Murray which will be issued in October 2020 subject to shareholder approval being obtained at the Company's AGM.

	VRP Incentive Package			VRP Incentive Achieved			
	<i>Maximum Potential Cash</i>	<i>Maximum Potential Shares</i>	<i>Total VRP Incentive Package</i>	<i>Achieved</i>	<i>Actual Cash</i>	<i>Actual Shares</i>	<i>Total VRP achieved</i>
2020	\$	\$	\$	%	\$	\$	\$
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

REMUNERATION REPORT (continued)

	Short-term employee benefits			Post-employment benefits	Share based payments				Total
	Salary, fees & allowances	Bonus ⁽ⁱ⁾	VRP Cash ⁽ⁱⁱ⁾	Super-annuation	Options ⁽ⁱⁱⁱ⁾	VRP ⁽ⁱⁱⁱ⁾	Total share based payments		
2019	\$	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive directors									
G. Richards	304,951	-	-	304,951	20,049	-	-	-	325,000
B. Laughton	164,384	-	-	164,384	15,616	-	-	-	180,000
W. Tang	149,772	-	-	149,772	14,228	-	-	-	164,000
R. Uechtritz	122,374	-	-	122,374	11,626	-	-	-	134,000
S. Goddard	136,986	-	-	136,986	13,014	-	-	-	150,000
M. Powell	136,986	-	-	136,986	13,014	-	-	-	150,000
	1,015,453	-	-	1,015,453	87,547	-	-	-	1,103,000
Executives									
R. Murray	1,324,519	-	534,759	1,859,278	24,519	930,246	579,323	1,509,569	3,393,366
C. Trainor	1,003,943	-	319,277	1,323,220	24,519	430,514	345,883	776,397	2,124,136
T. Smart ^(iv)	1,004,036	727,421	-	1,731,457	25,000	657,865	-	657,865	2,414,322
N. Wells	673,557	-	222,458	896,015	24,519	264,900	240,996	505,896	1,426,430
T. Carter	549,999	-	159,467	709,466	24,519	235,319	172,756	408,075	1,142,060
J. Saretta	550,000	-	152,725	702,725	24,519	185,263	165,452	350,715	1,077,959
S. Page ^(v)	33,092	15,385	-	48,477	1,886	15,447	2,131	17,578	67,941
L. Blakely ^(v)	20,829	3,846	-	24,675	1,579	3,984	-	3,984	30,238
	5,159,975	746,652	1,388,686	7,295,313	151,060	2,723,538	1,506,541	4,230,079	11,676,452
	6,175,428	746,652	1,388,686	8,310,766	238,607	2,723,538	1,506,541	4,230,079	12,779,452

- (i) In accordance with Accounting Standards, remuneration includes the amortisation of the fair value of options issued under the Group share option plans that are expected to vest, less any write-back on options lapsed or expected to lapse as a result of actual or expected performance against non-market hurdles ("Option Accounting Value"). The fair value of options is measured at grant date in accordance with the relevant accounting standard and progressively allocated to profit and loss over the vesting period of the option. The amount included in remuneration above may not be indicative of the benefit (if any) that key management personnel may ultimately realise should the equity instruments vest.
- (ii) Performance based.
- (iii) 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 FY2019. Instead, he was able to earn an STI in FY2019. 80% of this STI will be paid in cash with 20% paid in deferred shares. Further detail is set out on page 37.
- (v) All amounts disclosed for S. Page and L. Blakely are for the period that they were classified as key management personnel (4 June 2019 to 30 June 2019).

Performance based Short-term employee benefits

	Bonus		VRP Cash		Maximum Potential	% of total potential	Actual	% of total actual
	Maximum Potential	Actual	Maximum Potential	Actual				
2019	\$ remuneration	% of total potential	\$ remuneration	% of total actual	\$ remuneration	% of total potential	\$ remuneration	% of total actual
Executives								
R. Murray	-	-	-	-	698,625	19%	534,759	16%
C. Trainor	-	-	-	-	412,000	18%	319,277	15%
T. Smart ⁽ⁱ⁾	1,030,000	38%	727,421	30%	-	-	-	-
N. Wells	-	-	-	-	280,000	18%	222,458	16%
T. Carter	-	-	-	-	194,063	16%	159,467	14%
J. Saretta	-	-	-	-	194,063	17%	152,725	14%
S. Page ⁽ⁱⁱ⁾	19,615	27%	15,385	23%	-	-	-	-
L. Blakely ⁽ⁱⁱ⁾	3,846	13%	3,846	13%	-	-	-	-
	1,053,461	8%	746,652	6%	1,778,751	14%	1,388,686	12%

Performance based Share based payments

	Options				VRP Shares			
	<i>Maximum Potential</i>	<i>% of total potential</i>	<i>Actual</i>	<i>% of total actual</i>	<i>Maximum Potential</i>	<i>% of total potential</i>	<i>Actual</i>	<i>% of total actual</i>
2019	<i>\$ remuneration</i>		<i>\$ remuneration</i>		<i>\$ remuneration</i>		<i>\$ remuneration</i>	
Executives								
R. Murray	930,246	25%	930,246	27%	756,844	20%	579,323	17%
C. Trainor	430,514	19%	430,514	20%	446,333	19%	345,883	16%
T. Smart ⁽ⁱ⁾	657,865	24%	657,865	27%	-	-	-	-
N. Wells	264,900	17%	264,900	19%	303,333	20%	240,996	17%
T. Carter	235,319	19%	235,319	21%	210,234	17%	172,756	15%
J. Saretta	185,263	16%	185,263	17%	210,234	18%	165,452	15%
S. Page ⁽ⁱⁱ⁾	15,447	21%	15,447	23%	2,778	4%	2,131	3%
L. Blakely ⁽ⁱⁱ⁾	3,984	13%	3,984	13%	-	-	-	-
	2,723,538	21%	2,723,538	23%	1,929,756	15%	1,506,541	13%

(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 FY2019. Instead, he was able to earn an STI in FY2019. Further detail is set out on page 37.

(ii) All amounts disclosed for S. Page and L. Blakely are for the period that they were classified as key management personnel (4 June 2019 to 30 June 2019).

The VRP Shares amounts included in the table above represent the FY2019 Maximum Potential accounting expense and Actual accounting expense recognised in accordance with Accounting Standards.

The Maximum Potential VRP Shares available for each Group Executive, based on their remuneration package, and the Actual VRP Shares earned in FY2019, are set out in the table below. The VRP Shares earned in FY2019 were issued in August 2019, other than those issued to R. Murray which were issued in October 2019 following shareholder approval being obtained at the Company's AGM.

	VRP Incentive Package			VRP Incentive Achieved			
	<i>Maximum Potential Cash</i>	<i>Maximum Potential Shares</i>	<i>Total VRP Incentive Package</i>	<i>Achieved</i>	<i>Actual Cash</i>	<i>Actual Shares</i>	<i>Total VRP achieved</i>
2019	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>%</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Executives							
R. Murray	698,625	2,095,875	2,794,500	77%	534,759	1,604,278	2,139,037
C. Trainor	412,000	1,236,000	1,648,000	78%	319,277	957,831	1,277,108
T. Smart	-	-	-	-	-	-	-
N. Wells	280,000	840,000	1,120,000	79%	222,458	667,373	889,831
T. Carter	194,063	582,188	776,251	82%	159,467	478,402	637,869
J. Saretta	194,063	582,188	776,251	79%	152,725	458,174	610,899
S. Page ⁽ⁱ⁾	-	7,692	7,692	77%	-	5,902	5,902
L. Blakely ⁽ⁱ⁾	-	-	-	-	-	-	-
	1,778,751	5,343,943	7,122,694	78%	1,388,686	4,171,960	5,560,646

(i) All amounts disclosed for S. Page and L. Blakely are for the period that they were classified as key management personnel (4 June 2019 to 30 June 2019).

All bonuses (including VRP cash and STI cash) are paid in the financial year following the year in which they were earned, for example the FY2020 bonuses are paid in August 2020 (the 2021 financial year).

KEY MANAGEMENT PERSONNEL EQUITY/OPTIONS
Fully paid ordinary shares of JB Hi-Fi Limited

2020	<i>Balance at 1 July 2019 No.</i>	<i>Granted as compensation⁽ⁱ⁾ No.</i>	<i>Received on exercise of options No.</i>	<i>Net other change No.</i>	<i>Balance at 30 June 2020 No.</i>	<i>Balance held nominally No.</i>
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 issued 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.

2019	<i>Balance at 1 July 2018 No.</i>	<i>Granted as compensation⁽ⁱ⁾ No.</i>	<i>Received on exercise of options No.</i>	<i>Net other change No.</i>	<i>Balance at 30 June 2019 No.</i>	<i>Balance held nominally No.</i>
G. Richards	26,486	–	–	–	26,486	3,455
B. Laughton	4,304	–	–	1,500	5,804	–
W. Tang	5,000	–	–	–	5,000	–
R. Uechtritz	11,516	–	–	–	11,516	–
S. Goddard	1,500	–	–	3,000	4,500	–
M. Powell	1,000	–	–	1,000	2,000	–
R. Murray	110,257	7,818	79,568	(87,521)	110,122	–
C. Trainor	15,298	4,537	43,349	(26,365)	36,819	–
T. Smart	51,701	4,715	–	–	56,416	–
N. Wells	20,093	2,737	15,744	(5,816)	32,758	–
T. Carter	3,204	2,509	18,785	(7,636)	16,862	–
J. Saretta	2,479	2,531	–	–	5,010	–
S. Page ⁽ⁱⁱ⁾	–	–	–	5,802	5,802	–
L. Blakely	–	–	–	–	–	–
	252,838	24,847	157,446	(116,036)	319,095	3,455

- (i) Shares issued under the Company's executive deferred STI Plan.
- (ii) The net other change for S. Page represents the shares held by him when he became a KMP on 4 June 2019.

Share options of JB Hi-Fi Limited

	<i>Balance at 1 July 2019 No.</i>	<i>Granted as compensation No.</i>	<i>Exercised No.</i>	<i>Net other change No.</i>	<i>Balance at 30 June 2020 No.</i>	<i>Balance vested at 30 June 2020 No.</i>	<i>Options vested during year No.</i>
2020							
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

	<i>Balance at 1 July 2018 No.</i>	<i>Granted as compensation No.</i>	<i>Exercised No.</i>	<i>Net other change⁽ⁱ⁾ No.</i>	<i>Balance at 30 June 2019 No.</i>	<i>Balance vested at 30 June 2019 No.</i>	<i>Options vested during year No.</i>
2019							
R. Murray	270,823	–	(79,568)	–	191,255	–	79,568
C. Trainor	129,439	–	(43,349)	–	86,090	–	43,349
T. Smart	106,312	–	–	–	106,312	–	–
N. Wells	68,757	–	(15,744)	–	53,013	–	15,744
T. Carter	69,347	–	(18,785)	–	50,562	–	18,785
J. Saretta	29,418	–	–	–	29,418	880	–
S. Page	–	–	–	33,646	33,646	–	–
L. Blakely	–	–	–	6,867	6,867	–	–
	674,096	–	(157,446)	40,513	557,163	880	157,446

(i) Net other change represents the options held by S. Page and L. Blakely when they became a KMP on 4 June 2019.

During the financial year 75,597 zero exercise price options (FY2019: 65,548) and 55,557 options with an exercise price (FY2019: 91,898) were exercised by key management personnel. The weighted average exercise price for options with an exercise price was \$17.72 (FY2019: \$17.81) 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:

	<i>Value of options granted – at the grant date⁽ⁱ⁾</i>	<i>Value of options exercised – at the exercise date</i>
	\$	\$
2020		
R. Murray	–	1,940,818
C. Trainor	–	778,630
T. Smart	–	–
N. Wells	–	477,561
	–	3,197,009

(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
- fair value of the option at the time it is exercised multiplied by the number of options exercised.

Options granted during the financial year

There were no share options granted during FY2020 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 pages 34 to 35.

REMUNERATION REPORT (continued)

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	103.3	23,692	22/08/2019	23,692	\$17.72	\$31.92	5%	Yes
	104.3	10,154	22/08/2019	10,154	\$17.72	\$31.92	5%-10%	Yes
	109	5,228	19/08/2019	5,228	–	\$32.06	5%	Yes
	110	2,241	19/08/2019	2,241	–	\$32.06	5%-10%	Yes
	113	3,734	19/08/2019	3,734	–	\$32.06	n/a	n/a ⁽ⁱ⁾
	129	18,381	19/08/2019	18,381	–	\$32.06	4%-8%	Yes
	146	16,032	22/08/2019	16,032	–	\$31.92	4%-8%	Yes
		<u>79,462</u>		<u>79,462</u>				
C. Trainor	103.3	9,454	22/08/2019	9,454	\$17.72	\$31.92	5%	Yes
	104.3	4,052	22/08/2019	4,052	\$17.72	\$31.92	5%-10%	Yes
	109	2,086	15/08/2019	2,086	–	\$30.97	5%	Yes
	110	894	15/08/2019	894	–	\$30.97	5%-10%	Yes
	113	1,490	15/08/2019	1,490	–	\$30.97	n/a	n/a ⁽ⁱ⁾
	129	8,206	14/08/2019	8,206	–	\$31.20	4%-8%	Yes
	146	6,027	22/08/2019	6,027	–	\$31.92	4%-8%	Yes
		<u>32,209</u>		<u>32,209</u>				
N. Wells	103.3	5,744	22/08/2019	5,744	\$17.72	\$31.92	5%	Yes
	104.3	2,461	22/08/2019	2,461	\$17.72	\$31.92	5%-10%	Yes
	109	1,268	19/08/2019	1,268	–	\$32.06	5%	Yes
	110	543	19/08/2019	543	–	\$32.06	5%-10%	Yes
	113	906	19/08/2019	906	–	\$32.06	n/a	n/a ⁽ⁱ⁾
	129	4,825	19/08/2019	4,825	–	\$32.06	4%-8%	Yes
	146	3,736	22/08/2019	3,736	–	\$31.92	4%-8%	Yes
		<u>19,483</u>		<u>19,483</u>				
		131,154		131,154				

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

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

Options lapsed during the financial year

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

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

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 OPTIONS

Group share option 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 pages 34 to 35)

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

Short Term Incentive (as detailed on page 37)

Participants are executives and management. As detailed on page 37, since FY2019 Terry Smart is the only member of Executive KMP participating in this plan and he will cease to do so with effect from FY2021.

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. In accordance with the provisions of 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 FY2019 or FY2020 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 during the 2013, 2014 and 2015 financial years (all of which have expired or were exercised in FY2019 or FY2020), 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 FY2014 to FY2017 (inclusive) vest a third each on the third, fourth and fifth anniversary of the grant date provided that the executive remains employed at that time. The only exception to this is for options issued to Terry Smart in April 2017, which vest one half each on each of the third and fourth anniversaries of the grant date, provided that he remains 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. 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. 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 share option plans

During FY2020, 895,147 ordinary shares in the Company were purchased at an average price of \$35.94 per share in order to satisfy the entitlements of the holders of options and rights to acquire securities under the Group's share option plans.

Shares under option

Details of interests under option at the date of this report are set out below, 350,528 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⁾ \$
130	42,874	14/08/2015	\$20.79	13/08/2021	\$0.00	30.7%	4.3%	2.2%	\$16.69
136	5,480	5/11/2015	\$17.63	4/11/2021	\$0.00	31.0%	4.9%	2.2%	\$13.91
141-142	1,760	2/05/2016	\$22.18	1/05/2022	\$0.00	30.7%	4.2%	2.1%	\$17.82
145	37,444	22/08/2016	\$29.50	21/08/2021	\$0.00	30.0%	3.3%	1.5%	\$25.69
147-148	82,167	22/08/2016	\$29.50	21/08/2022	\$0.00	30.7%	3.4%	1.5%	\$25.27
154	492	19/10/2016	\$28.79	18/10/2021	\$0.00	30.2%	3.7%	2.2%	\$22.88
157	492	2/11/2016	\$27.41	1/11/2021	\$0.00	30.2%	3.7%	2.2%	\$22.88
158-159	106,312	18/04/2017	\$24.46	17/04/2023	\$0.00	28.1%	4.6%	2.0%	\$21.16
161-162	4,634	1/05/2017	\$24.94	30/04/2022	\$0.00	28.0%	4.0%	2.1%	\$21.14
163-167	338,516	29/08/2017	\$23.56	28/08/2022	\$0.00	28.0%	4.6%	2.2%	\$21.19
168-170	246,368	20/08/2018	\$26.21	19/08/2023	\$0.00	27.3%	5.0%	2.2%	\$22.03
171-173	7,595	3/12/2018	\$23.40	2/12/2023	\$0.00	26.6%	5.5%	2.2%	\$19.76
174-176	213,691	19/08/2019	\$32.06	18/08/2024	\$0.00	27.0%	4.5%	0.7%	\$27.14
	<u>1,087,825</u>								

(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.

2020

Option Series	Grant date	Number exercised	Number of shares	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
		<u>354,558</u>	<u>354,558</u>		

(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.

2019

Option Series	Grant date	Number exercised	Number of shares issued	Amount paid per share \$	Share price at exercise date ⁽ⁱ⁾ \$
94-95	16/08/2013	33,399	33,399	\$18.93	\$25.59
97-99	16/08/2013	44	44	\$0.00	\$24.73 to \$25.59
100-101	16/08/2013	9,504	9,504	\$0.00	\$25.59 to \$26.19
103-104	15/08/2014	63,776	63,776	\$17.72	\$25.59 to \$26.00
107-116	15/08/2014	71,205	71,205	\$0.00	\$25.47 to \$26.21
117-118	27/11/2014	10,623	10,623	\$15.58	\$22.24
121-126	27/11/2014	3,165	3,165	\$0.00	\$21.44
128-132	14/08/2015	92,657	92,657	\$0.00	\$24.73 to \$26.21
134	5/11/2015	5,479	5,479	\$0.00	\$23.58
138	18/12/2015	747	747	\$0.00	\$22.98
143	22/08/2016	38,189	38,189	\$0.00	\$25.00 to \$26.40
152	19/10/2016	491	491	\$0.00	\$22.48
155	2/11/2016	491	491	\$0.00	\$23.58
		<u>329,770</u>	<u>329,770</u>		

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

Long-term incentives subject to performance conditions

Certain executives have been issued with options under the Group share option plans as part of the Company's long-term incentive program. Details of the features and conditions of such options are included in the section of this report entitled "Group share option plans" on pages 51 and 52. The following table details the options outstanding at the date of this report which feature performance hurdles:

<i>Option Series</i>	<i>Grant Date</i>	<i>Performance Hurdle⁽ⁱ⁾</i>	<i>Date for first testing</i>	<i>Relevant Financial Year</i>	<i>Exercise Price \$</i>	<i>Expiry Date</i>
Vested (time based service condition and performance hurdle achieved)						
130	14/08/2015	4%-8%	14/08/2020	2020	\$0.00	13/08/2021
141	2/05/2016	4%-8%	02/05/2020	2019	\$0.00	01/05/2022
158	18/04/2017	9%-15%	18/04/2020	2020	\$0.00	17/04/2023
163	29/08/2017	9%-15%	10/08/2020	2020	\$0.00	28/08/2022
Not vested (performance hurdle achieved but time based service condition not achieved)						
136	5/11/2015	4%-8%	05/11/2020	2020	\$0.00	4/11/2021
142	2/05/2016	4%-8%	2/05/2021	2020	\$0.00	1/05/2022
147	22/08/2016	4%-8%	22/08/2020	2020	\$0.00	21/08/2022
Not vested (time based service condition and performance hurdle not achieved)						
148	22/08/2016	4%-8%	22/08/2021	2021	\$0.00	21/08/2022
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

- (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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Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

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

17 August 2020

Dear Board Members

JB Hi-Fi Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of JB Hi-Fi Limited.

As lead audit partner for the audit of the financial statements of JB Hi-Fi Limited for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Travis Simkin
Partner
Chartered Accountants

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Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne, VIC, 3000
Australia

Phone: +61 3 9671 7000
www.deloitte.com.au

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 2020, 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:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Carrying value of The Good Guys cash generating unit</p> <p><i>Refer to Note 12 Intangible assets</i></p> <p>As at 30 June 2020, the carrying value of The Good Guys cash generating unit ('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.</p> <p>The recoverable amount of The Good Guys CGU has been determined based on a value-in-use 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.</p> <p>The estimation uncertainty increased at the end of the year as a result of the impact of COVID-19 on macroeconomic factors underlying the assumptions used in the value in use model.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding the Group's processes and controls related to the preparation of the value-in-use model. • Agreeing forecast cash flows to the latest Board reviewed budget and assessing the historical accuracy of budgeting. • Assessing how the Group allowed for the possible impact of COVID-19 in setting the budget and selecting assumptions including short and long term growth rates and an appropriate discount rate. • In conjunction with our valuation specialists, assessing the value-in-use methodology and mathematical accuracy of the impairment model and comparing the discount rate and long term growth rate to external benchmark data. • Assessing management's sensitivity analysis and performing independent sensitivity analysis to challenge key assumptions. • Evaluating the appropriateness of the disclosures included in Note 12 to the financial statements.
<p>Carrying value of non-current assets for JB Hi-Fi New Zealand</p> <p><i>Refer to Note 6 New Zealand Asset Impairments, Note 7 Taxation, Note 11 Property, Plant and Equipment, Note 16 Right-of-Use Assets and Lease Liabilities.</i></p> <p>Further to the ASX announcement made by the Group on 11 June 2020, given the ongoing challenging performance and expected continuing uncertainty in New Zealand, the Group identified an indicator of impairment for the non-current assets of JB Hi-Fi New Zealand.</p> <p>Impairment testing performed by management identified that the recoverable amount of plant and equipment and right of use assets was less than their carrying value, resulting in the recognition of an impairment loss of \$13.9 million (after tax). Consequently, due to the uncertainty of future taxable profits, deferred tax assets of \$10.1 million have also been derecognised.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Evaluating the impairment indicator analysis performed by management. • Understanding the Group's processes and controls related to the preparation of the value- in-use model used to assess the recoverable amount for plant and equipment and right of use assets and evaluating the future taxable profits of the JB Hi-Fi New Zealand business. • Agreeing forecast cash flows to the latest Board reviewed budget and assessing the historical accuracy of budgeting. • Assessing how the Group allowed for the possible impact of COVID-19 in setting the budget and selecting assumptions including short and long term growth rates and an appropriate discount rate. • In conjunction with our valuation specialists, assessing the value-in-use methodology and mathematical accuracy of the model and comparing the discount rate and long term growth rate to benchmark data. • Evaluating the appropriateness of the disclosures included in Note 6, 7, 11 and 16 to the financial statements.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p>Adoption of AASB 16 Leases</p> <p><i>Refer to Note 31(e) New Accounting Standards: AASB 16 Leases and Note 16 Right-of-Use Assets and Lease Liabilities.</i></p> <p>As disclosed in Note 31(e), the Group adopted AASB 16 Leases from 1 July 2019. Under the relevant accounting standard, an entity must recognise a right of use asset and a lease liability arising from leases (with some exceptions), in the consolidated statement of financial position.</p> <p>The Group has applied the modified retrospective approach to adoption. Under the modified retrospective approach, the Group recognised a right of use asset of \$751.8 million and a lease liability of \$836.9 in the balance sheet on 1 July 2019 with no restatement of comparative financial periods.</p> <p>Upon adoption, the Group has been required to make a number of judgments and estimates, including:</p> <ul style="list-style-type: none"> • Determining the lease term including whether renewal options should be incorporated into the determination of lease term; • Determining the 'enforceable period' for stores in holdover (leases that operate on a month to month basis whilst renegotiations are pending), with reference to IFRS Interpretations Committee guidance; • Determining an appropriate incremental borrowing rate to be applied in the calculation of right of use assets and leases liabilities. 	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • Understanding the Group's processes and controls related to the adoption of the relevant accounting standard. • Testing on a sample basis, the calculation of the right of use asset and lease liability as at 1 July 2019. • Testing the accuracy of the lease data in the Group's lease management system, by agreeing it to the underlying lease agreements. • Assessing the completeness of leases included in the determination of right of use asset and lease liability. • Evaluating the estimates and judgements applied by management in determining key assumptions, including the probability of exercising options and the term assigned to stores in holdover. • In conjunction with our Treasury specialists, assessing the incremental borrowing rates used by management. • Assessing the mathematical accuracy of management's calculations by recalculating the expected lease liability and right of use asset. • Testing on a sample basis, movements in right of use assets and lease liabilities during the year to 30 June 2020 and recalculating the interest and depreciation recognised in the consolidated statement of profit or loss for the year then ended. <p>We also assessed the appropriateness of the disclosures included in Note 31(e) and Note 16 to the financial statements.</p>

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 also includes the following information which will be included in the Group's annual report (but does not include the financial report and our auditor's report thereon): the Chairman and Chief Executive Officer Report which is expected to be made available to us after that date.

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

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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 2020.

In our opinion, the Remuneration Report of JB Hi-Fi Limited, for the year ended 30 June 2020, 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



Travis Simkin

Partner

Chartered Accountants

Melbourne, 17 August 2020

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DIRECTORS' DECLARATION

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (b) 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 24 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

17 August 2020



Richard Murray

Group Chief Executive Officer

STATEMENT OF PROFIT OR LOSS
for the financial year ended 30 June 2020

	Notes	Consolidated	
		2020 \$m	2019 \$m
Revenue		7,918.9	7,095.3
Cost of sales		(6,224.8)	(5,568.2)
Gross profit		1,694.1	1,527.1
Other income		3.6	2.4
Sales and marketing expenses		(786.4)	(731.0)
Occupancy expenses		(313.1)	(306.4)
Administration expenses		(41.7)	(44.5)
Other expenses		(72.1)	(74.0)
Finance costs	5	(36.4)	(14.3)
Profit before tax		448.0	359.3
Income tax expense	7	(145.7)	(109.5)
Profit for the year attributable to Owners of the Company		302.3	249.8
		Cents	Cents
Earnings per share			
Basic (cents per share)	3	263.11	217.44
Diluted (cents per share)	3	260.69	215.27

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

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 30 June 2020

	Consolidated	
	2020 \$m	2019 \$m
Profit for the year	302.3	249.8
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Changes in the fair value of cash flow hedges (net of tax)	0.2	(1.1)
Exchange differences on translation of foreign operations	(0.4)	1.4
Other comprehensive income for the year (net of tax)	(0.2)	0.3
Total comprehensive income for the year attributable to Owners of the Company	302.1	250.1

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

BALANCE SHEET
as at 30 June 2020

	Notes	Consolidated	
		2020 \$m	2019 \$m
ASSETS			
Current assets			
Cash and cash equivalents	18	251.5	119.2
Trade and other receivables	9	220.3	254.4
Inventories	8	739.3	886.7
Other current assets	10	34.7	34.6
Total current assets		1,245.8	1,294.9
Non-current assets			
Plant and equipment	11	172.3	191.5
Deferred tax assets	7	22.2	2.7
Intangible assets	12	1,031.4	1,037.3
Right-of-use assets	16	642.2	–
Other non-current assets	10	38.4	40.8
Total non-current assets		1,906.5	1,272.3
Total assets		3,152.3	2,567.2
LIABILITIES			
Current liabilities			
Trade and other payables	13	854.1	672.7
Deferred revenue	14	196.6	165.8
Provisions	15	98.9	93.9
Lease liabilities	16	164.0	–
Other current liabilities	17	–	8.0
Current tax liabilities		32.3	5.1
Total current liabilities		1,345.9	945.5
Non-current liabilities			
Borrowings	19	–	439.1
Deferred revenue	14	81.6	90.1
Provisions	15	41.5	15.2
Lease liabilities	16	577.6	–
Other non-current liabilities	17	–	33.2
Total non-current liabilities		700.7	577.6
Total liabilities		2,046.6	1,523.1
Net assets		1,105.7	1,044.1
EQUITY			
Contributed equity	20	403.2	434.8
Reserves	21	66.8	53.7
Retained earnings		635.7	555.6
Total equity		1,105.7	1,044.1

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

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 30 June 2020

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 2018		441.7	43.5	3.6	1.7	(6.1)	463.2	947.6
Profit for the year		-	-	-	-	-	249.8	249.8
Cash flow hedges (net of tax)		-	-	-	(1.1)	-	-	(1.1)
Exchange difference on translation of foreign operations		-	-	1.4	-	-	-	1.4
Total comprehensive income for the year		-	-	1.4	(1.1)	-	249.8	250.1
Allocation of shares under share option plans	20	1.9	-	-	-	-	-	1.9
Dividends provided for or paid	4	-	-	-	-	-	(157.4)	(157.4)
Share-based payments - expense		-	10.2	-	-	-	-	10.2
Share-based payments - income tax		-	0.5	-	-	-	-	0.5
Acquisition of shares by employee share trust	20	(8.8)	-	-	-	-	-	(8.8)
Balance at 30 June 2019		434.8	54.2	5.0	0.6	(6.1)	555.6	1,044.1
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)	31	-	-	-	-	-	(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	20	1.3	-	-	-	-	-	1.3
Dividends provided for or paid	4	-	-	-	-	-	(172.3)	(172.3)
Acquisition of shares by employee share trust	20	(32.9)	-	-	-	-	-	(32.9)
Share-based payments - expense		-	12.1	-	-	-	-	12.1
Share-based payments - income tax		-	1.2	-	-	-	-	1.2
Balance at 30 June 2020		403.2	67.5	4.6	0.8	(6.1)	635.7	1,105.7

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

STATEMENT OF CASH FLOWS
for the financial year ended 30 June 2020

	Notes	Consolidated	
		2020 \$m	2019 \$m
Cash flows from operating activities			
Receipts from customers		8,759.3	7,804.9
Payments to suppliers and employees		(7,624.5)	(7,373.8)
Interest received		1.1	0.7
Interest and other finance costs paid on borrowings		(11.5)	(13.8)
Interest on lease liabilities	16	(24.9)	–
Income taxes paid		(118.2)	(116.4)
Net cash inflow from operating activities	18	981.3	301.6
Cash flows from investing activities			
Payments for plant and equipment	11	(43.1)	(59.3)
Proceeds from sale of plant and equipment		0.1	0.2
Net cash (outflow) from investing activities		(43.0)	(59.1)
Cash flows from financing activities			
Proceeds from issues of shares	20	1.3	1.9
Payments for shares acquired by the employee share trust	20	(32.9)	(8.8)
Repayment of borrowings		(440.0)	(30.5)
Payments for debt issue costs		(0.1)	(0.6)
Dividends paid to owners of the Company	4	(172.3)	(157.4)
Payment of lease liabilities		(161.8)	–
Net cash (outflow) from financing activities		(805.8)	(195.4)
Net increase in cash and cash equivalents		132.5	47.1
Cash and cash equivalents at the beginning of the financial year		119.2	72.0
Effects of exchange rate changes on cash and cash equivalents		(0.2)	0.1
Cash and cash equivalents at end of year		251.5	119.2

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

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NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 30 June 2020

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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, except for certain financial assets and liabilities (including derivative instruments).

(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 17 August 2020.

(iv) Working capital position

As at 30 June 2020 the Group has a net current liability position of \$100.1 million. This has principally occurred due to the Group using available cash to settle non-current borrowings and the recognition of lease liabilities arising from AASB 16 *Leases*. As detailed in note 22(b), the Group has undrawn borrowing facilities of \$839.3 million which will enable it to pay its creditors as and when they fall due.

(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.

1 ABOUT THIS REPORT (continued)

(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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 30 June 2020

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 2020 is as follows:

	<i>JB Aust \$m</i>	<i>JB NZ \$m</i>	<i>TGG \$m</i>	<i>Total \$m</i>
2020				
Revenue from external customers	5,318.9	211.2	2,388.8	7,918.9
EBITDA pre AASB 16	419.5	(14.7)	121.8	526.6
Total segment assets pre AASB 16	1,050.8	46.0	1,401.1	2,497.9
Additions to plant and equipment	25.7	0.5	16.9	43.1
Depreciation and impairment pre AASB 16	38.7	7.2	14.0	59.9
Total segment liabilities pre AASB 16	815.3	37.5	483.1	1,335.9
2019				
Revenue from external customers	4,726.0	221.4	2,147.9	7,095.3
EBITDA pre AASB 16	342.3	1.3	85.5	429.1
Total segment assets pre AASB 16	1,243.3	50.2	1,326.0	2,619.5
Additions to plant and equipment	30.7	0.3	28.3	59.3
Depreciation and impairment pre AASB 16	40.6	3.0	12.6	56.2
Total segment liabilities pre AASB 16	1,076.9	15.7	482.8	1,575.4

(i) EBITDA pre AASB 16

The Group Chief Executive Officer assesses the performance of the operating segments based on a measure of EBITDA prior to the impact of AASB 16 Leases. This measurement basis excludes the effects of interest revenue, finance costs, income tax, depreciation, amortisation and non-operating intercompany charges along with the impact of AASB 16 Leases.

A reconciliation of EBITDA pre AASB 16 Leases to profit before income tax is provided as follows:

	Consolidated	
	<i>2020 \$m</i>	<i>2019 \$m</i>
EBITDA pre AASB 16	526.6	429.1
Rent expense adjustment from AASB 16	191.4	–
Interest revenue	1.1	0.7
Interest on leases	(24.9)	–
Other finance costs	(11.5)	(14.3)
Depreciation and impairment - Plant and equipment	(59.9)	(56.2)
Depreciation and impairment - Right-of-use assets	(174.8)	–
Profit before income tax from continuing operations	448.0	359.3

2 SEGMENT INFORMATION (continued)

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

(ii) Segment assets and liabilities

The amounts provided to the Group Chief Executive Officer with respect to total assets and liabilities are measured prior to the impact of AASB 16 *Leases*. These assets and liabilities are allocated based on the operations of the segment or the physical location of the asset.

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

	Consolidated	
	2020 \$m	2019 \$m
Segment assets	2,497.9	2,619.5
Intersegment eliminations	(2.3)	(52.3)
Assets adjusted under AASB 16	656.7	–
Total assets as per the balance sheet	3,152.3	2,567.2
Segment liabilities	1,335.9	1,575.4
Intersegment eliminations	(2.3)	(52.3)
Liabilities adjusted under AASB 16	713.0	–
Total liabilities as per the balance sheet	2,046.6	1,523.1

(c) Product information

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

	Consolidated	
	2020 Cents	2019 Cents
3 EARNINGS PER SHARE		
Basic (cents per share)	263.11	217.44
Diluted (cents per share)	260.69	215.27

	Consolidated	
	2020 \$m	2019 \$m
(a) Reconciliation of earnings used in calculating earnings per share		
<i>Basic earnings per share</i>		
Profit for the year attributable to owners of the Company	302.3	249.8
<i>Diluted earnings per share</i>		
Profit for the year attributable to owners of the Company	302.3	249.8

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 30 June 2020

	Consolidated	
	<i>2020 Number m</i>	<i>2019 Number m</i>
3 EARNINGS PER SHARE (continued)		
(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	114.9	114.9
Adjustments for calculation of diluted earnings per share:		
Options	1.1	1.2
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	116.0	116.1

(c) Information concerning the classification of securities

Options

Options granted under the Company's share option plans are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive (1,062,413 options are considered dilutive (2019: 1,159,578), zero are considered anti-dilutive (2019: 53,746)). The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 29.

	2020		2019	
	<i>Cents per share</i>	<i>\$m</i>	<i>Cents per share</i>	<i>\$m</i>
4 DIVIDENDS				
Recognised amounts				
Final Dividend - previous financial year	51.00	58.6	46.00	52.8
Interim Dividend - current financial year	99.00	113.7	91.00	104.6
	150.00	172.3	137.00	157.4
Unrecognised amounts				
Final Dividend - current financial year	90.00	103.4	51.00	58.6

In respect of the financial year ended 30 June 2020, the directors have recommended the payment of a final dividend of 90.0 cents per share. The record date is 28 August 2020.

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

	Consolidated	
	<i>2020 \$m</i>	<i>2019 \$m</i>
(a) Franking account balance		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2019: 30.0%)	384.3	312.7

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 \$44.3 million (2019: \$25.1 million).

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Consolidated

5 EXPENSES

Profit before income tax includes the following specific expenses:

Finance costs

	2020 \$m	2019 \$m
Interest on loans	8.7	13.3
Interest on leases	24.9	–
Fair value loss on interest swaps designated as cash flow hedges	2.0	0.3
Other interest expense	0.8	0.7
	36.4	14.3

Employee benefits expenses

Share-based payments - expense	12.1	10.2
Defined contribution superannuation expense	56.7	57.4
Other employee benefits	703.8	661.6
	772.6	729.2

6 NEW ZEALAND ASSET IMPAIRMENTS

The Group is focussed 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 the impairment of the carrying value of certain JB Hi-Fi New Zealand assets.

The right-of-use assets and fixed assets of JB Hi-Fi New Zealand have been impaired to their recoverable amount with a corresponding impairment loss recognised. Given the uncertainty of future taxable profits in New Zealand, deferred tax assets have also been derecognised.

A summary of the impairments associated with JB Hi-Fi New Zealand that have been included in the 2020 financial results are set out below.

	2020 \$m
Right-of-use asset impairment	14.4
Fixed asset impairment	5.3
Total impairments included in profit before tax	19.7
Tax effect of impairments	(5.8)
Deferred tax asset impairment	10.1
Impact of impairments on net profit after tax	24.0

Consolidated

7 TAXATION

(a) Income tax expense

	2020 \$m	2019 \$m
Current tax	146.2	117.9
Deferred tax	(0.5)	(8.4)
	145.7	109.5

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 30 June 2020

	Consolidated	
	2020 \$m	2019 \$m
7 TAXATION (continued)		
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	448.0	359.3
Tax at the Australian tax rate of 30.0% (2019: 30.0%)	134.4	107.8
Effect of expenses that are not deductible in determining taxable profit	4.3	3.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	0.2	0.1
Effect of other deductibles in determining taxable profit	(3.4)	(1.6)
Effect of New Zealand deferred tax asset derecognised	10.1	–
Other	0.1	–
Tax expense	145.7	109.5
(c) Amounts recognised directly in equity		
The following current and deferred amounts were charged directly to equity during the period:		
<i>Current tax</i>		
Tax effect of employee share options in reserves	1.2	(0.5)
(d) Deferred tax		
The balance comprises temporary differences attributable to:		
<i>Deferred tax assets</i>		
Provisions	36.9	42.6
Inventories	11.9	9.6
Deferred revenue	37.0	40.7
Lease liabilities	217.9	–
Other	13.6	13.6
	317.3	106.5
<i>Deferred tax liabilities</i>		
Brand names	(85.2)	(85.2)
Prepayments	(17.2)	(18.6)
Right-of-use asset	(192.7)	–
	(295.1)	(103.8)
Net deferred tax assets/(liabilities)	22.2	2.7

All movements in the above temporary differences have been charged to income with the exception of the initial recognition of lease liabilities and right-of-use assets on adoption of AASB 16 *Leases*, which were recognised in retained earnings upon transition on 1 July 2019.

(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).

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7 TAXATION (continued)

(e) Recognition and measurement (continued)

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 24.

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	
	2020 \$m	2019 \$m
8 INVENTORIES		
Finished goods	739.3	886.7

(a) Recognition and measurement

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

Determining the net realisable value of inventories relies on key assumptions that require the use of management judgement.

These key assumptions are the variables affecting the expected selling price and are reviewed annually. Any reassessment of the selling price in a particular year will affect the cost of goods sold.

	Consolidated	
	2020 \$m	2019 \$m
9 TRADE AND OTHER RECEIVABLES		
Trade receivables	59.7	69.0
Allowance for expected credit losses	(1.5)	(1.4)
	58.2	67.6
Non-trade receivables	162.1	186.8
	220.3	254.4

(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	
	2020 \$m	2019 \$m
(b) Ageing of trade receivables (net of allowance for expected credit losses)		
Not past due	53.4	63.7
Past due but not impaired:		
0 - 30 days	4.1	2.0
31 - 60 days	0.7	1.9
61 - 90 days	-	-
91+ days	-	-
	58.2	67.6

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	Consolidated	
	2020 \$m	2019 \$m
9 TRADE AND OTHER RECEIVABLES (continued)		
(c) Movements in allowance for expected credit losses		
Balance at the beginning of the year	1.4	1.1
Remeasurement of loss allowance	0.5	0.4
Receivables written off during the year as uncollectable	(0.4)	(0.1)
	1.5	1.4

(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	
	2020 \$m	2019 \$m
10 OTHER ASSETS		
<i>Current</i>		
Prepayments	30.8	30.0
Other	3.9	4.6
	34.7	34.6
<i>Non-current</i>		
Prepayments	38.4	40.8
	38.4	40.8

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 30 June 2020

	<i>Plant and equipment \$m</i>	<i>Leasehold improvements \$m</i>	<i>Total \$m</i>
11 PLANT AND EQUIPMENT			
At 1 July 2018			
Cost	336.4	188.1	524.5
Accumulated depreciation and impairment	(196.3)	(130.2)	(326.5)
Net book amount	140.1	57.9	198.0
Year ended 30 June 2019			
Opening net book amount	140.1	57.9	198.0
Exchange differences	0.4	0.1	0.5
Additions	39.2	20.1	59.3
Disposals	(9.8)	(0.3)	(10.1)
Depreciation charge	(36.1)	(18.6)	(54.7)
Impairment charge	(1.5)	–	(1.5)
Closing net book amount	132.3	59.2	191.5
At 30 June 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

(a) Recognition and measurement

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

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

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

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

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

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

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

	<i>Goodwill</i> \$m	<i>Brand names</i> \$m	<i>Location premiums</i> \$m	<i>Rights to profit share</i> \$m	<i>Total</i> \$m
12 INTANGIBLE ASSETS					
Year ended 30 June 2019					
Opening net book amount	747.0	284.4	2.4	3.5	1,037.3
Closing net book amount	747.0	284.4	2.4	3.5	1,037.3
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

(a) Recognition and measurement

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

Each period, the useful life of intangibles assets with indefinite useful lives, other than goodwill, are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets. As at 30 June 2020, management has concluded that an indefinite useful life remains appropriate as the Group expect to continue using the assets held for the foreseeable future.

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

(b) Impairment testing

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

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

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units ('CGUs'), or groups of CGUs, expected to benefit from the synergies of the business combination.

If the recoverable amount of the CGU (or groups of CGUs) is less than the carrying amount of the CGU (or groups of CGUs), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU (or groups of CGUs) and then to the other assets in the CGU (or groups of CGUs) pro rata on the basis of the carrying amount of each asset in the CGU (or groups of CGUs). An impairment loss recognised for goodwill is recognised immediately in profit or loss.

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

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

	Consolidated	
	<i>2020</i> \$m	<i>2019</i> \$m
Goodwill		
The Good Guys	575.6	575.6
JB Hi-Fi Australia	165.0	165.0
JB Solutions division (Commercial)	6.4	6.4
	747.0	747.0

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 30 June 2020

	Consolidated	
	2020 \$m	2019 \$m
12 INTANGIBLE ASSETS (continued)		
(b) Impairment testing (continued)		
Brand names		
The Good Guys	241.3	241.3
JB Hi-Fi Australia	43.1	43.1
	284.4	284.4

The recoverable amount of each CGU (or group of CGUs) has been determined based on value in use calculations which use cash flow projections from financial budgets for the FY2021 financial year as reviewed by the board. In establishing the FY2021 budget, due consideration was given to the economic uncertainty associated with Covid-19. The cash flows beyond the budget period have been extrapolated over a further 4 years and into perpetuity using a steady 2.5% long term growth rate (2019: 2.5%), which is consistent with the mid-point of long-term inflation forecasts by recognised bodies.

The key assumptions used in the value in use calculations include, 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 (or group of CGUs) taking into account current market and economic conditions, risks, uncertainties and opportunities for improvement for each CGU (or groups of CGUs).

The Group has assessed the following reasonably possible changes in key assumptions as part of their sensitivity analysis (all other assumptions held constant):

- Sensitivity analysis on the long term growth rate indicates that head room continues to be present for all CGUs (or groups of CGUs) if the long-term growth rate was to be reduced to 1%.
Having regard to the recent timing of the acquisition of The Good Guys business, The Good Guys CGU is more sensitive to sustained long term growth in revenue and profitability.
- The post-tax discount rate used in the calculations is 9.0% (2019: 10.0%). The discount rate is derived from the Group's weighted average cost of capital, adjusted for varying risk profiles, where appropriate. Risk-free rates are based on government bond rates in Australia and equity risk premia are based on forecasts by recognised bodies. Sensitivity analysis indicates that head room continues to be present for all CGUs (or groups of CGUs) if the prior year discount rate of 10% was maintained in the current year.
- As the global outbreak of Covid-19 continues to progress and evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's business activities. The Group's experience to date in both Australia and New Zealand evidences our ability to respond and adapt to our customers' changing needs, as reflected in our FY2020 trading performance.

The Group believes that the assumptions adopted in the value in use calculations reflect an appropriate balance between the Group's experience to date and the uncertainty associated with the Covid-19 pandemic. Whilst temporary store closures arising from Government restrictions may impact short term results, the expected timing and nature of any such closures is not expected to impact the long-term performance of the Group's businesses and results of our impairment testing.

Accordingly, the Group has concluded that no impairment is required based on current market and economic conditions and expected future performance.

	Consolidated	
	2020 \$m	2019 \$m
13 TRADE AND OTHER PAYABLES		
Trade payables	796.2	585.7
Goods and services tax (GST) payable	22.6	47.8
Other creditors and accruals	35.3	39.2
	854.1	672.7

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

	Consolidated	
	2020 \$m	2019 \$m
14 DEFERRED REVENUE		
Current		
Deferred revenue	196.6	165.8
	196.6	165.8
Non-current		
Deferred revenue	81.6	90.1
	81.6	90.1

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

It is expected that 76% (2019: 83%) of Non-Current Deferred Revenue will be recognised in the next 3 financial years and the remaining 24% (2019: 17%) recognised in the following 3 years.

	Consolidated	
	2020 \$m	2019 \$m
15 PROVISIONS		
Current		
Employee benefits	97.0	86.5
Lease provision	1.9	7.4
	98.9	93.9
Non-current		
Employee benefits	8.2	7.5
Lease provision	33.3	7.7
	41.5	15.2

(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.

15 PROVISIONS (continued)

(a) Recognition and measurement (continued)

(i) *Employee benefits (continued)*

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

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

(ii) *Lease provision*

The lease provision includes the Group's best estimate of the amount required to return the Group's leased premises to their original condition, taking into account due consideration of the Group's past history of vacating stores and the Group's best estimate of onerous lease obligations. Concurrent with the adoption of AASB 16, the Group also reassessed its accounting estimate for the allowance for makegood on leased properties. Further details are set out in Note 31(e).

16 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group adopted AASB 16 *Leases* using the modified retrospective approach from 1 July 2019 and as such has not restated comparatives for the 2019 reporting period. Please refer to Note 31(e) for details of the impact on the opening balances on 1 July 2019 from the adoption of the new standard.

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
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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:

	<i>Properties \$m</i>	<i>Equipment \$m</i>	<i>Total \$m</i>
(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
Opening carrying value	-	-	-
Adoption of AASB 16 ⁽ⁱ⁾	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

(i) Refer to note 31(e) for details related to opening balances arising from adoption of AASB 16.

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

(b) Lease liabilities

	<i>Properties \$m</i>	<i>Equipment \$m</i>	<i>Total \$m</i>
Current	162.5	1.5	164.0
Non-Current	574.2	3.4	577.6
Total	736.7	4.9	741.6
Opening carrying value	–	–	–
Adoption of AASB 16 ⁽ⁱ⁾	832.9	4.0	836.9
New and modified leases	64.4	2.6	67.0
Cash payments	(185.0)	(1.7)	(186.7)
Interest expense	24.8	0.1	24.9
Foreign exchange translation	(0.5)	–	(0.5)
Closing carrying value	736.6	5.0	741.6

(i) Refer to note 31(e) for details related to opening balances arising from adoption of AASB 16.

(c) Amounts recognised in the Statement of Profit or Loss

	<i>2020 \$m</i>	<i>2019 \$m</i>
Depreciation expense on right of use assets	160.4	–
Interest expense on lease liabilities	24.9	–
Property lease expense ⁽ⁱ⁾	7.2	177.6

(i) In the 2020 financial year, the property lease expense includes short-term, low value and variable rent expenses not captured as part of AASB 16 Leases.

(d) Recognition and Measurement

Until the end of the 2019 financial year, leases of property and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on straight-line basis over the period of the lease.

From 1 July 2019, 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.

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 is 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.

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

(d) Recognition and Measurement (continued)

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 12 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.

	Consolidated	
	2020 \$m	2019 \$m
17 OTHER LIABILITIES		
Current		
Lease accrual	–	2.6
Lease incentive	–	5.2
Other financial liabilities	–	0.2
	–	8.0
Non-current		
Lease accrual	–	15.2
Lease incentive	–	18.0
	–	33.2

17 OTHER LIABILITIES (continued)

(a) Lease accrual

Prior to the adoption of AASB 16 *Leases*, leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to the statement of profit or loss on a straight line basis over the period of the lease. The lease accrual represented the difference between the expense incurred and the payments made. On adoption of AASB 16 *Leases* on 1 July 2019 the value of the lease accrual was derecognised. Further details are set out in Note 31(e).

(b) Lease incentives

Prior to the adoption of AASB 16 *Leases*, in the event that lease incentives (for example rent free periods and upfront capital contributions) were received to enter into operating leases, such incentives were recognised as a liability. The aggregate benefits of incentives were recognised as a reduction of rental expense on a straight line basis over the period of the lease. On the adoption of AASB 16 *Leases* on 1 July 2019, the value of the lease incentive was derecognised. Further details are set out in Note 31(e).

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CAPITAL STRUCTURE AND RISK MANAGEMENT

18 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	
	2020 \$m	2019 \$m
Cash	251.5	136.4
Trade finance facility	–	(17.2)
Cash and cash equivalents	251.5	119.2
(b) Reconciliation of net cash inflow from operating activities to profit		
Profit for the year	302.3	249.8
Depreciation and amortisation	214.4	54.7
Impairment charges	20.3	1.5
Non-cash employee benefits expense - share-based payments	12.1	10.2
Net loss on disposal of non-current assets	2.3	9.9
Fair value adjustment to derivatives	–	(1.1)
Change in operating assets and liabilities net of effects from acquisition of businesses:		
(Increase) decrease in inventories	146.6	5.9
(Increase) decrease in current receivables	36.3	(28.9)
(Increase) decrease in other current assets	2.1	13.1
(Increase) decrease in deferred tax liabilities	(0.5)	(8.4)
(Decrease) increase in current payables	181.9	(11.1)
(Decrease) increase in current provisions	16.5	12.3
(Decrease) increase in other current liabilities	(0.2)	(0.2)
(Decrease) increase in deferred revenue	22.4	(0.9)
(Decrease) increase in non-current provisions	(2.8)	2.7
(Decrease) increase in other non-current liabilities	(0.3)	(4.2)
(Decrease) increase in current tax liabilities	27.9	(3.7)
Net cash inflow from operating activities	981.3	301.6

	Consolidated	
	2020 \$m	2019 \$m
19 BORROWINGS		
Unsecured non-current		
Bank loans	–	439.1
Reconciliation of liabilities arising from financing activities		
Opening borrowings	439.1	469.4
Repayment of borrowings	(440.0)	(30.5)
Debt issue costs paid	(0.1)	(0.6)
Amortisation of debt issue costs	1.0	0.8
	–	439.1

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19 BORROWINGS (continued)

Following the uncertainty created by the Covid-19 pandemic, the Group increased its existing trade finance facility by \$60.0 million to \$200.0 million and obtained an additional trade finance facility of \$200.0 million. The Group has maintained its overdraft facilities and in June 2020 reduced its term debt facility by \$60.0 million to \$380.0 million. Refer to note 22(b) for further details on the Group's financing facilities.

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

(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	
	2020 Shares	2019 Shares	2020 \$m	2019 \$m
20 CONTRIBUTED EQUITY				
(a) Share capital				
Ordinary shares - fully paid	114,883,372	114,883,372	403.2	434.8

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 2018	Opening balance	114,883,372	441.7
	Shares acquired by employee share trust	(354,617)	(8.8)
	Allocation of shares under share option, variable reward and deferred STI plans	354,617	1.9
30 June 2019	Closing balance	114,883,372	434.8
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

(c) Share options

In accordance with the provisions of the Company's share option plans, as at 30 June 2020, executives and non-executive management have options over 1,091,782 ordinary shares (of which 3,197 were vested), in aggregate, with various expiry dates.

As at 30 June 2019, executives and non-executive management had options over 1,252,931 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 30 June 2020

20 CONTRIBUTED EQUITY (continued)

(d) Capital management

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

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

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

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

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

The Group's return on invested capital as at 30 June 2020 and 30 June 2019 were as follows:

	Consolidated	
	2020 \$m	2019 \$m
Return on invested capital		
Profit before tax	448.0	359.3
Net finance costs	35.3	13.6
EBIT	483.3	372.9
Borrowings	–	439.1
Cash and cash equivalents	(251.5)	(119.2)
Net debt	(251.5)	319.9
Total equity	1,105.7	1,044.1
Invested capital	854.2	1,364.0
Return on invested capital	56.6%	27.3%
Gearing ratio		
Term debt	–	440.0
EBIT	483.3	372.9
Depreciation and impairment	234.7	56.2
EBITDA	718.0	429.1
Gearing ratio	0.00	1.03

	Consolidated	
	2020 \$m	2019 \$m
21 RESERVES		
Equity-settled benefits	67.5	54.2
Common control reserve	(6.1)	(6.1)
Hedging reserves	0.8	0.6
Foreign currency translation reserve	4.6	5.0
	66.8	53.7

21 RESERVES (continued)

(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 29 to the financial statements.

(ii) Common control reserve

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

(iii) Hedging reserves

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

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

(iv) Foreign currency translation

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

22 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	
	2020 \$m	2019 \$m
Financial assets		
Cash and cash equivalents	251.5	119.2
Trade and other receivables	220.3	254.4
	471.8	373.6
Financial liabilities		
Trade and other payables	854.1	672.7
Bank loans	–	439.1
Interest rate swaps and caps (net settled)	–	0.2
	854.1	1,112.0

22 FINANCIAL RISK MANAGEMENT (continued)**(a) Market risk***(i) Cash flow and fair value interest rate risk*

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

Interest rate swap and interest rate cap contracts

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

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

	30 June 2020		30 June 2019	
	Weighted average interest rate %	Balance \$m	Weighted average interest rate %	Balance \$m
Consolidated				
Bank loans	2.16%	–	2.85%	440.0
Interest rate swaps and caps (notional principal amount)	2.20%	–	3.18%	203.4
Net exposure to cash flow interest rate risk		–		643.4

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

Summarised sensitivity analysis

The carrying value of interest rate swap and caps was \$0.0m (2019: \$0.2m) and borrowings was \$0.0m (2019: \$439.1m). Using a sensitivity of 50 basis points results in an immaterial impact on the carrying values.

22 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk

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

Financing arrangements

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

	Consolidated	
	2020 \$m	2019 \$m
Unsecured bank overdraft facility:		
amount used	–	–
amount unused	59.3	59.6
	59.3	59.6
Unsecured trade finance facility:		
amount used	–	17.2
amount unused	400.0	122.8
	400.0	140.0
Unsecured indemnity guarantees:		
amount used	3.6	3.7
amount unused	2.7	2.6
	6.3	6.3
Unsecured bank loan facilities (term debt):		
amount used ⁽ⁱ⁾	–	440.0
amount unused	380.0	–
	380.0	440.0
Headroom in total borrowing facilities (excluding security indemnity guarantees)	839.3	182.4

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 30 June 2020

22 FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Maturities of financial liabilities

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

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

	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 %
2020							
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	

	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 %
2019							
Financial liabilities							
Trade and other payables	656.9	–	–	–	–	656.9	–
Bank loans	6.3	6.3	72.5	382.7	–	467.8	2.85%
Interest rate swaps and caps (net settled)	0.2	–	–	–	–	0.2	3.18%
	663.4	6.3	72.5	382.7	–	1,124.9	

(c) Credit risk management

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

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

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

(d) Fair value of financial instruments

The only financial assets or financial liabilities carried at fair value in the prior financial year are interest rate swaps and interest rate caps.

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

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

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

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

23 COMMITMENTS

(a) Non-cancellable operating leases

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

	Consolidated	
	2020 \$m	2019 \$m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	–	153.4
Later than one year but not later than five years	–	407.6
Later than five years	–	118.8
	–	679.8

From 1 July 2019, the Group has recognised right-of-use assets and corresponding lease liabilities for these leases, see note 16 for further information.

GROUP STRUCTURE

24 SUBSIDIARIES

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

Name of entity	Country of incorporation	Ownership interest	
		2020 %	2019 %
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.

24 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).

25 DEED OF CROSS GUARANTEE

The subsidiaries identified with a '^' in note 24 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:

	2020 \$m	2019 \$m
(a) Consolidated statement of profit or loss, statement of profit or loss and other comprehensive income		
Statement of profit or loss		
Revenue	5,456.2	5,083.9
Cost of sales	(4,264.1)	(3,978.1)
Gross profit	1,192.1	1,105.8
Other income	186.6	118.7
Sales and marketing expenses	(587.2)	(543.6)
Occupancy expenses	(197.0)	(207.1)
Administration expenses	(33.5)	(35.4)
Finance costs	(35.8)	(14.2)
Other expenses	(56.9)	(63.4)
Profit before income tax	468.3	360.8
Income tax expense	(141.3)	(110.0)
Profit for the year	327.0	250.8
Statement of profit or loss and other comprehensive income		
Profit for the year	327.0	250.8
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Changes in the fair value of cash flow hedges (net of tax)	0.2	(1.1)
Other comprehensive income for the year (net of tax)	0.2	(1.1)
Total comprehensive income for the year	327.2	249.7

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 30 June 2020

	2020 \$m	2019 \$m
25 DEED OF CROSS GUARANTEE (continued)		
(b) Balance sheet		
Current assets		
Cash and cash equivalents	236.4	119.5
Trade and other receivables	199.3	396.7
Inventories	508.4	595.5
Other current assets	34.2	36.5
Total current assets	978.3	1,148.2
Non-current assets		
Plant and equipment	131.0	148.6
Right-of-use assets	642.2	–
Deferred tax assets	94.6	71.3
Intangible assets	77.9	83.8
Investments in subsidiaries	911.7	911.7
Other non-current assets	337.4	213.5
Total non-current assets	2,194.8	1,428.9
Total assets	3,173.1	2,577.1
Current liabilities		
Trade and other payables	823.1	628.4
Deferred revenue	138.0	119.1
Lease liabilities	159.7	–
Current tax liabilities	32.3	5.1
Provisions	101.6	98.4
Other current liabilities	–	7.3
Other financial liabilities	–	0.3
Total current liabilities	1,254.7	858.6
Non-current liabilities		
Borrowings	–	439.1
Deferred revenue	81.6	90.2
Lease liabilities	566.7	–
Provisions	40.3	14.2
Other non-current liabilities	–	30.0
Total non-current liabilities	688.6	573.5
Total liabilities	1,943.3	1,432.1
Net assets	1,229.8	1,145.0
Equity		
Contributed equity	414.5	454.9
Reserves	63.3	41.2
Retained earnings	752.0	648.9
Total equity	1,229.8	1,145.0

	Parent Entity	
	2020 \$m	2019 \$m
26 PARENT ENTITY		
Assets		
Current assets	0.5	–
Non-current assets	548.0	526.4
Total assets	548.5	526.4
Liabilities		
Current liabilities	37.2	8.9
Non-current liabilities	0.1	0.1
Total liabilities	37.3	9.0
Shareholders' equity		
Contributed equity	403.2	434.8
Reserves	67.5	54.2
Retained earnings	40.5	28.4
	511.2	517.4
Profit for the year	184.4	167.4
Total comprehensive income	184.4	167.4

27 RELATED PARTY TRANSACTIONS

(a) Parent entity and equity interests in related parties

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

(b) Equity interests in related parties

Details of the percentage of ordinary shares held in subsidiaries are disclosed in note 24.

(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	
	2020 \$'000	2019 \$'000
28 KEY MANAGEMENT PERSONNEL DISCLOSURES		
The aggregate compensation of the key management personnel of the Group is set out below:		
Short-term employee benefits	7,291	8,310
Post-employment benefits	187	239
Share-based payments expense	4,647	4,230
	12,125	12,779

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

29 SHARE-BASED PAYMENTS

(a) Group share option plans

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

Details of the features of outstanding share options are provided in the remuneration report on 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:

	<i>Balance at start of the year Number</i>	<i>Granted during the year Number</i>	<i>Exercised/ lapsed during the year Number</i>	<i>Balance at end of the year Number</i>	<i>Vested and exercisable at end of the year Number</i>
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	–	–

	<i>Balance at start of the year Number</i>	<i>Granted during the year Number</i>	<i>Exercised/ lapsed during the year Number</i>	<i>Balance at end of the year Number</i>	<i>Vested and exercisable at end of the year Number</i>
2019					
Outstanding Share Options with an exercise price	182,199	–	(107,798)	74,401	–
Outstanding Zero Exercise Price Options	1,151,720	275,588	(248,778)	1,178,530	3,197
	1,333,919	275,588	(356,576)	1,252,931	3,197
Weighted average exercise price of those with an exercise price	\$17.69	–	\$17.88	\$17.41	–

The weighted average remaining contractual life of share options outstanding at the end of the period was 1,007 days (2019: 1,112 days).

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29 SHARE-BASED PAYMENTS (continued)

(a) Group share option plans (continued)

Fair value of options granted

Equity settled share based payments with employees are measured at the fair value of the equity instrument at grant date. The weighted average fair value of options granted during the year ended 30 June 2020 was \$27.14 (2019: \$21.97). The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the expected exercise date based on prior years' experience, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate.

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

The expected price volatility for options granted during the year ended 30 June 2020 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 receive a 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 pages 34 to 35.

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.

30 REMUNERATION OF AUDITORS

Audit and other services

Audit and review of group financial statements
Audit and review of subsidiary financial statements
Other assurance services
Total remuneration for audit and other services

Consolidated	
2020 \$'000	2019 \$'000
678	625
34	33
9	9
721	667

The auditor of the Group is Deloitte Touche Tohmatsu.

During the current financial year 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.

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

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

(a) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue 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.

(b) Derivatives and hedging activities

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

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

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

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Derivatives and hedging activities (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 22. 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.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Group companies

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

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

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency translation (continued)

(iii) Group companies (continued)

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.

(d) Goods and Services Tax (GST)

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

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

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

(e) New accounting standards and interpretations

In the current year, the Group has adopted all of the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period:

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

This note explains the impact of the adoption of AASB 16 *Leases* on the Group's financial statements.

Impact on the financial statements

The Group has adopted AASB 16 using the modified retrospective approach from 1 July 2019 and as such has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*.

These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The Group's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was between 1.44% and 4.54% depending on the remaining term of the lease. There were no leases previously recorded as finance leases.

Lease liabilities recognised in the statement of financial position at the date of initial application are reconciled as follows:

	1 July 2019 \$m
Operating leases commitments disclosed as at 30 June 2019	679.8
Discounted using the lessee's incremental borrowing rate	(95.7)
Add: Adjustments for reasonably certain options and leases in holdover	252.8
Lease liability recognised as at 1 July 2019	836.9
<i>Comprising</i>	
Current lease liabilities	154.0
Non-current lease liabilities	682.9
	836.9

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31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) New accounting standards and interpretations (continued)

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

The associated right-of-use assets were measured on a retrospective basis as if the new rules had always been applied, using the lessee's incremental borrowing rate on the date of initial application.

Concurrent with the adoption of AASB 16, the Group also reassessed its accounting estimate for the allowance for makegood on leased properties, which is presented as a provision in the balance sheet.

The recognised right-of-use-assets relate to the following types of assets:

	1 July 2019 \$m
Properties	747.9
Equipment	3.9
Total right-of-use assets (net)	751.8

The effect of these changes on the balance sheet on 1 July 2019 was as follows:

	1 July 2019 \$m
Right-of-use assets	751.8
Intangible assets	(5.9)
Deferred tax assets	19.0
Total impact on assets	764.9
Lease liabilities	836.9
Provisions	18.9
Other liabilities	(41.0)
Total impact on liabilities	814.8
Net impact on retained earnings	(49.9)

Impact on segment disclosures and earnings

As set out in Note 2, the Group Chief Executive Officer has continued to assess the operating segments prior to the impact of the new leases standard. Included in Note 2 is a reconciliation of the operating segments prior to the impact of the new leases standard, to the Group results.

The impact on the consolidated profit and loss for the year ended 30 June 2020 as a result of the adoption of the new leases standard is set out below. The "Pre AASB 16" profit and loss reflects the trading results of the Group prepared in accordance with the previous leasing standard AASB 117. The "Reported" profit and loss reflects the trading results of the Group as reported in the Statement of Profit or Loss, prepared in accordance with the new leasing standard AASB 16.

	Pre AASB 16 \$m	Impact \$m	Reported \$m
Revenue	7,918.9	–	7,918.9
Cost of sales	(6,224.8)	–	(6,224.8)
Gross profit	1,694.1	–	1,694.1
Other income	3.6	–	3.6
Sales and marketing expenses	(786.4)	–	(786.4)
Occupancy expenses	(315.5)	2.4	(313.1)
Administration expenses	(41.7)	–	(41.7)
Other expenses	(86.3)	14.2	(72.1)
Finance costs	(11.5)	(24.9)	(36.4)
Profit before tax	456.3	(8.3)	448.0
Income tax expense	(147.6)	1.9	(145.7)
Profit for the year attributable to the Owners of the Company	308.7	(6.4)	302.3

31 SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) New accounting standards and interpretations (continued)

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

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend the lease; and
- not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease.

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

(i) AASB 2018-7 *Amendments to Australian Accounting Standards - Definition of Material* [AASB 101 and AASB 108] (effective 1 January 2020)

(ii) AASB 2018-6 *Amendments to Australian Accounting Standards - Definition of a Business* [AASB 3] (effective 1 January 2020)

(iii) 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)

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

(v) 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)

32 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Following the Victorian Government's announcement of stage 4 restrictions in metropolitan Melbourne, 46 JB Hi-Fi stores and 21 The Good Guys stores were temporarily closed to customers from 6th of August for a minimum period of 6 weeks.

Following the New Zealand Government's re-introduction of alert level 3 restrictions in Auckland, 7 JB Hi-Fi New Zealand's stores were temporarily closed to customers from midday 12th of August for a minimum period of 2 weeks.

In metropolitan Melbourne and Auckland, the Group's online and commercial operations continue to trade with fulfillment via contactless click and collect and home delivery from its store network and warehouses.

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

ADDITIONAL SECURITIES EXCHANGE INFORMATION

The shareholder information set out below was applicable as at 10 August 2020.

A. Distribution of equity securities

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

Holding	Ordinary shares		
	Total Holders	Units	% Issued Capital
1 - 1,000	19,481	5,656,953	4.92
1,001 - 5,000	3,688	7,512,644	6.54
5,001 - 10,000	276	1,881,433	1.64
10,001 - 100,000	147	3,721,771	3.24
100,001 and over	23	96,110,571	83.66
	23,615	114,883,372	100.00

There were 296 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:

Name	Ordinary shares	
	Number held	% of issued shares
1. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	33,842,633	29.46
2. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,928,567	28.66
3. CITICORP NOMINEES PTY LIMITED	11,486,553	10.00
4. BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	5,989,472	5.21
5. NATIONAL NOMINEES LIMITED	4,549,327	3.96
6. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	2,691,644	2.34
7. BNP PARIBAS NOMS PTY LTD <DRP>	1,751,447	1.52
8. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	382,419	0.33
9. CPU SHARE PLANS PTY LTD <JBH EOP UNALLOCATED A/C>	351,596	0.31
10. CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	304,757	0.27
11. 3RD WAVE INVESTORS PTY LTD	275,000	0.24
12. CPU SHARE PLANS PTY LIMITED	184,303	0.16
13. AMP LIFE LIMITED	179,311	0.16
14. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	175,843	0.15
15. SCCASP HOLDINGS PTY LTD <H & R SUPER FUND A/C>	175,400	0.15
16. BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	154,836	0.13
17. CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	120,832	0.11
18. FULLFIELD PTY LTD <D L RODD FAMILY A/C>	120,000	0.10
19. JEREMY AND LYNETTE KING SUPERANNUATION PTY LTD	120,000	0.10
20. ASTRASET PTY LTD <ALBENISA SUPER FUND A/C>	113,211	0.10
	95,897,151	83.46

C. Substantial holders

Substantial holders in the Company are set out below:

Ordinary shares

AustralianSuper Pty Ltd

The Vanguard Group

	<i>Number held</i>	<i>Voting Power %</i>
AustralianSuper Pty Ltd	12,741,156	11.09
The Vanguard Group	5,804,822	5.05

D. Unquoted equity securities

Employee share options issued under the Company's share option plans

	<i>Number on issue</i>	<i>Number of holders</i>
Employee share options issued under the Company's share option plans	1,087,825	154

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CORPORATE INFORMATION

ABN 80 093 220 136

COMPANY SECRETARY

Doug Smith

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

Podium Level
60 City Road, Southbank VIC 3006
Phone: +61 3 8530 7333

SHARE REGISTRY

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067, Australia
Phone: 1300 302 417 (Australia)
Phone: +61 3 9415 4136

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investors.jbhifi.com.au