TEAM HARVEY

Harvey Norman®

HOLDINGS LIMITED

ABN 54 003 237 545

2017

APPENDIX 4E REPORT

Harvey Norman®

DOMAYNE®

JOYCE MAYNE®

KEY DATES:

31 August 2017	Announcement of Full-Year Profit to 30 June 2017 Announcement of Final 2017 Dividend
1 November 2017	Record date for Determining Entitlement to Final 2017 Dividend
16 November 2017	Annual General Meeting of Shareholders The Annual General Meeting of the Shareholders of Harvey Norman Holdings Limited will be held at Tattersalls Club 181 Elizabeth Street, Sydney, at 11:00am
1 December 2017	Payment of Final 2017 Dividend
28 February 2018	Announcement of Half-Year Profit to 31 December 2017 Announcement of Interim 2018 Dividend
6 April 2018	Record date for Determining Entitlement to Interim 2018 Dividend
1 May 2018	Payment of Interim 2018 Dividend

COMPANY INFORMATION

Registered Office:
A1 Richmond Road, Homebush West NSW 2140
Ph: 02 9201 6111
Fax: 02 9201 6250

Share Registry:
Boardroom Pty Limited
Level 12, 225 George Street, Sydney NSW 2000
Ph: 02 9290 9600

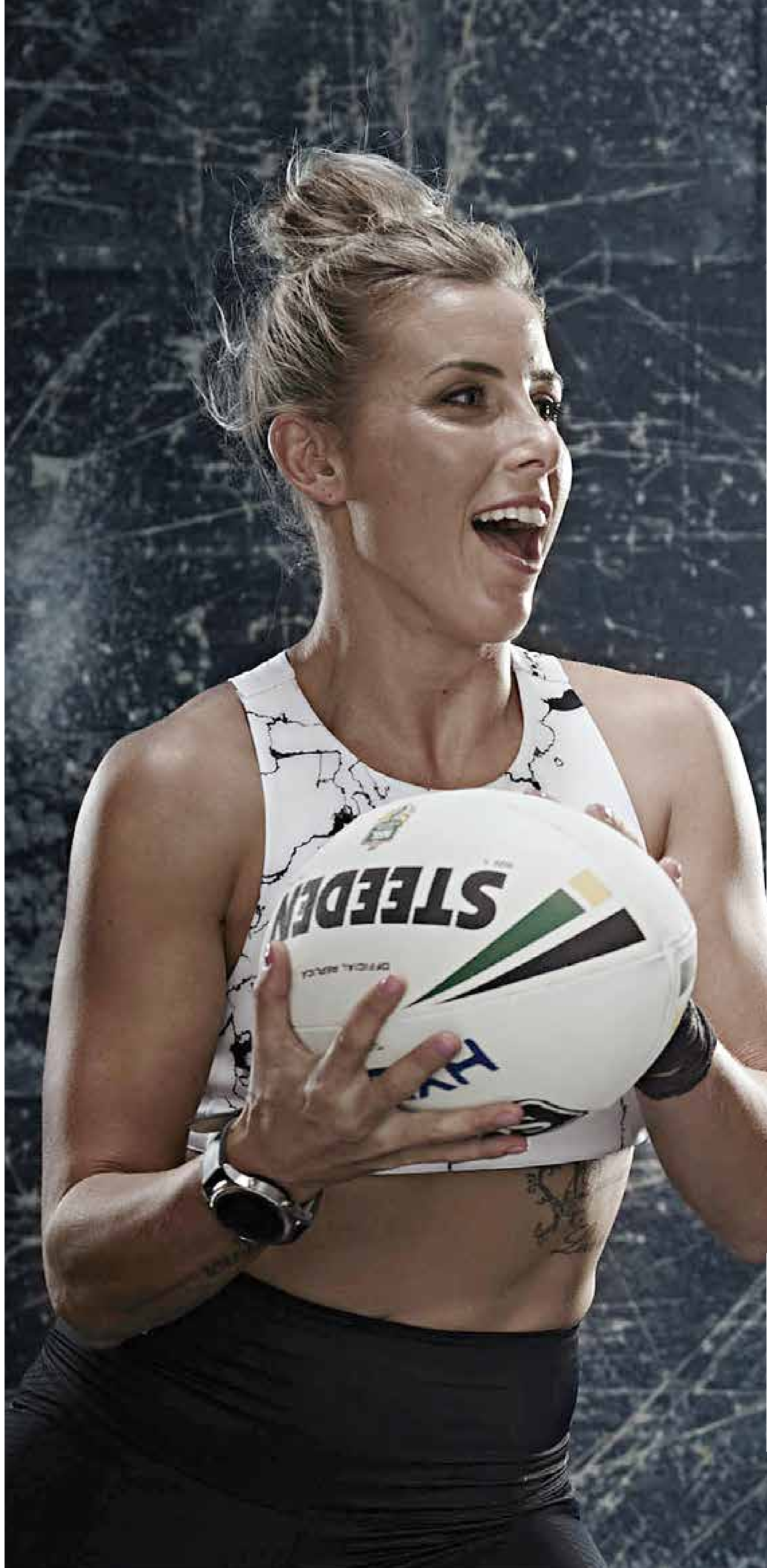
Auditors:
Ernst & Young

Stock Exchange Listing:
Harvey Norman Holdings Limited shares are quoted on the Australian Securities Exchange Limited ("ASX")

Solicitors:
Brown Wright Stein

Company Secretary:
Mr Chris Mentis

HARVEY NORMAN HOLDINGS LIMITED
ABN 54 003 237 545



FRANCHISEE AGGREGATED SALES REVENUE
$5.62bn
up 5.4% on previous year

COMPANY-OPERATED SALES REVENUE
$1.83bn
up 2.1% on previous year

PROFIT BEFORE TAX
$639.81m
up 29.6% on previous year

PROFIT BEFORE TAX
(excluding net property revaluation adjustments)
$531.76m
up 19.4% on previous year

PROFIT AFTER TAX & NON-CONTROLLING INTERESTS
$448.98m
up 28.8% on previous year

TEAM HARVEY
BRINGING WOMEN IN SPORT TO THE FRONTLINE

As a sponsor of women in sport for over a decade, with involvement ranging from grassroots to elite levels, Harvey Norman® is leading the push to ensure female athletes get the recognition they deserve.

As a long-standing supporter of Rugby League, we helped establish the Women In League program in 2007. Our involvement continues to grow with our sponsorship of the Jillaroos national team, both the NSWRL and QRL women's teams, and the 2017 Women's Rugby League World Cup.

We're proud to have been part of the Womens's AFL inaugural season as a partner of the GWS Giants Women's AFL team. We're also a major sponsor of the Auburn Giants – Australia's first predominantly multicultural women's AFL club.

In the motorsport world we're part of the team behind Simona De Silvestro – the first full-time female driver in the V8 Supercars Championship. We're also getting behind individual athletes like Katie Kelly, a paratriathlete and gold medallist at the 2016 Rio Paralympics. Our support can help them achieve their goals, and shine a light on their amazing achievements to inspire the next generation of sportswomen.

From a broadcast perspective, we're doing our part to ensure women's sports reach as many viewers as possible. In 2017 alone we've sponsored broadcasts of the AFLW and AFLW All-Stars, the VFL Women's Grand Final, the inaugural Super Netball season and the Netball Diamonds Test Matches. The profile of women's sports has taken a huge leap in the past 12 months, and we're proud that our support and investment plays a part in that change.

With the Team Harvey concept, we present five best-in-class sports stars: an insight into their achievements, how their continuing journey sets an invaluable example for women in sport everywhere, and the difference that corporate sponsorship can make.

AMANDA FARRUGIA
CAPTAIN, GIANTS AFLW TEAM

"To be the best at something, you have to do the things that others are not willing to do."

SIMONA DE SILVESTRO
SUPERCARS DRIVER

"To witness other athletes from other sports performing at that limit is very inspirational. So really, when it comes down to it I'm just inspired by the competitiveness of sport."

KATIE KELLY
AUSTRALIAN PARATRIATHLETE

"On a personal level, Harvey Norman's support has helped me achieve the ultimate by representing Australia and winning the Gold medal at the 2016 Rio Paralympics."

SAM BREMNER
RUGBY LEAGUE PLAYER, JILLAROOS

"Nothing beats that moment at the end of a tough game, knowing that all yours and your team mates' hard work has just paid off – it makes it ALL worth it."

LEAH PERCY
NRL TOUCH FOOTBALL PLAYER

"Sport can create some great role models for the next generation to look up to and learn from."

HARVEY NORMAN®
SOLUTIONS FOR A CONNECTED LIFESTYLE

It's easy to think of your home as a microcosm of your life. Sometimes messy, but representative of who you are – your personality, your interests and your hopes for the future. It's where you rest after a busy day. It's the safe environment you create for your family to thrive in. It's an entertaining space where family and friends come together to share what life's all about. It's a space that often has to serve many purposes, especially if you're running a business from home. Suffice to say, in any given home there's usually a lot going on at once.

Whatever your lifestyle, your home is where you want things to really come together – the place where the big things and the little things work in harmony so that the whole is greater than the sum of its parts. That's why we believe in making things easier by offering a range of truly connected lifestyle solutions.

Improved efficiency and added convenience is the name of the game, and you can experience the difference the latest innovations can make before you even pull into the driveway. With the latest in connected automation and security, you can have lights timed to shine your way and your favourite song cued to play as you walk in the door. You'll have everything you need for dinner thanks to your smart fridge – it's as simple as remotely checking what groceries you need via your smartphone before you leave work and picking them up from the shops on the way home.

A number of little innovations around the home can add up to make a big difference. Kitchen appliances that adapt to your habits to provide what you need, when you need it. Washing machines and dryers that offer diagnostic tools and troubleshooting advice. Robotic vacuum cleaners that eliminate the hard work in keeping your floors clean while also acting as a roving security camera while you're away. Furniture that provides the kind of relaxation you'll look forward to, and mattresses that monitor the quality of your sleep and feature adjustable comfort levels to suit your individual needs.

If the future is what you make it, Harvey Norman® has all the lifestyle and technology solutions you'll need to enjoy the convenience of a brighter future in your home today.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Year Ended 30 June		
	2017	**2016**	**2015**
Number of franchised complexes in Australia[1]	**194**	192	194
Number of franchisees in Australia	**542**	532	547
Aggregate number of directors of franchisees in Australia	**684**	673	678
Number of company-operated stores[2]	**87**	85	86
Franchisee headline aggregated sales revenue[1]	**$5.62bn**	$5.33bn	$4.95bn
Company-operated sales revenue[2]	**$1,833.12m**	$1,795.76m	$1,617.15m
Other revenues and other income items	**$1,333.89m**	$1,230.48m	$1,116.83m
Earnings before interest, tax, depreciation, impairment & amortisation	**$762.76m**	$633.58m	$488.69m
Earnings before interest & tax (EBIT)	**$659.88m**	$522.47m	$410.97m
Net property revaluation increment	**$108.05m**	$48.36m	$8.73m
Profit before tax	**$639.81m**	$493.76m	$378.10m
Profit before tax excluding impairment losses	***$664.82m***	*$526.32m*	*$378.37m*
Profit before tax excluding net property revaluation increment	***$531.76m***	*$445.41m*	*$369.37m*
Profit before tax excluding impairment losses & net property revaluation	***$556.77m***	*$477.97m*	*$369.65m*
Profit after tax & non-controlling interests (PAT&NCI)	**$448.98m**	$348.61m	$268.10m
PAT&NCI excluding impairment losses	***$466.48m***	*$371.40m*	*$268.29m*
PAT&NCI excluding net property revaluation increment	***$373.25m***	*$314.74m*	*$261.84m*
PAT&NCI excluding impairment losses & net property revaluation	***$390.76m***	*$337.54m*	*$262.03m*
Net cash flows from operating activities	**$425.14m**	$437.69m	$340.45m
Basic earnings per share	**40.35c**	31.36c	24.51c
Dividends per share (fully-franked)	**26.0c**	30.0c	20.0c
Special dividend per share (fully-franked)	**-**	-	14.0c
Net debt to equity ratio	**22.59%**	18.97%	19.88%

[1] Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.
[2] Includes the Harvey Norman® branded company-operated stores in New Zealand, Singapore, Malaysia, Ireland, Northern Ireland, Slovenia and Croatia.

Dear Shareholder,

To say that we're pleased by the record-breaking results we are presenting today would indeed be an understatement. The results for the year ended 30 June 2017 are truly unprecedented in our 30-year history, delivering a profit before tax of $639.81 million. This shows growth of 29.6% over the 2016 financial year, and growth of 19.4% to $531.76 million when excluding net property revaluation adjustments. With a net profit after tax of $448.98 million – up 28.8% from $348.61 million in the prior year – this is an outstanding financial achievement, which is the result of the dedication and innovation evident in every aspect of our business.

We believe this represents a resounding endorsement of our business model, and provides great substantive evidence of the value of our integrated retail, franchise, property and digital strategy. It is this fusion of elements that ensures that we can continue to evolve with the emergence of new technologies and anticipate new trends. Franchisees in Australia and the offshore company-operated stores remain at the forefront of Home and Lifestyle retailing – able to meet the needs of their customers via a combination of in-store and online engagement, and able to respond effectively to changes in key product categories.

In December 2015 we took a big step in the implementation of our Flagship strategy with the opening of the Millenia Walk store in Singapore. The immediate success of Millenia Walk validated our strategy of identifying and developing a unique Flagship store or a franchised Flagship complex in each of the eight countries we operate in. This Flagship strategy not only creates a physical space that sets the tone of our brand in each country, but also raises the bar higher for what we feel a retail experience both can and should be.

Leading on from that success, we've made great progress with our Flagship store strategy during this past financial year. Our recently opened Tallaght Flagship store in Dublin represents our first freehold land purchase in Ireland – a significant acquisition and part of our plans to expand our store network in that country – while the reinvigoration of our Slovenian Flagship store in Ljubljana provides one of the finest shopping experiences in the greater Central European region. This strategy will come to full fruition with the completion of the franchised Flagship complex in Australia and the Flagship stores in New Zealand, Malaysia and Croatia by June 2018.

In Australia, our franchisee model continues to go from strength to strength, with our franchisees continuing to be the dominant players in the Home and Lifestyle market. Aggregated headline franchisee sales revenue increased 5.4% – or $287.05 million – to reach $5.62 billion for the year. Quarterly aggregated sales revenue continues to grow steadily year-on-year, and with each franchisee having ownership and control of the day-to-day operations of their franchisee business, each franchisee has an uncapped potential to maximise their earnings. We continue to encourage the entrepreneurial spirit of each of our franchisees.

Our strong property portfolio was valued at $2.66 billion as of 30 June 2017. These investments provide strong returns in rental and outgoings income from franchisees and third-party tenants, deliver long-term capital appreciation, and provide the flexible floorspace needed to respond to the evolving dynamic of the retail marketplace.

The Omni Channel operating model continues to develop and enhance the service offering of each franchisee to customers, with the Online-to-Offline strategy well positioned to deliver a seamless experience thanks to enhanced Live Chat capabilities, near real-time inventory, a Click & Collect App, innovative same-day delivery options and the ability to recommend and connect customers with installation providers. The customer-first mindset has been enhanced by the launch of Harvey Norman® Voice this past year, improving engagement of customers of each franchisee to bring them further into the conversation.

The outstanding results we've seen this year represent the efforts of a fantastic team across the organisation. We'd like to thank all of our staff for their continued enthusiasm, and pay tribute to the hard work of each franchisee throughout the year. As a shareholder, your continued support and confidence in our direction ensures a prosperous future for us all.

G. HARVEY	**K.L. PAGE**
Chairman	Chief Executive Officer
Sydney	Sydney
31 August 2017	31 August 2017

Directors

Unless otherwise indicated, all directors (collectively termed "the Board") held their position as a director throughout the entire financial year and up to the date of this report.

Gerald Harvey *Executive Chairman*	Mr. G. Harvey was the co-founder of Harvey Norman Holdings Limited in 1982 with Mr. Norman. Mr. G. Harvey has overall executive responsibility for the strategic direction of the consolidated entity, and in particular, property investments.
Kay Lesley Page *Executive Director and CEO*	Ms. Page joined Harvey Norman in 1983 and was appointed a director of Harvey Norman Holdings Limited in 1987. Ms. Page became the Chief Executive Officer of the Company in February 1999 and has overall executive responsibility for the consolidated entity. Ms. Page is a director of the following other listed/public companies: ▪ The Retail Council ▪ Trustee of the Sydney Cricket and Sports Ground Trust
Chris Mentis B.Bus., FCA, FGIA, Grad Dip App Fin *Executive Director, CFO & Company Secretary*	Mr. Mentis was appointed a director of Harvey Norman Holdings Limited on 30 August 2007. Mr. Mentis joined Harvey Norman as Financial Controller on 15 December 1997. On 20 April 2006, he became Chief Financial Officer and Company Secretary. Mr. Mentis is a Fellow of the Institute of Chartered Accountants and a Fellow of the Governance Institute of Australia, with extensive experience in financial accounting. Mr. Mentis has overall executive responsibility for the accounting and financial matters of the consolidated entity.
John Evyn Slack-Smith *Executive Director & COO*	Mr. Slack-Smith was a Harvey Norman® computer franchisee between 1993 and 1999. Mr. Slack-Smith became a director of the Company on 5 February 2001. Mr. Slack-Smith has overall executive responsibility for the operations of the consolidated entity.
David Matthew Ackery *Executive Director*	Mr. Ackery was appointed a director of Harvey Norman Holdings Limited on 20 December 2005. Mr. Ackery has overall executive responsibility for the relationship between the consolidated entity and Harvey Norman® home appliances, home entertainment and technology franchisees and strategic partners. Mr. Ackery is the Chairman of the public company, St. Joseph's College Foundation Limited.
Michael John Harvey B.Com *Non-Executive Director*	Mr. M. Harvey joined Harvey Norman in 1987, having completed a Bachelor of Commerce degree. Mr. M. Harvey gained extensive experience as a Harvey Norman® franchisee from 1989 to 1994. Mr. M. Harvey became a director of the Company in 1993 and was appointed Managing Director in July 1994. Mr. M. Harvey ceased to be an Executive Director and Managing Director on 30 June 1998.
Christopher Herbert Brown OAM, LL.M., FAICD, CTA *Non-Executive Director*	Mr. Brown holds the degree of Master of Laws from the University of Sydney. Mr. Brown is the senior partner in Brown Wright Stein Lawyers. Brown Wright Stein Lawyers has acted as lawyers for the consolidated entity since 1982. Mr. Brown was appointed a director of the Company in 1987, when it became a listed public company. Mr. Brown is a member of the Audit, Remuneration and Nomination Committees. Mr. Brown is the Chairman of Windgap Foundation Limited. In 2013 he was awarded the Medal of the Order of Australia (OAM) for service to the community, particularly to people with disability.
Kenneth William Gunderson-Briggs B.Bus., FCA, MAICD *Non-Executive Director (Independent)*	Mr. Gunderson-Briggs was appointed a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. Mr. Gunderson-Briggs has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. Mr. Gunderson-Briggs' qualifications include a Bachelor of Business from the University of Technology, Sydney and he is a Fellow of the Institute of Chartered Accountants. Mr. Gunderson-Briggs was appointed Chairman of the Remuneration Committee on 16 December 2015 and is a member of the Audit and Nomination Committees. Mr. Gunderson-Briggs is a non-executive director of Australian Pharmaceutical Industries Limited, a company listed on the ASX. Mr. Gunderson-Briggs is the Chairman of Glenaeon Rudolf Steiner School Limited.
Graham Charles Paton AM, B.Ec., FCPA, MAICD *Non-Executive Director (Independent)*	Mr. Paton holds a Bachelor of Economics degree from the University of Sydney. During his 23 years as a partner of an international chartered accounting practice, he was involved in the provision of professional services to the retail industry. He retired from public practice in July 2001. Mr. Paton is a Fellow and Life Member of CPA Australia and was the National President of that professional accounting body in 1993/1994. In 2001 he was awarded membership of the General Division of the Order of Australia for his services to the accounting profession and for his services to the deaf community through his chairmanship of the Shepherd Centre for Deaf Children for the decade to 2001. Mr. Paton was appointed a director of Harvey Norman Holdings Limited on 20 June 2005 and was appointed the Senior Independent Director on 16 December 2015. Mr. Paton was appointed Chairman of the Nomination Committee on 16 December 2015, Chairman of the Audit Committee on 9 March 2006 and is a member of the Remuneration Committee. Mr. Paton is an independent non-executive director of Gazal Corporation Limited, a company listed on the ASX.

Company Secretary

Mr. C. Mentis is a chartered accountant and became Company Secretary on 20 April 2006. Mr. Mentis has extensive experience in financial accounting and has been with the consolidated entity since 1997. Mr. Mentis is a Fellow of the Governance Institute of Australia.

Committee Membership

As at the date of this report, the Company had an Audit Committee, a Remuneration Committee and a Nomination Committee. Members acting on the committees of the board during the year were:

Audit Committee:
- G.C. Paton AM (Chairman)
- C.H. Brown OAM
- K.W. Gunderson-Briggs

Remuneration Committee:
- K.W. Gunderson-Briggs (Chairman)
- C.H. Brown OAM
- G.C. Paton AM

Nomination Committee:
- G.C. Paton AM (Chairman)
- C.H. Brown OAM
- K.W. Gunderson-Briggs

Directors' Meetings

DIRECTOR	Full Board	Audit	Remuneration	Nomination
G. Harvey	11 [11]	n/a	n/a	n/a
K.L. Page	11 [11]	n/a	n/a	n/a
J.E. Slack-Smith	11 [11]	n/a	n/a	n/a
D.M. Ackery	10 [11]	n/a	n/a	n/a
C. Mentis	11 [11]	n/a	n/a	n/a
M.J. Harvey	10 [11]	n/a	n/a	n/a
C.H. Brown	11 [11]	11 [11]	6 [6]	1 [1]
K.W. Gunderson-Briggs	11 [11]	11 [11]	6 [6]	1 [1]
G.C. Paton	11 [11]	11 [11]	6 [6]	1 [1]

The number of meetings of the Board of Directors and of its Board Committees during the 2017 financial year were:
- Full Board: 11
- Audit Committee: 11
- Remuneration Committee: 6
- Nomination Committee: 1

The above table represents the directors' attendance at meetings of the Board, Audit Committee, Remuneration Committee and Nomination Committee. The number of meetings for which the director was eligible to attend is shown in brackets.

In addition, the executive directors held regular meetings for the purpose of signing various documentation.

Principal Activities

The principal activities of the consolidated entity are that of an integrated retail, franchise, property and digital system including:
- Franchisor;
- Sale of furniture, bedding, computers, communications and consumer electrical products in New Zealand, Singapore, Malaysia, Slovenia, Ireland, Northern Ireland and Croatia;
- Property investment;
- Lessor of premises to Harvey Norman®, Domayne® and Joyce Mayne® franchisees and other third parties;
- Media placement; and
- Provision of consumer finance and other commercial loans and advances.

Significant Changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the year ended 30 June 2017.

Significant Events After Balance Date

There have been no circumstances arising since balance date which have significantly affected or may significantly affect:
- the operations;
- the results of those operations; or
- the state of affairs of the entity or consolidated entity in future financial years.

Corporate Governance

The Company is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" for the entire financial year, unless otherwise stated.

Directors' Relevant Interests

At the date of this report, the relevant direct and indirect interest of each director in the ordinary shares, options and performance rights instruments of the Company and related bodies corporate are:

DIRECTOR	Ordinary Shares	Options	Performance Rights
G. Harvey	337,889,449	-	125,000
K.L. Page	17,507,642	-	225,000
J.E. Slack-Smith	699,818	567,000	150,000
D.M. Ackery	489,134	-	150,000
C. Mentis	348,341	567,000	150,000
M.J. Harvey	2,974,897	-	-
C.H. Brown	183,323,726	-	-
K.W. Gunderson-Briggs	3,137	-	-
G.C. Paton	15,682	-	-
TOTAL	543,251,826	1,134,000	800,000

Share Options

At the date of this report, there were 1,134,000 unissued ordinary shares under options (2016: 1,634,000). During the year ended 30 June 2017, 500,000 options were exercised resulting in the creation of 500,000 new shares in the Company.

Performance Rights

At the date of this report, there were 800,000 unissued ordinary shares under performance rights (2016: 400,000), being a right to acquire ordinary shares in the Company at nil exercise price. On 30 November 2015, a total of 400,000 performance rights under Tranche 1 of the 2016 Long-Term Incentive (LTI) Plan were granted to executive directors following Board adoption of the new scheme and shareholder approval of the LTI Plan in 2015. On 28 November 2016, a total of 400,000 performance rights under Tranche 2 of the 2016 LTI Plan were granted to executive directors in accordance with the terms and conditions of the LTI Plan.

Dividends

The directors recommend a fully franked final dividend of 12.0 cents per share to be paid on 1 December 2017 (total dividend, fully franked - $133,566,589). The following fully franked dividends of the Company have also been paid, declared or recommended since the end of the preceding financial year:

	Payment Date	Amount
2016 final fully-franked dividend	1 December 2016	$189,134,335
2017 interim fully-franked dividend	2 May 2017	$155,827,688

The total dividend in respect of the year ended 30 June 2017 of 26.0 cents per share represents 64.46% (2016: 95.74%) of profit after tax and non-controlling interests, as set out on page 33 of the financial statements.

The Dividend Policy of the Company is to pay such dividends as do not compromise the capability of the Company to execute strategic objectives.

NET PROFIT BEFORE TAX & NET PROFIT AFTER TAX:

RECORD BREAKING FULL-YEAR PROFIT RESULT

RESULTS FOR YEAR ENDED 30 JUNE 2017

NET PROFIT BEFORE TAX $639.81m UP BY 29.6%

HIGHLIGHTS

The consolidated entity has delivered a record-breaking profit before tax result, producing an unprecedented result for the 2017 financial year:

- **$639.81 million** net profit before tax, **up +29.6%** from $493.76 million in 2016
- **$531.76 million** net profit before tax excluding net property revaluation adjustments, **up +19.4%** from $445.41 million in 2016
- **$664.82 million** net profit before tax excluding impairment losses (due to investments and commercial loans to non-core businesses), **up +26.3%** from $526.32 million in 2016

The consolidated entity operates in eight (8) countries across the globe with Australia being the anchor geographical location, followed by a market-leader position in New Zealand and strengthening market presence in Singapore, Malaysia, Ireland, Northern Ireland, Slovenia and Croatia. In Australia, the retail operations trading under the Harvey Norman®, Domayne® and Joyce Mayne® brands are owned, operated and controlled by independent Franchisees who have each been granted a separate franchise by a subsidiary of Harvey Norman Holdings Limited (the franchisor), pursuant to the terms of a franchise agreement. The Harvey Norman® operations in overseas locations are owned, managed and controlled by the consolidated entity and are run as company-operated stores. The ownership of a robust, high-quality and sustainable property portfolio valued at $2.66 billion is the linchpin to a successful franchising and retail strategy as it delivers a steady and reliable income stream and generates strong capital appreciation for its owners, in addition to the retail benefits of a versatile, flexible and adaptable store layout.

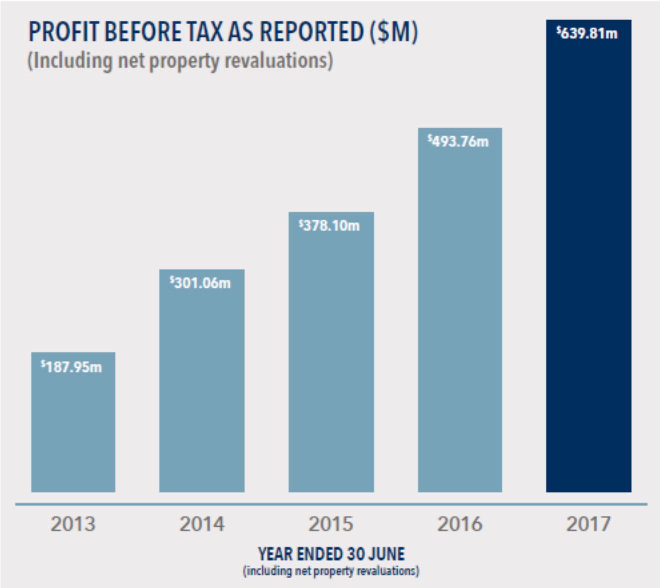
A significant initiative of the consolidated entity's strategy is the development of a franchised Flagship complex in Australia and a Flagship store in each of the seven (7) overseas company-operated markets. Each of the Flagship stores and the franchised Flagship complex is designed to provide an unrivalled customer experience in terms of store design and premium product offering. The initial success of the Flagship strategy is evident in the result generated by the **company-operated retail segment located in the seven offshore markets** where profit before tax for the year ended 30 June 2017 **increased by 30.8% to $100.86 million from $77.09 million** in the previous year. When the results of the other non-franchised retail brands in Australia are included, the result before tax of the company-operated retail segment **increased by 24.3% to $90.85 million from $73.11 million** in the previous year.

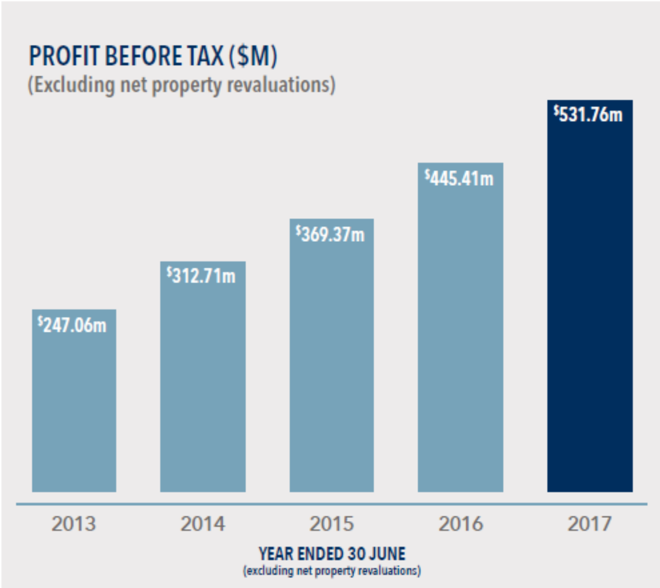
Geographically speaking, the results generated in Australia, remain the largest contributor to consolidated entity's net profit before income tax. The franchising operations segment in Australia delivered a strong trading result of **$304.53 million for the 2017 financial year, up from $268.15 million from the previous year, an increase of $36.38 million, or 13.6%**, primarily achieved through stronger franchise fees. The performance of the independent franchisee businesses in Australia have gone from strength to strength with aggregated franchisee sales revenue reaching an all-time high of $5.62 billion for the 2017 financial year. The investment property portfolio in Australia remains robust with a net property revaluation increment for 2017 of $107.38 million and a fair value of $2.24 billion as at balance date.

PROFIT BEFORE TAX (excluding net property revaluations)

UP BY 19.4% TO $531.76m

NET PROFIT BEFORE TAX: $639.81m vs $493.76m, up +29.6%





Key Contributors to the $146.04 million (+29.6%) increase in Profit Before Tax to $639.81 million in 2017:

- a **$59.69 million, or 123.4%, increase** in the net property revaluation increment to $108.05 million for the 2017 financial year compared to the net property revaluation increment of $48.36 million recognised in the previous year;
- a **$36.38 million, or 13.6%, increase** in the profitability of the franchising operations segment to $304.53 million compared to $268.15 million in the prior year. This solid result delivered a franchising operations margin of 5.42% for the 2017 financial year primarily achieved through a strong increase in franchise fees by $38.93 million to $811.40 million resulting from a 5.4% increase in headline aggregated franchisee sales revenue to $5.62 billion for the year;
- a **$15.17 million, or 6.5%, increase** in rental and outgoings income received from franchisees and other third-party tenants and other property-related income;
- a **$10.71 million, or 15.6%, increase** in the retail segment result in New Zealand to $79.43 million as the Harvey Norman® brand remains the market leader across all product categories in the New Zealand market;
- a **$7.94 million, or 69.9%, increase** in the profitability of the retail segment result in Singapore and Malaysia to $19.30 million for the current year primarily due to the solid performance of the redeveloped Flagship superstore at Millenia Walk, Singapore. The new Sunway Velocity store in Malaysia that opened in December 2016 and a full-year's trade of the IOI City Mall store buoyed sales growth in Malaysia while the Flagship store at Ikano, Kuala Lumpur undergoes a renovation;
- a **$4.14 million, or 62.4%, reduction in trading losses** incurred by the company-operated stores in Ireland and Northern Ireland to a retail segment loss of $2.49 million for the 2017 financial year compared to a loss of $6.63 million in the previous year. The Irish economy has continued to outperform most of Europe and is experiencing a strong recovery resulting in solid sales and market share gains in Ireland. This is expected to continue into the 2018 financial year with the opening of the new Flagship store at Airton Retail Park in Tallaght, Dublin in July 2017. The iconic Flagship Homestore at Boucher Road, South Belfast has significantly strengthened the brand in Northern Ireland and has buoyed the result in Northern Ireland;
- a **$4.18 million increase** in the equity investments segment result during the year, reflecting an increase in the market value of listed securities held by the consolidated entity; and
- a **$7.55 million reduction** in impairment losses recognised during the 2017 financial year primarily due to lower investments and commercial loans provided to the non-core joint venture entities.

NET PROFIT AFTER TAX & NCI: $448.98m vs $348.61m, up +28.8%

Net profit after tax and non-controlling interests (NCI) **increased 28.8%, or $100.37 million, to $448.98 million** for the 2017 financial year, from $348.61 million in the prior year. If the effects of the net property revaluation increments were excluded from the result, the net profit after tax and non-controlling interests for the 2017 financial year would **have increased 18.6%, or $58.51 million, to $373.25 million**, from $314.74 million in the prior year.

The effective income tax rate for the year ended 30 June 2017 was 29.20% compared to an effective income tax rate of 28.84% in the 2016 financial year.

HARVEY NORMAN®

A FLAGSHIP STRATEGY FOR THE FUTURE

In nautical terms, a Flagship is the leader and standard-bearer of a fleet. It's the place of command, and represents the latest in design, speed and capability that a navy has to offer. A Flagship should be the first of its class, and when we talk about Flagship stores in the retail world the concept is essentially the same. A Flagship store should represent the pinnacle of achievement for a brand while also setting the course for the future.

Our franchisees in Australia and the Harvey Norman® company-operated stores in seven overseas locations, strive to continually deliver the highest levels of quality, value and service for their customers. We want their shopping experience to be the absolute best, featuring the latest innovations and designs, with the biggest range of quality brands and products. They should receive a level of customer service, both before and after sale, that is unsurpassed in the industry. These principles inform every facet of our franchising and retail business, from top to bottom, and it is with these principles in mind that we have created our Flagship complexes and Flagship stores to be the physical representation of the pinnacle of what we can do.

Our strategy is to feature a Flagship complex or a Flagship store in each country we operate in across the globe, creating a physical space that sets the tone of the brand for that region – both in terms of achievement and aspiration. It's a representation of how far we've come, and where the future will take us. Our aim is nothing short of creating the best Home and Lifestyle retail destinations in the world.

And while in the digital age a company's website is also rightly considered as a Flagship store for the brand, we believe it is vital to have a physical space that tells the world what we're about. It is these physical complexes and stores that provide customers with the kind of tactile and interactive shopping experience that can't be found online – where they can feel an air of excitement when they walk through the door.

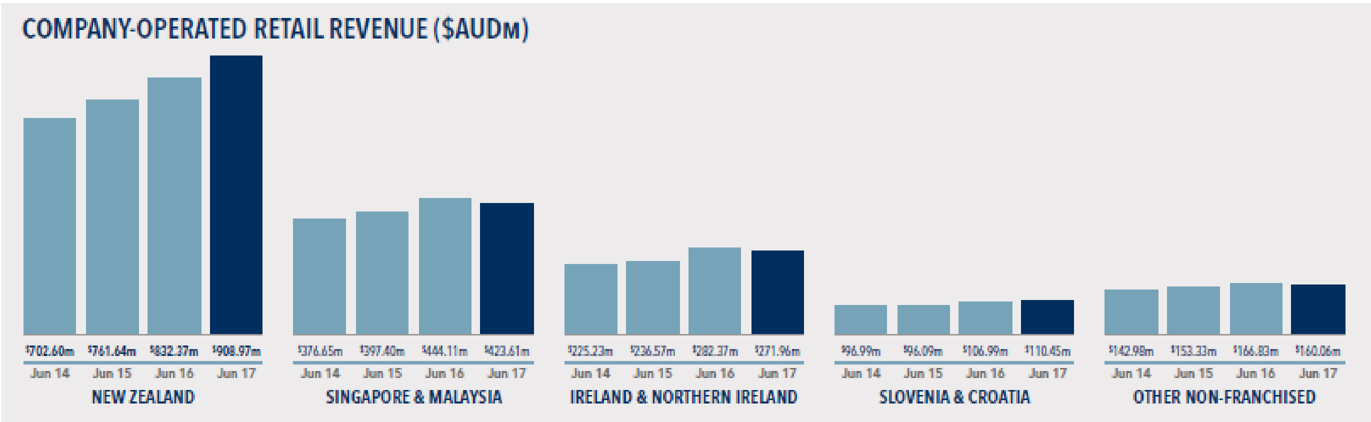
Innovative layouts, prestige formats, exclusive offerings, immersive showroom experiences and impeccable customer service are just the beginning when it comes to crafting a must-visit lifestyle destination. Each of our Flagship complexes and stores have certain qualities that set them apart from other stores in that region. With the Auburn Flagship complex in Sydney, Australia, it's the proud history of being the first Harvey Norman® franchised complex – celebrating 35 years in 2017 with a revitalised new look due to be partly unveiled in October and fully completed by June 2018. With the Milennia Walk Flagship store in Singapore, it's the opportunity provided by three storeys and 100,000 square feet of space for a regional showcase of what the Harvey Norman® brand represents. The Flagship store at Ljubljana was redeveloped, renovated and relaunched during 2017 providing customers with undoubtedly the best shopping experience in Slovenia and the greater Central European region.

We see a bright future ahead of us, and our Flagship strategy is an opportunity to give our stakeholders a glimpse of that future as well.

- **Australia – Auburn, Sydney**
  174,000 sq feet. Currently renovating with a part re-open October 2017 and fully completed by June 2018.
- **Croatia – Zagreb**
  97,000 sq feet. To be renovated and relaunched by April 2018.
- **Ireland - Tallaght, Dublin**
  60,000 sq feet. Opened in July 2017.
- **Malaysia – Ikano, Kuala Lumpur**
  66,524 sq feet. Currently renovating to re-open November 2017.
- **New Zealand - Wairau Park, Auckland**
  72,000 sq feet. To be renovated and relaunched by June 2018.
- **Northern Ireland - Boucher Road, South Belfast**
  61,000 sq feet. Opened in November 2015.
- **Singapore – Millenia Walk**
  100,000 sq feet. Opened in December 2015.
- **Slovenia – Ljubljana**
  98,000 sq feet. Renovated and relaunched in June 2017.

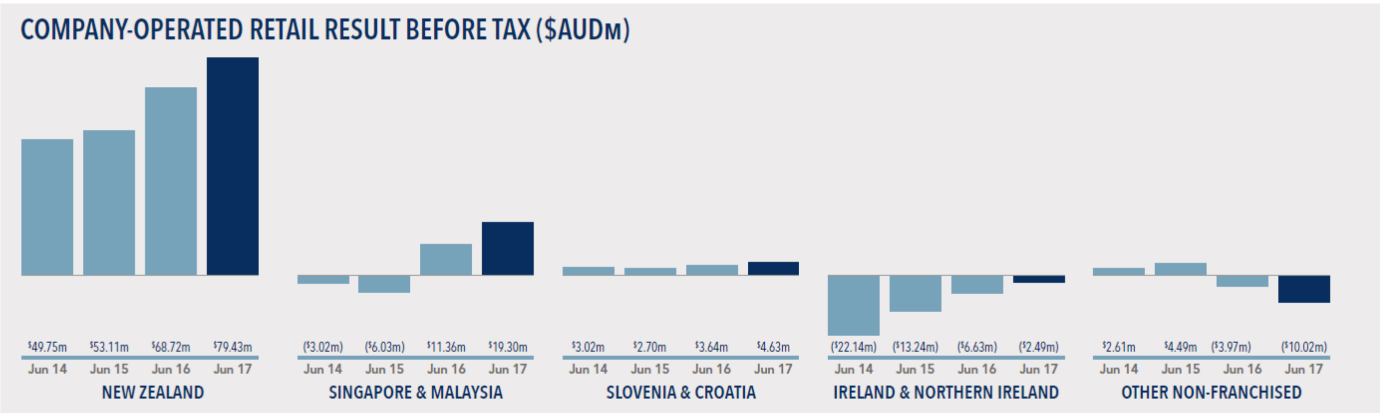
REVIEW & RESULTS OF KEY OPERATING SEGMENTS

THE COMPANY-OPERATED RETAIL SEGMENT



The company-operated retail segment includes the retail trading operations of the Harvey Norman® branded company-operated stores in New Zealand (39 stores and outlets), Singapore (13 stores), Malaysia (15 stores), Ireland (12 stores), Northern Ireland (2 stores), Slovenia (5 stores) and Croatia (1 store) and the Space Furniture branded stores in Singapore, Malaysia and Australia. This segment also includes the retail operations of other non-franchised retail brands in Australia.

The result before tax for the company-operated retail segment **increased $17.74 million, or 24.3%, to $90.85 million** in the 2017 financial year, from $73.11 million in the 2016 financial year. This is an outstanding result achieved on the back of record growth of over 78% in the 2016 financial year relative to the preceding year. The New Zealand business continues to thrive with sustained market leadership in all key product categories. The Harvey Norman® brand in Singapore and Malaysia is performing well in a challenging and competitive environment, with a focus on improving gross margins. The retail operations in Ireland performed strongly during 2017 and will be bolstered following the opening of the new Flagship store at Tallaght, Dublin in July 2017. This is the first freehold property acquired by the business in Ireland. The iconic Flagship Homestore at Boucher Road, South Belfast, has significantly repositioned and upgraded the brand in Northern Ireland and has resulted in a significant improvement to the result achieved in that region. The major renovation and redevelopment of the Flagship store at Ljubljana has propelled the brand to new heights, creating the best one-stop shopping destination in Slovenia.



Wairau Park, North Auckland; opened July 1997

NEW ZEALAND: *est. 1997*

39 Stores & Outlets

Harvey Norman® Wairau Park, North Auckland; 72,000 sq ft; to be renovated & relaunched by June 2018

Average FX rate: NZD vs. AUD up 3.03% to 1.0587

The 39 company-operated stores and outlets in New Zealand have delivered another record result and continue to display solid year-on-year growth since trade commenced in the region 20 years ago, with the opening of the first store at Wairau Park, North Auckland in July 1997. The 72,000 sq feet Flagship store at Wairau Park will be renovated and relaunched by June 2018. The Harvey Norman® brand in New Zealand is considered a market leader across all key product categories.

Sales revenue from the company-operated stores in New Zealand **increased by 6.4%, or $NZ56.94 million, to $NZ940.69 million** in the 2017 financial year, up from $NZ883.75 million in the prior year. A full year of trading from the Westgate full-format store, which opened in April 2016, delivered a solid result. The success of the Westgate store is expected to grow as more residential development projects are undertaken in West Auckland. During 2017, the NZ business opened a new electrical and computers store in Queenstown in October 2016, which is working well to establish itself in the local market. Translated into Australian dollars, sales revenue **increased 9.7%, or $78.35 million, to $888.54 million**. Sales growth for comparable stores was also pleasing with an increase of 2.9% despite a highly competitive market.

The New Zealand economy continues to perform well with low unemployment and record net migration driving elevated consumer and business confidence. Both the furniture and bedding product categories recorded strong growth. Effective promotional activities, exclusive product ranges and offers coupled by the robust New Zealand economy buoyed sales growth in the electrical and computer product categories.

Despite aggressive competition, floor gross margins across all product categories remained consistent with prior year and gross profit increased across the board reflecting the sustainable sales growth strategy adopted by each category.

A continued approach of closely monitoring key expense lines in all departments has ensured operating costs remain at acceptable levels delivering solid operating leverage.

The retail result in New Zealand **increased 15.6%, or $10.71 million, to $79.43 million** for the 2017 financial year, from $68.72 million in the prior year.

Millenia Walk, Singapore; redeveloped December 2015

SINGAPORE: *est. 1999*
MALAYSIA: *est. 2004*

Singapore, 13 stores; Malaysia, 15 stores

Harvey Norman® Millenia Walk, Singapore; 100,000 sq ft; redeveloped & relaunched in December 2015

Harvey Norman® Ikano, Kuala Lumpur; 66,524 sq ft; to be renovated & relaunched in November 2017

Average FX rate: SGD vs. AUD down -3.66% to 1.0505

This segment is comprised of 13 Harvey Norman® stores in Singapore, 15 Harvey Norman® stores in Malaysia and the specialist design stores of Space Furniture in Singapore and Malaysia.

In Singapore, the Flagship Harvey Norman® store at Millenia Walk was relocated, redesigned and relaunched in December 2015 as a 100,000 sq feet Home and Lifestyle superstore, replacing the 45,000 sq feet store previously at the same complex. The Millenia Walk Flagship store is unrivalled in Asia in terms of store design and premium product offering. The expansive store footprint and spacious layout effectively showcases the best that Harvey Norman® has to offer and the investment in the Flagship store has exceeded expectations to date. The premium positioning of the Millenia Walk superstore has set the tone for the Harvey Norman® brand in Asia and has paved the way for the upgrade and redevelopment of the Flagship store in Malaysia at Ikano, Kuala Lumpur which will be relaunched and reopened in November 2017.

For the Harvey Norman® company-operated stores in Singapore and Malaysia, sales revenue increased in local currency by $S7.90 million, or 2.0%, to **$S412.39 million in the 2017 financial year, from $S404.49 million in the 2016 year** despite the net reduction of 2 Harvey Norman® stores in the 2016 financial year. The closure of the Raffles City and Funan Centre stores in June 2016 were more than offset by the improved sales of the Flagship Millenia Walk store and the new concepts store at Jurong Point. The opening of the new Sunway Velocity store in December 2016 improved sales in Malaysia alongside a full-year's trade of the IOI City Mall store that opened in October 2015. Sales revenue for the Space Furniture brands in Singapore and Malaysia reduced during the year, however, initiatives were implemented in the later part of the 2017 financial year that are expected to assist sales performance for the 2018 year. The gentrification works have now been completed adjacent to the showroom in Bencoolen Street, and the opening of an MRT Station will be completed by the end of the calendar 2017 is also expected to drive sales in 2018. For our retail businesses, there was a moderate decline in sales by $S3.23 million, or 0.7%, for the year to $S436.69 million. Translated into Australian dollars, sales decreased by $18.96 million, or 4.4%, to $415.69 million, from $434.65 million in the prior year. The reduction in sales was exaggerated by the 3.66% devaluation of the Singapore dollar relative to the Australian dollar over the year.

Improved gross margins and a reduction in operating expenses has resulted in a strong profit of $S20.27 million for the Retail – Singapore & Malaysia segment for the 2017 financial year, up $S8.78 million or 76.3%, from $S11.50 million in the 2016 financial year. The 3.66% devaluation of the Singapore dollar during the year reduced the rate of growth to **69.9%, or an increase of $7.94 million, to $19.30 million** in the current year compared to $11.36 million in the previous year.

Space Furniture, Singapore

Airton Retail Park: Tallaght, Dublin; opened July 2017

IRELAND: *est. 2003*
NORTHERN IRELAND: *est. 2008*

Ireland, 12 stores; Northern Ireland, 2 stores

Harvey Norman® Tallaght, Dublin; 60,000 sq ft; opened July 2017
Harvey Norman® Boucher Road, South Belfast; 61,000 sq ft;

Average FX rate: EUR vs. AUD down -5.17% to 0.6919
Average FX rate: GBP vs. AUD down -17.43% to 0.5951

Ireland:

In Ireland, sales revenue from the 12 company-operated stores **increased €0.47 million, or 0.3%, to €170.49 million** in the 2017 financial year, from €170.02 million in the prior year. Comparable store sales overall remained stable. Translated into Australian dollars, sales revenue **decreased by $12.74 million, or 4.9%, to $246.41 million from $259.14 million** in the previous year due to a 5.17% devaluation in the Euro relative to the Australian dollar over the year. The Harvey Norman® brand in Ireland remains a strong market leader in key categories including bedding, furniture and interiors, electrical and appliances.

In terms of local currency, resilient and continued growth within the furniture, bedding, and interiors categories has been driven by a further shift from distribution to direct imports, increased representation of Irish-made product, and renewed investment in showrooms and marketing.

The store investment plan has continued during 2017 to deliver a modern, fresh, and truly experiential shopping experience for customers. The technology and appliance departments of the Carrickmines and Rathfarnham stores were completely renovated and the upgraded showrooms provide a vibrant and engaging new experience in terms of technology and consumer appliance retail.

One of the cornerstones of the Flagship strategy is to continue to expand the store network in Ireland. During the year, a site was acquired for a new store in Tallaght, Dublin, the first freehold land purchase in Ireland. This new 60,000 sq feet Flagship store at Airton Retail Park in Tallaght incorporates the latest shop fitting and interior design concepts and is a fresh and vibrant home centre showcasing the best of what Harvey Norman® has to offer across all categories. The site includes a standalone café and has 250 surface level car parking spaces. This is the fifth store in Dublin and opened in July 2017 and is performing to expectations.

The domestic Irish economy has continued to outperform most of Europe, and is experiencing a strong recovery. The Irish economy is growing at a rate of 3.5%, unemployment continues to drop, the construction sector is experiencing a robust strengthening, and property prices continue to climb rapidly back towards pre-crash levels.

The focus for the Irish business is now on stability, efficiency, resiliency, and further expansion of the store network within Ireland. With gross margins in Ireland strengthening as a direct result of stronger supply chain management, improved inventory disciplines arising from the implementation of SAP business intelligence tools, and continued strengthening of the Harvey Norman® brand, coupled with a broad range of measures to further streamline operational costs, profitability in Ireland has improved during the year. The retail segment result in Ireland was a loss of $0.14 million in the 2017 financial year compared to a loss of $1.18 million in the 2016 financial year, an improvement of $1.05 million or 88.6%.

Boucher Road, South Belfast; opened November 2015

Northern Ireland:

Sales revenue from the two company operated stores in Northern Ireland increased **£2.20 million, or 27.0%, to £10.33 million** for the 2017 financial year, from £8.13 million in the prior year. Translated into Australian dollars, sales **increased by only $0.81 million, or 4.9%, to $17.35 million** due to a 17.43% devaluation in the British Pound Sterling relative to the Australian dollar over the year.

The sales increase in local currency was mainly due to a full-year's contribution from the Boucher Road, South Belfast Flagship store which opened during the previous financial year. The improved performance of the Northern Irish business in general has been primarily driven by the success of the new Flagship Homestore on the iconic Boucher Road in South Belfast. This 61,000 sq feet split-level store is now the largest furniture and interiors store in Belfast, and features a high-end 140 seat restaurant, spacious furniture, bedding, and homewares departments, and several concession store partners. It is also the largest Harvey Norman® store on the Island of Ireland.

The introduction of the Flagship format has strengthened the brand in Belfast, driving increased consumer awareness and footfall across both stores. The second store at Holywood was renovated during the year to a similar standard thereby creating the synergy of a harmonised brand offer.

The improved performance of the Northern Ireland business has been achieved during a significant period of economic and political uncertainty. This has been driven by Brexit, the UK's decision to exit the single European market, and an ongoing political impasse between the political parties to form a government in Northern Ireland. This political instability and the economic headwinds being encountered due to the uncertainty around Brexit has had an adverse effect on consumer confidence, and will continue to do so in the near term.

The trading losses incurred in Northern Ireland have almost halved in the 2017 financial year, improving by **47.7%, or £1.28 million, to a loss of £1.40 million** for the 2017 financial year from a loss of £2.68 million for the 2016 financial year. In Australian dollars, the retail segment in Northern Ireland **improved by $3.10 million to a loss of $2.35 million** in the current year from a loss of $5.45 million in the previous year.

BTC City, Ljubljana; renovated and relaunched June 2017

SLOVENIA: ***est. 2002***
CROATIA: ***est. 2011***

Slovenia, 5 stores; Croatia, 1 store

Harvey Norman® BTC City, Ljubljana; 98,000 sq ft; renovated & relaunched in June 2017

Harvey Norman® Zagreb, Croatia; 97,000 sq ft; to be renovated & relaunched by April 2018

Average FX rate: EUR vs. AUD down -5.17% to 0.6919

Sales revenue from the 5 company-operated stores in Slovenia **increased €3.90 million, or 7.4%, to €56.33 million** in the 2017 financial year, from €52.43 million in the prior year. Translated into Australian dollars, sales revenue **increased $1.50 million, or 1.9%, to $81.41 million.**

The Flagship store at Ljubljana which opened in September 2002 was redeveloped, renovated and relaunched in two stages during the year providing customers with undoubtedly the best shopping experience in Slovenia and the greater Central European region.

Consumer confidence has increased in Slovenia over the past year resulting in higher sales revenue across most product categories. Gross margins have improved due to a renewed focus on gross margin targets. This was offset by an increase in operating costs during the year due to the investment in upgrading the Ljubljana Flagship store.

The retail result in Slovenia was a **profit of $4.46 million** for the 2017 financial year, **an increase of $0.23 million, or 5.3%**, from $4.23 million in the 2016 financial year.

Sales revenue for the Zagreb, Croatia store **increased €2.03 million, or 12.4%, to €18.40 million** in the 2017 financial year, from €16.37 million in the prior year. Translated into Australian dollars, sales revenue **increased 6.6%, or $1.64 million, to $26.59 million.**

Stronger sales, improved product mix and merchandising displays, enhanced supplier relationships and a concerted focus on controlling costs resulted in the first full year profit for the retail operations in Croatia in 2017 to a **profit of $0.17 million** from a loss of $0.59 million in the previous financial year.

OTHER NON-FRANCHISED RETAIL

The non-franchised retail segment consists primarily of retail and wholesale trading operations in Australia which are wholly-owned, controlled or jointly-controlled by the consolidated entity and does not include the operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisee.

Total revenue for the other non-franchised retail segment decreased by $6.77 million, or 4.1%, to $160.06 million for the year ended 30 June 2017, from $166.83 million in the prior year.

The result for the non-franchised retail segment was a loss of $10.02 million for the 2017 financial year, compared with a loss of $3.97 million for the prior year. The segment loss for the 2017 financial year included an $18.41 million write-down in commercial loans made to a retail joint venture in Australia compared to a write-down of $11.56 million in the previous financial year.

OTHER SEGMENT

The Other segment is primarily comprised of credit facilities provided to related and unrelated parties, other unallocated income and expense items and the joint venture investment in Coomboona Holdings Pty Limited.

The Other segment recorded a loss of $9.12 million in the 2017 financial year compared to a loss of $18.69 million in the prior year, an improvement of $9.56 million. The loss for the current year included a write-down of $0.43 million of commercial loans made to mining camp accommodation joint ventures to reduce the value of the non-trade receivable to the expected recoverable amount compared to a write-down of $11.88 million in the previous year.

In September 2015, the consolidated entity acquired a 49.9% investment in Coomboona Holdings Pty Limited, comprising dairy farm operations and a pedigree breeding and genetics division in Northern Victoria. The equity-accounted losses attributable to the Coomboona dairy joint venture was $5.95 million for the year ended 30 June 2017 compared to an equity-accounted loss of $2.71 million for the year ended 30 June 2016.

AUSTRALIA:

In Australia, the retail operations trading under the Harvey Norman®, Domayne® and Joyce Mayne® brands are owned, operated and controlled by independent franchisees who have each been granted a separate franchise by a subsidiary of Harvey Norman Holdings Limited (the franchisor), pursuant to the terms of a franchise agreement.

As at 30 June 2017, there were 684 independent directors of franchisees who are responsible for the day-to-day management and control of their respective franchisee businesses across 194 franchised complexes throughout Australia.

The Franchising Operations Segment

Harvey Norman Holdings Limited (HNHL) and subsidiaries of HNHL own valuable intellectual property rights, including the trade marks Harvey Norman®, Domayne® and Joyce Mayne®, software and other confidential information to promote and enhance the brands. A subsidiary of HNHL (a franchisor) grants separate franchises to independent franchisees to use the Harvey Norman®, Domayne® or Joyce Mayne® trade marks in Australia and to conduct the retail business of the franchisee at or from a store within a particular branded complex, pursuant to the terms of a franchise agreement. Each franchisee owns and controls the franchisee business of that franchisee. Each franchisee has control over the day-to-day operations of the franchisee business and has the discretion and power to make the decisions necessary to drive sales, control floor margins and contain operating costs to maximise profitability of the franchisee business.

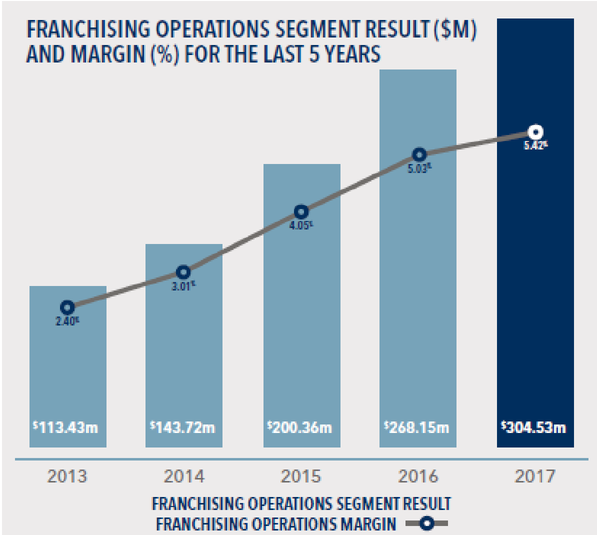
Each franchisee pays franchise fees to a franchisor pursuant to a franchise agreement between that franchisee and that franchisor. The franchising operations segment in Australia captures and records the franchisee fees received from franchisees including gross franchise fees, rent and outgoings for the use of a branded complex and interest on the financial accommodation facility that is made available to each franchisee. The franchising operations segment also encompasses the costs of operating the franchised system and monitoring and evaluating the performance and compliance of franchisees with their franchise agreements.

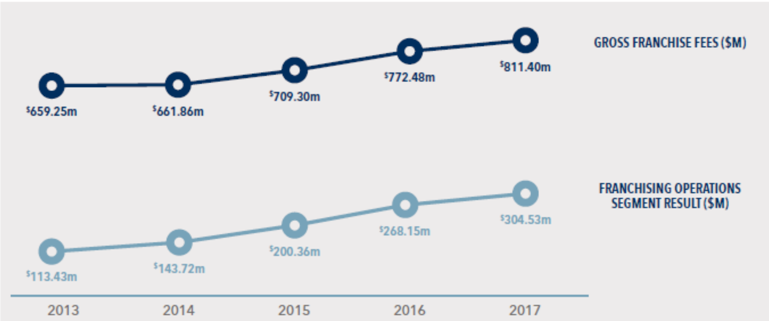
The franchising operations segment result increased **$36.38 million, or 13.6%, to $304.53 million** in the 2017 financial year from $268.15 million in the prior year. This solid result was particularly pleasing as it was on the back of a strong 34% growth in the segment in the previous financial year. Franchisees have strongly rebounded from the headwinds experienced during the GFC and the exceptional result for 2017 is a testament to their commitment to the Omni Channel strategy to effectively service their customers. The strong performance of the franchising operations segment validates the resilience of a diversified franchising model in Australia.

Revenue in this segment increased **$28.90 million, or 3.1%, to $968.85 million** primarily due to an increase in franchise fee income of **5.0%, or $38.93 million, to $811.40 million** in the 2017 financial year from $772.48 million in the prior year.

The Franchising Operations Margin (%)

The franchising operations margin increased to 5.42% in the 2017 financial year from 5.03% in the prior year. The half year franchising operations margins were strong in the 2017 financial year, with a margin of 6.01% for the December half and 4.81% for the June half.





FRANCHISING OPERATIONS SEGMENT ANALYSIS BY HALF YEAR	Half Year Ended 31 December			Half Year Ended 30 June			Full Year 30 June		
	2014	2015	2016	2015	2016	2017	2015	2016	2017
No. of franchised complexes in Australia	195	191	**193**	194	192	**194**	194	192	**194**
Franchising operations segment result	$115.09m	$150.42m	**$172.13m**	$85.28m	$117.73m	**$132.41m**	$200.36m	$268.15m	**$304.53m**
Franchisee aggregated sales revenue	$2.53bn	$2.72bn	**$2.86bn**	$2.42bn	$2.61bn	**$2.75bn**	$4.95bn	$5.33bn	**$5.62bn**
Franchising Operations Margin (%)	4.55%	5.53%	6.01%	3.52%	4.51%	4.81%	4.05%	5.03%	5.42%

Franchisee Sales Revenue Underpins the Franchising Operations Segment

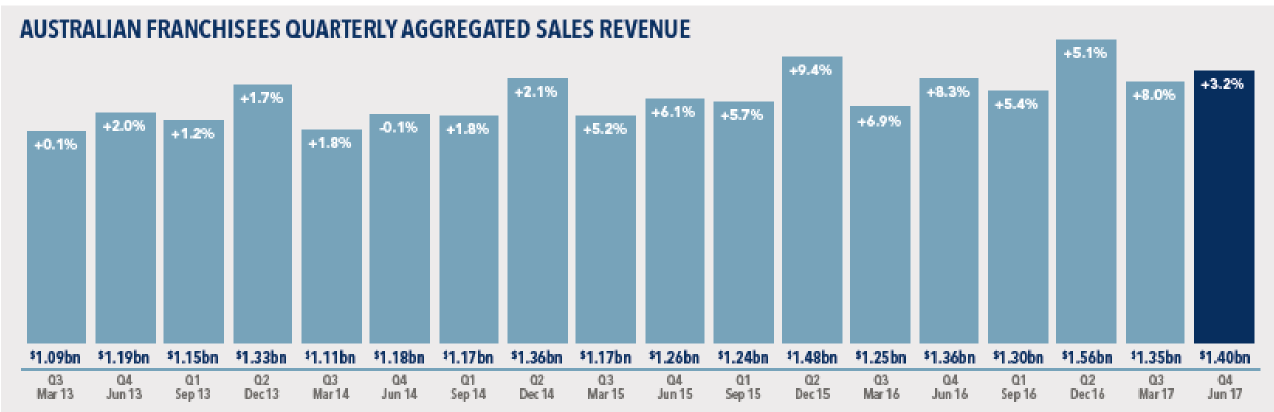
There is a direct correlation between franchise fee income and franchisee sales revenue. Increased franchisee sales revenue results in increased franchise fee income. Franchisees continue to be the dominant players in the Home and Lifestyle market in Australia. Consumers desire to live in a connected world and for their devices to be integrated with their connected home. Australian consumers know that Harvey Norman® is the reputable brand they can trust. Harvey Norman® franchisees deliver an extensive product range, exclusive lines and offers, top quality customer service and multi-pronged fulfilment options to suit the needs of the consumer.

Headline Australian aggregated franchisee sales revenue increased 5.4%, or $287.05 million, to $5.62 billion for the year ended 30 June 2017 from $5.33 billion in the prior year. Comparable aggregated franchisee sales revenue increased 4.6% to $5.56 billion for the 2017 financial year.

AGGREGATED FRANCHISEE SALES REVENUE

TOTAL FRANCHISEE SALES
JUNE 2017
$5.62bn UP BY 5.4%

COMPARABLE FRANCHISEE SALES
JUNE 2017
$5.56bn UP BY 4.6%



Franchisees have capitalised on the strong performing category of Connected Devices. Connected lifestyle devices are leading the technology advancement in the Connected Health segment, assisted with the introduction of Smart Jewellery for consumers looking for fashion in their technology. Connected Security for the home is easy to setup and simpler than ever with app based connectivity to wireless cameras allowing customers to connect to their home, whether it be for security reasons or to chat with the family, all from their smart phone.

The release of high-end smart phones led to significant growth in the mobile phone segment, including the very successful launch of Samsung's new Flagship Galaxy S8 and S8+, with consumers upgrading to continually have the latest technology. The mobile phone is the centrepiece for the Connected Devices, with app based technology making it simple for consumers to access their connected devices and enhance their connected life.

Content services like Netflix, Stan, Google Play and iTunes drove sales growth in the smart TV category. With HD and 4K content available on these services, consumers are able to experience the very best picture in their own home, which is driving the mid to high-end TV segment. Complementing the sales of high-end TV's are the Audio Entertainment Systems. With richer, deeper picture quality, consumers are looking to ensure their audio experience is as good as the TV experience and the diverse range and options for Audio Entertainment being demonstrated in franchised complexes leads to complementary sales and high customer satisfaction.

Harvey Norman® franchisees successfully launched Virtual Reality this year, with in-store demonstrations captivating consumers' excitement. The larger floor space of the franchised complexes allows for the complete setup in store and this has seen the Harvey Norman® franchisees obtain a competitive advantage in the market. The anticipated demand and future product releases are anticipated to yield sales growth in the Virtual Reality segment, along with the complementary products that are required to drive the devices, like high-end Gaming PC's with powerful graphics.

Personal Audio continues to grow, both in portable audio speakers and wireless headphones. With consumers being more mobile, taking your music and audio with you is essential and the new fashion designs, along with enhanced audio features, are driving strong demand.

Harvey Norman® franchisees successfully launched The Modern PC in the 2017 financial year. Modern PC's are new notebooks that are thinner, lighter and faster. With all day battery, touchscreen and modern designs, consumers have seen the significant advancement in notebooks and are upgrading their devices quicker than previous, giving the Harvey Norman® franchisees strong sales growth within the whole Notebook category during 2017. The new Modern PC's have a strong connection to both the female and male consumer and the 2018 financial year is expected to be another year of growth.

The residential property market in Australia has maintained its resilience throughout the 2017 financial year, with strong property values and high auction clearance rates, fuelling consumer demand for the extensive Homemaker product range offered by franchisees. Franchisee sales are buoyed by, but are not solely dependent on, the cyclical nature of the local housing market. The strong foothold in the Home and Lifestyle market in Australia has continued to underpin furniture, bedding, appliances, cooking and homeware sales during the year. With new technology coming to market across many segments within Home and Lifestyle, franchisees are able to showcase and demonstrate the technology in-store, positioning Harvey Norman® franchisees as the true technology leader and the destination for consumers. The large-format complexes, with the flexible floorspace, will ensure that Harvey Norman® franchisees will continue to adapt to the ever expanding growth in personal and lifestyle products that can be used in the whole home and within every room.

PROPERTY SEGMENTS:
Retail Property, Retail Property Under Construction & Property Developments for Resale

The consolidated entity's substantial property portfolio is integral to the success of the Omni Channel strategy. Properties within the portfolio range from multi-tenanted large-format centres to stand-alone showrooms and warehouses that are primarily occupied by Harvey Norman®, Domayne® and Joyce Mayne® franchisee tenants, as well as a diverse mix of other quality third-party tenants. The investment in property delivers strong returns through rental income from franchisees and complementary third-party tenants and also delivers long-term capital appreciation.

Future sales growth, in the home maker retail market, is anticipated to continue as a result of the resilience and ongoing buoyancy of the residential property market. Residential real estate continues to underpin Australia's wealth and has now reached a value of $7.2 trillion. This sector now also comprises 9.9 million dwellings with 52.4% of household wealth held in housing *(source: Corelogic)*. The residential market's continued growth is stoked and underpinned by strong population growth, which over the next three years is expected to grow by 1.2 million people to 25.9 million people in 2020 *(source: Federal Budget 2017-2018)*, with the following annual capital city movements: Sydney (+1.6%), Melbourne (+1.9%), Brisbane (+1.8%), Adelaide (+1.0%), ACT (+1.2%) and Perth (+2.5%) *(source: Australian Bureau of Statistics)*. Overseas migrant arrivals into Australia are also a significant contributor to this growth, with numbers predicted to increase from 487,000 for the 12-months ending 31 December 2016 to 547,000 for the 12-months ending 30 June 2020 *(source: Department of Immigration and Border Protection)*. This backdrop has seen dwelling values, to July 17, experiencing an annual change increase of 10.5% across the combined capital cities *(source: Corelogic)*. This growth has primarily been driven by solid momentum in Sydney (+12.4%), Melbourne (+15.9%) and Canberra (+12.9%) *(source: Corelogic)*. These statistics are well above the 5.7% rolling annual value increases over the last 10 years for the combined capital cities *(source: Corelogic)*.

Encouragingly it is predicted that renovation activity in 2017 will remain largely consistent with levels in 2016, and then return to a growth phase in 2018 (+2.6%), with maintained momentum in 2019 (+2.3%) and 2020 (+2.4%). Thus taking the annual value of the renovation market to $34.7 billion *(source: HIA Economics Group)*.

The property portfolio is strong and was **valued at $2.66 billion at 30 June 2017**. As at balance date, total property assets amounted to over 60% of the consolidated entity's total asset base of $4.19 billion. Growth in the property portfolio was primarily a result of strong capital appreciation, the acquisition and development of the first freehold property in Tallaght, Ireland during the year which commenced trading in July 2017 and the acquisition of other investment properties in Australia.

There was a significant increase in the total property segment result by **$78.18 million, or 46.2%, to $247.47 million** for the current year, from $169.29 million in the prior year. This was largely due to a $59.69 million increase in the net property revaluation adjustments recognised during the year, from $48.36 million in the previous year to $108.05 million in the current year, mainly comprised of an increase in the fair value of the Australian investment property portfolio. Other property segment revenue, primarily comprised of rent and outgoings received from franchisees and other third party tenants and other property development profits, increased by over $15 million during the year.

In the prior year, the value of the equity-accounted investments in mining camp accommodation joint ventures was written down by $7.24 million. In the 2017 financial year, a further impairment loss of $1.15 million was recognised which reduced the equity-accounted investments in mining camp accommodation joint ventures to nil. A further impairment loss of $5.02 million was recognised on the repayment of an external finance facility relating to one mining camp joint venture.

The following tables represent the composition of property segment assets at each balance date and the number of owned and leased retail use properties as at 30 June 2017.

TOTAL PROPERTY SEGMENT ASSETS as at 30 JUNE	2015	2016	2017
Investment properties	$1.936 billion	$2.046 billion	**$2.242 billion**
Owned land & buildings in New Zealand, Singapore, Slovenia, Ireland & Australia	$358.72 million	$389.80 million	**$413.85 million**
Joint venture assets	$21.43 million	$2.54 million	**$2.05 million**
Properties held for resale	$2.88 million	-	**-**
TOTAL PROPERTY SEGMENT ASSETS	$2.32 billion	$2.44 billion	$2.66 billion

OWNED & LEASED RETAIL USE PROPERTIES as at 30 JUNE 2017	# of owned retail use properties	# of leased retail use properties	Total
Australia: Franchised complexes	95	99	**194**
New Zealand	18	21	**39**
Slovenia	5	-	**5**
Croatia	-	1	**1**
Ireland	- (a)	12	**12**
Northern Ireland	-	2	**2**
Singapore	-	13	**13**
Malaysia	-	15	**15**
TOTAL	118	163	281

(a) During the 2017 financial year, the consolidated entity acquired and developed the first freehold property at Tallaght, Ireland which commenced trading in July 2017.

The investment property portfolio in Australia and properties held in joint venture entities are subject to a semi-annual review to fair market value. At each reporting period, one-sixth of the investment property portfolio is independently valued with the remaining five-sixths reviewed for fair value by Directors. The entire portfolio is independently valued every three years.

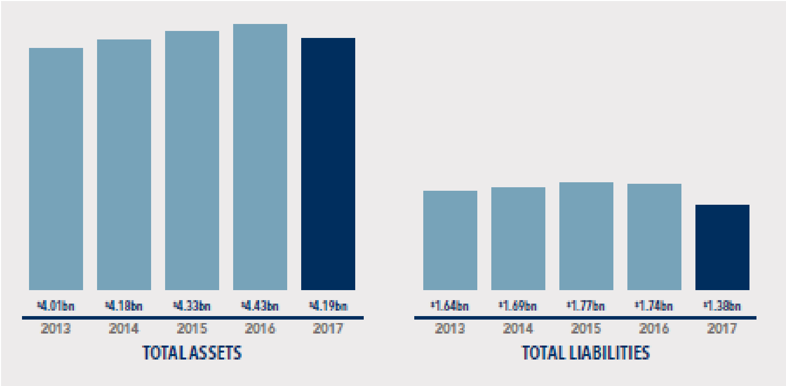
During the year ended 30 June 2017, fifty (50) sites within the investment property portfolio in Australia were independently valued, representing 40.0% of the total number of sites and 38.7% of the fair value of the investment property portfolio in Australia.

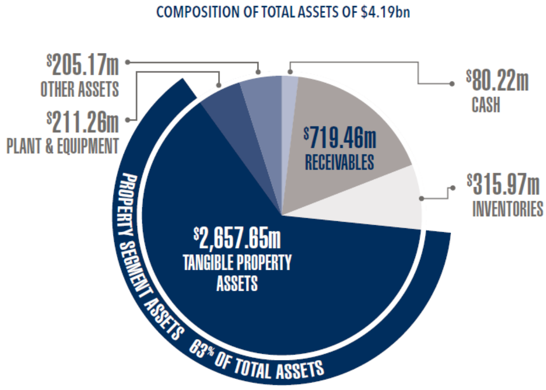
The balance of the portfolio was reviewed for comparability resulting in the preparation of internal valuations for twenty-nine (29) additional sites. The valuation for the 30 June 2017 financial year resulted in a net increase of $107.38 million in Australia and an increase of $0.67 million in Slovenia.

The weighted average capitalisation rate (WACR) used in the valuation of investment properties in Australia was 7.93% for the year ended 30 June 2017 compared to a WACR of 8.53% for the year ended 30 June 2016.

NET PROPERTY REVALUATION ADJUSTMENTS ($ million)	RECORDED IN THE INCOME STATEMENT (Net Property Revaluation Increment)			RECORDED IN EQUITY (Asset Revaluation Reserve)		
	2015	2016	2017	2015	2016	2017
AUSTRALIA	$7.604m	$47.79m	**$107.38m**	-	-	**$1.12m**
NEW ZEALAND	-	$0.57m	**-**	$3.65m	$7.61m	**$16.03m**
SLOVENIA	$1.123m	-	**$0.67m**	$0.26m	$0.04m	**$2.96m**
SINGAPORE	-	-	**-**	$7.15m	$1.31m	**-**
TOTAL	$8.73m	$48.36m	$108.05m	$11.06m	$8.96m	$20.11m

REVIEW OF THE FINANCIAL POSITION OF THE CONSOLIDATED ENTITY

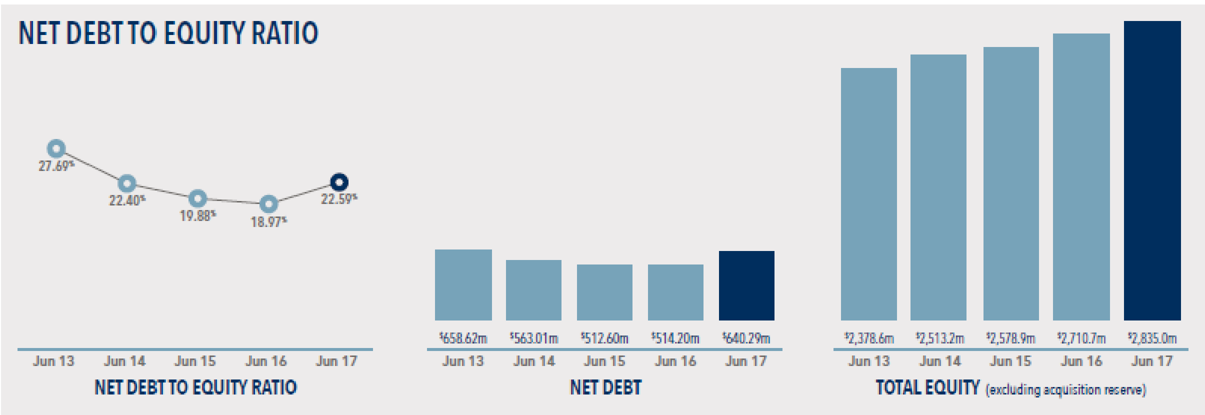




The net assets of the consolidated entity remains strong, with **a solid 4.6% growth, or an increase of $124.23 million, to $2.81 billion** as at 30 June 2017 from $2.69 billion as at 30 June 2016.

Total assets decreased by 5.5%, or $242.06 million, to $4.19 billion in the 2017 financial year, from $4.43 billion in the prior year. This decrease was primarily due to Derni Pty Limited (Derni), a wholly-owned subsidiary of Harvey Norman Holdings Limited, reiterating, reconfirming and clarifying the contractual arrangements of each franchisee with suppliers of each franchisee. This resulted in there being, as at 30 June 2017, no constructive obligation to any supplier to any franchisee and no committed commercial advances to any franchisee. Refer to Note 7. Trade and Other Receivables (Current). This was offset by an increase in the value of the Australian investment property portfolio by $195.46 million, or 9.6%, to $2.24 billion as at 30 June 2017 primarily due to the net property revaluation increment of $107.38 million during the current year and the acquisition of other investment property assets during 2017. Property plant and equipment assets increased by $44.31 million, or 7.6%, to $625.11 million due to the acquisition and development of the store at Tallaght, Dublin and the refurbishment of company-operated Flagship stores and Flagship complex during the year as part of the commitment to the Flagship strategy. Cash and cash equivalents reduced by $59.65 million due to the utilisation of cash reserves to fund the acquisition of investment properties and property, plant and equipment assets and the higher dividends paid during the year.

Total liabilities reduced by $366.29 million, or 21.0%, to $1.38 billion as at 30 June 2017 from $1.74 billion in the previous year, primarily due to there being no constructive obligation by Derni to any supplier to any franchisee as at 30 June 2017. This was offset by higher interest-bearing loans and borrowings due to the higher utilisation of the Syndicated Facility and other external borrowings to fund development and expansion during the year.



The overall debt levels of the consolidated entity remain low, with a **low net debt to equity ratio of 22.59% as at 30 June 2017** compared to a ratio of 18.97% as at 30 June 2016.

Net cash flows from operating activities decreased by $12.55 million, or 2.9%, to $425.14 million for the 2017 financial year, from $437.69 million in the prior year. Net receipts from franchisees are affected by the movement in the aggregate amount of financial accommodation provided to franchisees for the 2017 financial year relative to the movement in the previous financial year. During the 2017 financial year, net receipts from franchisees decreased by $66.77 million as the movement in the aggregate amount of financial accommodation provided to franchisees exceeded the movement in the aggregate amount of financial accommodation provided for the 2016 financial year, aligned with the increased inventory reserves held by purchasing franchisees during the current year in order to drive franchisee sales revenue. This was offset by a $41.40m increase in gross revenue from franchisees.

Capital Management Policy

The objective of the consolidated entity's capital management policy is to: create long-term sustainable value for shareholders; maintain optimal returns to shareholders and benefits to other stakeholders; source the lowest cost of available capital; and prevent the adverse outcomes that can result from short-term decision making.

The Capital Management Policy stipulates a debt-to-equity target for the consolidated entity of less than 50%.

The capital structure of the consolidated entity consists of: debt, which includes borrowings disclosed in Notes 18 and 21 of this report; Interest-Bearing Loans and Borrowings; Cash and cash equivalents disclosed in Note 28(a); and, Equity attributable to equity holders of the parent, comprising ordinary shares, retained profits and reserves as disclosed in Notes 24, 25 and 27 respectively.

The consolidated entity's borrowings consist primarily of bank debt provided by a syndicate of four banks (three of which are members of the "Big 4" Australian Banks) trading in Australia. Concentration risk is minimised by staggering facility renewals and utilising a range of maturities. Interest rate risk can be mitigated with interest rate swaps.

BUSINESS STRATEGIES, FUTURE PROSPECTS AND LIKELY DEVELOPMENTS

The OFR provides information to enable shareholders to make an informed assessment of the consolidated entity's future business strategies and prospects. The OFR additionally provides information about, and refers to likely developments in the operations of the consolidated entity, and detail on risks that could give rise to likely material detriment to the consolidated entity. The OFR does <u>not</u> include information that is commercially sensitive, confidential, or which could provide a third party with a commercial advantage.

The objective is to deliver attractive returns to shareholders by growing market share and improving profitability. The consolidated entity seeks to achieve this objective through the execution of the following business strategies:

Omni Channel

The Omni Channel operating model of Harvey Norman®, Domayne® and Joyce Mayne® franchisees continues to develop and enhance the service offering to their customers. Within this model, the Online-to-Offline (O2O) strategy is well positioned to troubleshoot any potential disruptions and has been enhanced considerably over the 2017 financial year to deliver a seamless experience to the customer with the introduction, upgrade or enhancement of the following initiatives:

- **Livechat** – Delivering world class O2O services to customers of each franchisee to assist the overall sales process by providing the information they require regarding the product offering. The Harvey Norman® Livechat service has received a 96% Satisfaction Score from customers for the last 2 years.
- **Near Real-Time Inventory** – Providing customers with accurate and up-to-date stock information confirming their local franchisee has the product they are looking for.
- **Quick Reserve** – Allowing customers to quickly reserve a product and know that product will be available when they arrive at their local franchised complex.
- **2-Hour Click & Collect** – At the heart of the Harvey Norman® O2O strategy, Click & Collect is a convenient and popular way to shop with over 80% of customers' orders notified in less than 2 hours.
- **Click & Collect App** – The first app available to customers is now fully operational across all Harvey Norman® franchised complexes in Australia and company-operated stores in New Zealand. This app enables a customer to track the status of their order with real-time progress on their smartphone as well as receive "ready for pick-up" notifications for a faster and more efficient collection process.
- **Same Day Deliveries** – Enabling customers in selected locations to receive same day delivery of small-to-medium products delivered from franchised complexes located within metropolitan areas when ordered prior to 1pm.
- **Home installation** – The development of an online platform that enables a franchisee to enhance the customer experience by recommending and connecting a customer with an installation provider.

Supporting the O2O strategy, a number of Customer Service initiatives were also introduced, upgraded or enhanced during the 2017 financial year including the following:

- **Harvey Norman® Voice** – A digital platform created to provide enhanced one-on-one engagement with a cross-section of Harvey Norman® customers to obtain feedback prior to changing processes or investing in system enhancements. Listening to customers is central to the Customer First mindset of Harvey Norman® franchisees.
- **Mobile First** – Continually optimising for convenience the O2O customer experience on mobile to engage and inspire customers and drive franchised complex sales.
- **Store Location Management System** - Provides a single source of truth for all franchised complex location information, contact details, trading hours, and local events, allowing customers to easily obtain information about their nearest Harvey Norman® franchised complex.
- **e-Receipt** – Providing customers of each franchisee with a fast and convenient way to receive and store receipts electronically whilst providing each franchisee with purchasing insights to help them further enhance customer experience.

The O2O strategy continues to leverage the unique strength of the Harvey Norman® operating model, delivering an extensive range of products and inventory located in store, fast local delivery and excellent customer service seamlessly delivered from 194 franchised complexes throughout Australia and the 87 offshore company-operated stores.

The consolidated entity continues to invest in digital technology and merchandise, inventory and supplier management systems for use by franchisees in franchised complexes in Australia and the overseas company-operated stores. Each franchisee and company-operated store has access to real-time inventory data and enhanced real-time analytical tools to better understand the individual business of that franchisee.

Customer Service and Engagement

The "Shop with Confidence" franchisee customer service model and the "Shop with Confidence" mantra is ingrained in every facet of the business of each franchisee in each franchised complex with continued investment in training and further developments in the "Customer First" program to capture and monitor consumer feedback, regardless of channel.

Franchisees monitor the quality of their service through an ongoing mystery-shopper program and by collecting customer feedback. This multi-year program is expected to deliver ongoing process and customer sentiment improvements.

Outlook

The company will continue to invest in the Flagship strategy. Each of the Flagship stores is designed to provide an unrivalled customer experience in terms of store design, customer service and premium product offering. In Ireland, the Flagship store at Tallaght, Dublin was opened in July 2017. This is the consolidated entity's first freehold property purchase in Ireland. In Malaysia, the Ikano Flagship store in Kuala Lumpur will be renovated and opened in November 2017. In Croatia, the Flagship store in Zagreb will be renovated and relaunched in April 2018. In New Zealand, the Wairau Park Flagship store in Auckland will be renovated and relaunched by June 2018. And finally, the franchised Flagship complex in Auburn, Australia will be renovated by June 2018.

The consolidated entity intends to open a total of six (6) new stores in the 2018 financial year. One (1) Domayne® franchised complex in Western Australia will be opened, and five (5) Harvey Norman® company-operated stores in overseas markets, consisting of one (1) store in Ireland , three (3) stores in Malaysia, and one (1) store in Singapore.

In Australia, housing conditions remain strong and are likely to remain favourable in the near term underpinned by strong population growth, which over the next three years is expected to grow by 1.2 million people to 25.9 million people *(source: Federal Budget 2017-2018)*. Additionally, renovation activity is expected to grow by +2.6% in 2018, +2.3% in 2019 and +2.4% in 2020 *(source: HIA Economics)*. Harvey Norman® franchisees have a strong foothold in the Home and Lifestyle market in Australia, and are expected to capitalise on these favourable conditions.

The emerging lifestyle categories, particularly technology based products, are exhibiting strong demand as consumers automate and connect across their home, work and recreational activities. Franchisees are able to showcase and demonstrate this technology in-store, positioning Harvey Norman® franchises as the true technology leader and consumer destination of choice.

SUMMARY OF KEY BUSINESS RISKS

The Board is optimistic about the consolidated entity's future trading performance but acknowledges that there are several factors that may pose a risk to the achievement of the business strategies and future financial performance as outlined above.

Every business faces risks with the potential to impair its ability to execute its strategy or achieve its financial objectives. There are a number of key risks, both specific to the Harvey Norman® integrated retail, franchise, property and digital system and external risks, for example the macroeconomic environment, over which the consolidated entity has no control. The consolidated entity acknowledges the existence of these risks, and in the first instance seeks to identify and understand individual risks, and then – to the extent possible – manage and/or minimise risks.

Deterioration in macroeconomic conditions resulting in a fall in consumer sentiment:
The consolidated entity has a significant exposure to the economy of the countries in which it operates. There are a number of general economic conditions, including interest and exchange rate movements, overall levels of demand, housing market dynamics, economic and political instability and government fiscal, monetary and regulatory policies, that can impact the level of consumer confidence and discretionary retail spending, thereby affecting revenue from sales to customers and franchise fees. The consolidated entity seeks to reduce its exposure to these risks by closely monitoring both internal and external sources of information that provide insights into any changes in demand within the economies in which it operates.

Competition resulting in a loss of market share for franchisees in Australia:
The integrated retail, franchise, property and digital system, and diverse category mix aid in maintaining the consolidated entity's competitive position. Franchisees operate across a number of categories including the strongly performing Home and Lifestyle market. Diversity mitigates the risk from existing and potential single-category competitors.

Emergence of competitors in new channels:
The Harvey Norman® Omni Channel Strategy provides customers of franchisees with a diverse, consistent and distinctive Harvey Norman® customer experience through a diversity of channels. The Harvey Norman® Omni Channel Strategy integrates retail, online, mobile, and social channels. The online operations of franchisees in Australia and the company-operated online operations in New Zealand have grown substantially. The digital platform creates new opportunities for growth and new ways to embrace and engage with customers. Data analytics are an important element of the Harvey Norman® Omni Channel Strategy, and are utilised to improve customer experience.

The Harvey Norman® Omni Channel Strategy sets the Harvey Norman® brand apart from other online and digital competitors as the digital, physical complex and distribution channels are fully integrated, providing customers of franchisees with a multitude of engagement options to meet their needs. The Harvey Norman® Omni Channel Strategy, supported by the retail property portfolio of the consolidated entity, makes the Harvey Norman® brand a strong competitor in the market.

Economic downturn in the property sector leading to softening property asset values, falling market rentals and reduction of future capital returns on property assets:
With a property portfolio of $2.66 billion, the consolidated entity is exposed to potential reductions in property values within the bulky goods sector. The consolidated entity has a selective and prudent acquisition and development strategy and maintains high-quality complexes and a solid, dynamic, complementary tenancy mix in order to maximise the profitability of the property segment.

Counterparty risks of service providers:
This risk relates to the inability of service providers to meet their obligations. The consolidated entity closely monitors and evaluates the performance of external service providers to mitigate counterparty risk.

Counterparty risk associated with the mining camp accommodation joint ventures:
Commodity prices are inherently volatile. The provision of services to the mining industry is inherently risky. The consolidated entity has entered into joint ventures with counterparties to provide mining camp accommodation services. The risk in respect of mining camp accommodation joint ventures includes the ability of counterparties to meet financial and other obligations under mining camp accommodation joint venture agreements.

The consolidated entity closely monitors and evaluates the performance of counterparties of the mining camp accommodation joint ventures by monitoring compliance with joint venture agreements; adopting a prudent and conservative approach to the review of mining camp accommodation cash flows, including future cash flow projections; and ensuring that an adequate level of security is maintained for any funds advanced to mining camp accommodation joint ventures.

Counterparty risk associated with the KEH Partnership retail joint venture:
The consolidated entity is a party to a joint venture with counterparties to provide online and retail services. The risk in respect of this retail joint venture includes the ability of counterparties to meet financial and other obligations under the retail joint venture agreement.

The consolidated entity closely monitors and evaluates the performance of counterparties of the retail joint venture by monitoring compliance with the joint venture agreement; adopting a prudent and conservative approach to the review of online and retail cash flows, including future cash flow projections; and ensuring that an adequate level of security is maintained for any funds advanced to the retail joint venture.

Compliance by franchisees with franchise agreements:
This risk relates to franchisees acting in breach of the terms and conditions of their respective franchise agreements. The consequences of non-compliance may include damage to the brand, fines or other sanctions from regulators, and/or a reduction in franchise fees received from franchisees.

The franchisor continually monitors and evaluates the financial and operating performance of each franchisee to actively assess compliance with executed franchise agreements. Instances of non-compliance are promptly addressed to protect the Harvey Norman® brand and/or intellectual property of the franchisor.

Information Technology ("IT") security and data security breaches:
This risk relates to potential failure in IT security measures resulting in the loss, destruction or theft of customer, supplier, financial or other commercially-sensitive information including intellectual property. This has the potential to adversely affect our operating results which would lead to lawsuits, damage the reputation of the Harvey Norman® brand, and/or create other liabilities for the consolidated entity.

There are a number of key controls either planned or already in place, including an ongoing program of investment in cyber security software; the implementation, maintenance and supervision of operational policies intended to preserve the confidentiality and integrity of IT systems; regular independent audit and review of IT security; and the ongoing review, practise and updating of a disaster/crisis management plan relating to IT systems.

Investment in agribusiness:
This risk relates to the recent volatility in the milk price and corresponding returns from investment in Coomboona Holdings. The market price for milk has declined and the expected returns on milk production may be reduced depending on production volumes. In addition, the future timing and development of the dairy to optimal scale may be impacted by current trends in commodity prices.

The investment in Coomboona Holdings and the development of the corresponding agricultural assets is constantly evaluated and reviewed to ensure appropriate commercial outcomes are achieved. Representation on the board of Coomboona Holding ensures oversight of the investment and enables close monitoring of progress towards the required operational and commercial objectives.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Current Assets			
Cash and cash equivalents	28(a)	**80,224**	139,874
Trade and other receivables	7	**640,686**	1,096,572
Other financial assets	8	**29,191**	26,204
Inventories	9	**315,968**	315,746
Other assets	10	**45,878**	26,703
Intangible assets	11	**486**	448
Total current assets		**1,112,433**	1,605,547
Non-Current Assets			
Trade and other receivables	12	**78,777**	74,382
Investments accounted for using equity method	29	**26,355**	24,828
Other financial assets	13	**30,076**	18,751
Property, plant and equipment	14	**625,112**	580,805
Investment properties	15	**2,241,754**	2,046,295
Intangible assets	16	**75,237**	81,192
Total non-current assets		**3,077,311**	2,826,253
Total Assets		**4,189,744**	4,431,800
Current Liabilities			
Trade and other payables	17	**238,628**	713,553
Interest-bearing loans and borrowings	18	**386,651**	453,035
Income tax payable		**42,541**	42,711
Other liabilities	19	**41,571**	41,016
Provisions	20	**34,034**	28,697
Total current liabilities		**743,425**	1,279,012
Non-Current Liabilities			
Interest-bearing loans and borrowings	21	**333,858**	201,042
Provisions	22	**13,052**	14,710
Deferred income tax liabilities		**267,219**	226,254
Other liabilities	23	**19,283**	22,108
Total non-current liabilities		**633,412**	464,114
Total Liabilities		**1,376,837**	1,743,126
NET ASSETS		**2,812,907**	2,688,674
Equity			
Contributed equity	24	**386,309**	385,296
Reserves	27	**174,950**	155,814
Retained profits	25	**2,229,200**	2,125,186
Parent entity interests		**2,790,459**	2,666,296
Non-controlling interests	26	**22,448**	22,378
TOTAL EQUITY		**2,812,907**	2,688,674

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

	Note	CONSOLIDATED June 2017 $000	June 2016 $000
Sales revenue	3	**1,833,123**	1,795,759
Cost of sales		**(1,235,602)**	(1,231,933)
Gross profit		**597,521**	563,826
Revenues and other income items	3	**1,333,887**	1,230,484
Distribution expenses		**(36,189)**	(34,554)
Marketing expenses		**(385,895)**	(385,664)
Occupancy expenses	4	**(226,994)**	(232,002)
Administrative expenses	4	**(519,986)**	(511,182)
Other expenses	4	**(107,666)**	(112,795)
Finance costs	4	**(20,072)**	(28,706)
Share of net profit of joint ventures entities	29	**5,200**	4,356
Profit before income tax		**639,806**	493,763
Income tax expense	5	**(186,840)**	(142,423)
Profit after tax		**452,966**	351,340
Attributable to:			
Owners of the parent		**448,976**	348,605
Non-controlling interests		**3,990**	2,735
		452,966	351,340
Earnings Per Share:			
Basic earnings per share(cents per share)	6	**40.35 cents**	31.36 cents
Diluted earnings per share (cents per share)	6	**40.30 cents**	31.33 cents
Dividends per share (cents per share)	25	**26.0 cents**	30.0 cents

The above Income Statement should be read in conjunction with the accompanying notes.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2017

	CONSOLIDATED	
	June 2017 $000	June 2016 $000
Profit for the year	**452,966**	351,340
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**(6,942)**	29,742
Net fair value gains on available-for-sale investments	**4,050**	1,101
Net movement on cash flow hedges	**18**	3,978
Income tax effect on net movement on cash flow hedges	**(6)**	(1,193)
Items that will not be reclassified subsequently to profit or loss:		
Fair value revaluation of land and buildings	**25,467**	12,777
Income tax effect on fair value revaluation of land and buildings	**(5,362)**	(3,499)
Other comprehensive income for the year (net of tax)	**17,225**	42,906
Total comprehensive income for the year (net of tax)	**470,191**	394,246
Total comprehensive income attributable to:		
Owners of the parent	**467,496**	390,938
Non-controlling interests	**2,695**	3,308
	470,191	394,246

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-controlling Interests	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 1 July 2016	385,296	2,125,186	111,199	48,021	9,682	(32)	8,995	(22,051)	22,378	**2,688,674**
Other comprehensive income:										
Revaluation of land and buildings	-	-	20,105	-	-	-	-	-	-	20,105
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	32	-	-	-	32
Currency translation differences	-	-	-	(5,647)	-	-	-	-	(1,295)	(6,942)
Fair value of forward foreign exchange contracts	-	-	-	-	-	(20)	-	-	-	(20)
Fair value of available for sale financial assets	-	-	-	-	4,050	-	-	-	-	4,050
Other comprehensive income	-	-	20,105	(5,647)	4,050	12	-	-	(1,295)	17,225
Profit for the year	-	448,976	-	-	-	-	-	-	3,990	452,966
Total comprehensive income for the year	**-**	**448,976**	**20,105**	**(5,647)**	**4,050**	**12**	**-**	**-**	**2,695**	**470,191**
Cost of share based payments	-	-	-	-	-	-	616	-	-	**616**
Shares issued	1,013	-	-	-	-	-	-	-	-	**1,013**
Dividends paid	-	(344,962)	-	-	-	-	-	-	(645)	**(345,607)**
Distribution to members	-	-	-	-	-	-	-	-	(1,980)	**(1,980)**
At 30 June 2017	**386,309**	**2,229,200**	**131,304**	**42,374**	**13,732**	**(20)**	**9,611**	**(22,051)**	**22,448**	**2,812,907**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-controlling Interests	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 1 July 2015	380,328	2,043,463	102,244	18,529	8,581	(2,817)	8,804	(22,051)	19,779	**2,556,860**
Other comprehensive income:										
Revaluation of land and buildings	-	-	8,955	-	-	-	-	-	323	**9,278**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	2,817	-	-	-	**2,817**
Currency translation differences	-	-	-	29,492	-	-	-	-	250	**29,742**
Fair value of forward foreign exchange contracts	-	-	-	-	-	(32)	-	-	-	**(32)**
Fair value of available for sale financial assets	-	-	-	-	1,101	-	-	-	-	**1,101**
Other comprehensive income	-	-	8,955	29,492	1,101	2,785	-	-	573	**42,906**
Profit for the year	-	348,605	-	-	-	-	-	-	2,735	**351,340**
Total comprehensive income for the year	**-**	**348,605**	**8,955**	**29,492**	**1,101**	**2,785**	**-**	**-**	**3,308**	**394,246**
Cost of share based payments	-	-	-	-	-	-	191	-	-	**191**
Shared issued	4,968	-	-	-	-	-	-	-	-	**4,968**
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	100	**100**
Dividends paid	-	(266,882)	-	-	-	-	-	-	(66)	**(266,948)**
Distribution to members	-	-	-	-	-	-	-	-	(743)	**(743)**
At 30 June 2016	**385,296**	**2,125,186**	**111,199**	**48,021**	**9,682**	**(32)**	**8,995**	**(22,051)**	**22,378**	**2,688,674**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	NOTE	CONSOLIDATED June 2017 $000	June 2016 $000
Cash Flows from Operating Activities			
Net receipts from franchisees		**882,476**	949,242
Receipts from customers		**1,992,891**	1,932,417
Payments to suppliers and employees		**(2,252,918)**	(2,267,638)
Distributions received from joint ventures		**11,546**	10,565
GST paid		**(44,621)**	(52,207)
Interest received		**4,971**	7,595
Interest and other costs of finance paid		**(19,420)**	(28,829)
Income taxes paid		**(152,454)**	(115,535)
Dividends received		**2,669**	2,081
Net Cash Flows From Operating Activities	28(b)	**425,140**	437,691
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment and intangible assets		**(89,366)**	(68,155)
Payments for purchase of investment properties		**(114,752)**	(64,338)
Proceeds from sale of property, plant and equipment and properties held for resale		**28,592**	9,051
Payments for purchase of units in unit trusts and other investments		**(161)**	(636)
Payments for purchase of equity accounted investments		**(8,947)**	(25,349)
Proceeds from sale of listed securities		**-**	116
Payments for purchase of listed securities		**(6,537)**	(146)
Loans granted to joint venture entities, joint venture partners and unrelated entities		**(7,594)**	(30,396)
Net Cash Flows Used In Investing Activities		**(198,765)**	(179,853)
Cash Flows from Financing Activities			
Proceeds from shares issued		**1,013**	4,968
Proceeds from Syndicated Facility		**70,000**	-
Dividends paid		**(344,962)**	(266,882)
Loans received from / (repaid to) related parties		**2,075**	(45,862)
(Repayment of) / proceeds from other borrowings		**(15,250)**	349
Net Cash Flows Used In Financing Activities		**(287,124)**	(307,427)
Net Decrease in Cash and Cash Equivalents		**(60,749)**	(49,589)
Cash and Cash Equivalents at Beginning of the Year		**103,631**	153,220
Cash and Cash Equivalents at End of the Year	28(a)	**42,882**	103,631

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2016, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2016. The adoption of the amending standards did not have a significant impact on the consolidated entity.

During the year, certain comparatives have been restated for consistency with policies adopted in the current year, which are not material for disclosure purposes.

2. OPERATING SEGMENTS

Operating Segment Revenue: 30 June 2017	June 2017 $000		
	Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	-	968,854	**968,854**
Retail – New Zealand	888,537	20,429	**908,966**
Retail – Singapore & Malaysia	415,693	7,912	**423,605**
Retail – Slovenia & Croatia	107,997	2,456	**110,453**
Retail – Ireland & Northern Ireland	263,763	8,200	**271,963**
Other Non-Franchised Retail	156,632	3,425	**160,057**
TOTAL RETAIL	1,832,622	42,422	**1,875,044**
Retail Property	125	352,905	**353,030**
Property Developments for Resale	-	4,578	**4,578**
TOTAL PROPERTY	125	357,483	**357,608**
EQUITY INVESTMENTS	-	6,370	**6,370**
OTHER	376	16,769	**17,145**
INTER-COMPANY ELIMINATIONS	-	(58,011)	**(58,011)**
TOTAL SEGMENT REVENUE	1,833,123	1,333,887	**3,167,010**

Operating Segment Revenue: 30 June 2016	June 2016 $000		
	Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	2,624	937,326	**939,950**
Retail – New Zealand	810,185	22,182	**832,367**
Retail – Singapore & Malaysia	434,653	9,458	**444,111**
Retail – Slovenia & Croatia	104,859	2,127	**106,986**
Retail – Ireland & Northern Ireland	275,692	6,674	**282,366**
Other Non-Franchised Retail	162,694	4,137	**166,831**
TOTAL RETAIL	1,788,083	44,578	**1,832,661**
Retail Property	135	271,125	**271,260**
Property Developments for Resale	2,750	8,739	**11,489**
TOTAL PROPERTY	2,885	279,864	**282,749**
EQUITY INVESTMENTS	-	2,554	**2,554**
OTHER	2,167	16,900	**19,067**
INTER-COMPANY ELIMINATIONS	-	(50,738)	**(50,738)**
TOTAL SEGMENT REVENUE	1,795,759	1,230,484	**3,026,243**

2. OPERATING SEGMENTS (CONTINUED)

Operating Segment Results: 30 June 2017	June 2017 $000				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	348,251	(2,555)	(25,873)	(15,290)	**304,533**
Retail – New Zealand	87,509	(40)	(7,744)	(295)	**79,430**
Retail – Singapore & Malaysia	26,024	(17)	(5,784)	(924)	**19,299**
Retail – Slovenia & Croatia	6,724	(365)	(1,585)	(148)	**4,626**
Retail – Ireland & Northern Ireland	3,083	(1,902)	(3,672)	-	**(2,491)**
Other Non-Franchised Retail	11,687	(1,656)	(1,443)	(18,606)	**(10,018)**
TOTAL RETAIL	135,027	(3,980)	(20,228)	(19,973)	**90,846**
Retail Property	272,856	(12,900)	(9,696)	(6,476)	**243,784**
Retail Property Under Construction	(15)	-	-	-	**(15)**
Property Developments for Resale	3,717	(16)	-	-	**3,701**
TOTAL PROPERTY	276,558	(12,916)	(9,696)	(6,476)	**247,470**
EQUITY INVESTMENTS	6,270	(192)	-	-	**6,078**
OTHER	(2,741)	(1,036)	(4,913)	(431)	**(9,121)**
INTER-COMPANY ELIMINATIONS	(607)	607	-	-	**-**
TOTAL SEGMENT RESULTS BEFORE TAX	**762,758**	**(20,072)**	**(60,710)**	**(42,170)**	**639,806**

Operating Segment Results: 30 June 2016	June 2016 $000				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	315,833	(5,631)	(27,639)	(14,412)	**268,151**
Retail – New Zealand	76,313	(1)	(7,428)	(168)	**68,716**
Retail – Singapore & Malaysia	18,958	(199)	(6,433)	(967)	**11,359**
Retail – Slovenia & Croatia	6,008	(410)	(1,798)	(157)	**3,643**
Retail – Ireland & Northern Ireland	(520)	(2,457)	(3,656)	-	**(6,633)**
Other Non-Franchised Retail	10,769	(1,764)	(1,302)	(11,677)	**(3,974)**
TOTAL RETAIL	111,528	(4,831)	(20,617)	(12,969)	**73,111**
Retail Property	195,031	(16,466)	(9,252)	(7,535)	**161,778**
Retail Property Under Construction	(4)	(2)	-	-	**(6)**
Property Developments for Resale	7,728	(214)	-	-	**7,514**
TOTAL PROPERTY	202,755	(16,682)	(9,252)	(7,535)	**169,286**
EQUITY INVESTMENTS	2,086	(186)	-	-	**1,900**
OTHER	1,969	(1,970)	(4,914)	(13,770)	**(18,685)**
INTER-COMPANY ELIMINATIONS	(594)	594	-	-	**-**
TOTAL SEGMENT RESULTS BEFORE TAX	**633,577**	**(28,706)**	**(62,422)**	**(48,686)**	**493,763**

2. OPERATING SEGMENTS (CONTINUED)

Operating Segment Assets and Liabilities: 30 June 2017	June 2017 $000					
	Segment Assets			Segment Liabilities		
	Segment Assets	Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,060,662	(2,267,729)	**792,933**	501,380	(262,061)	**239,319**
Retail – New Zealand	252,802	-	**252,802**	87,717	(3,287)	**84,430**
Retail – Singapore & Malaysia	136,998	(1,103)	**135,895**	95,999	(40,351)	**55,648**
Retail – Slovenia & Croatia	45,696	(2,540)	**43,156**	41,549	(404)	**41,145**
Retail – Ireland & Northern Ireland	167,171	(98,164)	**69,007**	372,464	(262,981)	**109,483**
Other Non-Franchised Retail	113,117	(34,535)	**78,582**	168,955	(94,042)	**74,913**
TOTAL RETAIL	715,784	(136,342)	**579,442**	766,684	(401,065)	**365,619**
Retail Property	2,704,437	(60,255)	**2,644,182**	2,115,984	(1,702,836)	**413,148**
Retail Property Under Construction	10,420	-	**10,420**	10,420	-	**10,420**
Property Developments for Resale	3,052	-	**3,052**	5,056	-	**5,056**
TOTAL PROPERTY	2,717,909	(60,255)	**2,657,654**	2,131,460	(1,702,836)	**428,624**
EQUITY INVESTMENTS	56,454	-	**56,454**	5,796	-	**5,796**
OTHER	152,028	(48,767)	**103,261**	174,850	(147,131)	**27,719**
TOTAL SEGMENT ASSETS / LIABILITIES BEFORE TAX	**6,702,837**	**(2,513,093)**	**4,189,744**	**3,580,170**	**(2,513,093)**	**1,067,077**

Operating Segment Assets and Liabilities: 30 June 2016	June 2016 $000					
	Segment Assets			Segment Liabilities		
	Segment Assets	Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,502,370	(2,224,685)	**1,277,685**	1,074,776	(321,256)	**753,520**
Retail – New Zealand	237,556	-	**237,556**	77,522	(3,028)	**74,494**
Retail – Singapore & Malaysia	143,946	(1,135)	**142,811**	105,602	(40,145)	**65,457**
Retail – Slovenia & Croatia	42,058	(2,920)	**39,138**	38,566	(774)	**37,792**
Retail – Ireland & Northern Ireland	163,316	(98,886)	**64,430**	361,229	(252,349)	**108,880**
Other Non-Franchised Retail	114,669	(32,237)	**82,432**	159,423	(102,514)	**56,909**
TOTAL RETAIL	701,545	(135,178)	**566,367**	742,342	(398,810)	**343,532**
Retail Property	2,433,033	(23,742)	**2,409,291**	1,910,356	(1,577,051)	**333,305**
Retail Property Under Construction	295	(7)	**288**	339	(303)	**36**
Property Developments for Resale	29,050	-	**29,050**	30,673	(26,819)	**3,854**
TOTAL PROPERTY	2,462,378	(23,749)	**2,438,629**	1,941,368	(1,604,173)	**337,195**
EQUITY INVESTMENTS	42,328	-	**42,328**	3,357	-	**3,357**
OTHER	165,640	(58,849)	**106,791**	154,779	(118,222)	**36,557**
TOTAL SEGMENT ASSETS / LIABILITIES BEFORE TAX	**6,874,261**	**(2,442,461)**	**4,431,800**	**3,916,622**	**(2,442,461)**	**1,474,161**

2. OPERATING SEGMENTS (CONTINUED)

The consolidated entity operates predominantly in eleven (11) operating segments:

Operating Segment	Description of Segment
Franchising Operations	Consists of the franchisor operations of the consolidated entity, but does not include the results, assets, liabilities or operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail – New Zealand	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in New Zealand under the Harvey Norman® brand name.
Retail – Singapore & Malaysia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman® and Space brand names.
Retail – Slovenia & Croatia	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Slovenia and Croatia under the Harvey Norman® brand name.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Ireland and Northern Ireland under the Harvey Norman® brand name.
Other Non-Franchised Retail	Consists of the retail trading operations in Australia which are controlled by the consolidated entity and does not include any operations of Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail Property	Consists of land and buildings for each site that is fully operational or is ready and able to be tenanted. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement for each site that is owned by the consolidated entity which is fully operational (or ready for operations) as at balance date. This segment includes the mining camp accommodation joint ventures.
Retail Property Under Construction	Consists of sites that are currently undergoing construction at balance date intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income and facilitating the expansion and operation of the franchising operations.
Property Developments for Resale	Consists of land and buildings acquired by the consolidated entity, to be developed, or currently under development, for the sole purpose of resale at a profit.
Equity Investments	This segment refers to the trading of, and investment in, listed securities.
Other	This segment primarily relates to credit facilities provided to related and unrelated parties, other unallocated income and expense items and the joint venture investment in Coomboona Holdings Pty Limited.

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000

3. REVENUES

	June 2017 $000	June 2016 $000
Sales revenue:		
Revenue from the sale of products	**1,833,123**	1,795,759
Revenues and other income items:		
Gross revenue from franchisees:		
- Franchise fees	**811,401**	772,476
- Rent and outgoings received from franchisees	**231,733**	230,146
- Interest to implement and administer the financial accommodation facility	**28,485**	27,597
Total revenue received from franchisees	**1,071,619**	1,030,219
Gross revenue from other unrelated parties:		
- Rent and outgoings received from external tenants	**82,604**	76,501
- Interest received from financial institutions and other parties	**5,142**	7,595
- Dividends received	**2,814**	2,554
Total revenue from other unrelated parties	**90,560**	86,650
Other Income Items:		
- Net property revaluation increment on Australian investment properties	**107,382**	47,790
- Property revaluation increment for overseas controlled entity	**669**	568
- Net profit on the revaluation of equity investments to fair value	**3,556**	-
- Net profit on the sale of investment properties and property, plant and equipment assets	**3,293**	-
- Net foreign exchange gains	**771**	1,561
- Other revenue	**56,037**	63,696
Total other income items	**171,708**	113,615
Total revenues and other income items	**1,333,887**	1,230,484

4. EXPENSES AND LOSSES

	June 2017 $000	June 2016 $000
Tactical support	**64,479**	69,159

Tactical support may be provided by a franchisor to a franchisee, from time to time, to protect, enhance and promote the Harvey Norman®, Domayne® and Joyce Mayne® brands. Tactical support assists a franchisee to better compete in a market.

	June 2017 $000	June 2016 $000
Employee benefits expense:		
- Wages and salaries	**262,059**	246,102
- Workers' compensation	**1,237**	579
- Superannuation contributions	**13,405**	13,247
- Payroll tax	**9,644**	9,081
- Share-based payments	**634**	191
- Other employee benefits	**9,980**	11,751
Total employee benefits expense	**296,959**	280,951
Minimum lease payments	**160,487**	164,261
Finance costs:		
- Loans from directors and director-related entities	**992**	2,354
- Bank interest paid to financial institutions	**17,675**	25,257
- Other	**1,405**	1,095
Total finance costs	**20,072**	28,706

4. EXPENSES AND LOSSES (CONTINUED)

	CONSOLIDATED June 2017 $000	June 2016 $000
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	**9,066**	8,629
- Plant and equipment	**51,644**	53,793
Amortisation of:		
- Computer software	**16,758**	15,820
- Net licence property and other intangible assets	**401**	305
Impairment of non-current assets (included in administrative expenses line in the Income Statement)	**-**	1,883
Impairment of non-trade debts receivable from related parties (a) (included in administrative expenses line in the Income Statement)	**18,841**	23,443
Impairment loss on repayment of external finance facility (b) (included in administrative expenses line in the Income Statement)	**5,022**	-
Impairment of equity-accounted investments (c) (included in administrative expenses line in the Income Statement)	**1,148**	7,235
Total depreciation, amortisation and impairment	**102,880**	111,108

(a) As at 30 June 2017, non-trade debts receivable with a carrying value of $104.75 million (June 2016: $93.38 million) was assessed for impairment and the consolidated entity recognised an impairment loss of $18.84 million in the Income Statement (June 2016: $23.44 million). The non-trade debts receivable relate to several mining camp accommodation joint ventures and other commercial loans in Australia.

(b) As at 30 June 2017, an impairment loss of $5.02 million was recognised in respect of an estimated shortfall in the repayment of an external finance facility for a mining camp accommodation joint venture.

(c) The impairment loss incurred as at 30 June 2017 included a write-down of the equity-accounted investments in mining camp accommodation joint ventures totalling $1.15 million (June 2016: $7.24 million).

5. INCOME TAX

	June 2017 $000	June 2016 $000
Income tax recognised in the Income Statement:		
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	**148,276**	123,761
Adjustments in respect of current income tax of previous years	**(457)**	(33)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	**39,021**	18,695
Total income tax expense reported in the Income Statement	**186,840**	142,423

6. EARNINGS PER SHARE

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Basic earnings per share (cents per share)	**40.35c**	31.36c
Diluted earnings per share (cents per share)	**40.30c**	31.33c
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax	**452,966**	351,340
Less: Profit after tax attributable to non-controlling interests	**(3,990)**	(2,735)
Profit after tax attributable to owners to the parent	**448,976**	348,605

	NUMBER OF SHARES June 2017 $000	NUMBER OF SHARES June 2016 $000
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	**1,112,704,211**	1,111,563,813
Effect of dilutive securities (b)	**1,329,312**	1,155,320
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,114,033,523**	1,112,719,133

(a) Weighted Average number of Ordinary Shares

The weighted average number of ordinary shares used in calculating basic earnings per share is inclusive of the new shares totalling 500,000 ordinary shares in the company issued during the year pursuant to the options issued to certain executive directors under the Executive Option Plan granted on 29 November 2011 (the Second Tranche), weighted on a pro-rata basis from issue date to 30 June 2017.

(b) Effect of Dilutive Securities

On 29 November 2010, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the "First Tranche"). These options are capable of exercise from 1 January 2014 to 30 June 2016 at an exercise price of $3.02 per option and a fair value of $0.87 per option at grant date. On 1 September 2015, a total of 756,000 options over 756,000 shares in respect of the First Tranche were exercised reducing the unexercised portion to 378,000 options. On 1 April 2016, the remaining 378,000 options over 378,000 shares were exercised.

On 29 November 2011, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the Second Tranche). These options are capable of exercise from 1 January 2015 to 30 June 2017 at an exercise price of $2.03 per option and a fair value of $0.51 per option at grant date. On 29 November 2012, the consolidated entity announced that a total of 2,250,000 options over 2,250,000 shares in respect of the Second Tranche had lapsed and will never be exercisable by the participants. On 14 March 2016, a total of 250,000 options over 250,000 shares in respect of the Second Tranche were exercised reducing the unexercised portion to 500,000 options. On 3 March 2017, a total of 250,000 options over 250,000 shares in respect of the Second Tranche were exercised reducing the unexercised portion to 250,000 options. On 23 March 2017, the remaining 250,000 options over 250,000 shares were exercised.

On 29 November 2012, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the "Third Tranche"). These options are capable of exercise from 1 January 2016 to 30 June 2018 at an exercise price of $1.83 per option and a fair value of $0.282 per option at grant date. On 14 November 2013, the consolidated entity announced that a total of 1,299,000 options over 1,299,000 shares in respect of the Third Tranche had lapsed and will never be exercisable by the participants. On 14 March 2016, a total of 567,000 options over 567,000 shares in respect of the Third Tranche were exercised reducing the unexercised portion to 1,134,000 options.

On 30 November 2015, the consolidated entity issued a total of 400,000 performance rights under Tranche 1 of the 2016 LTI Plan to the executive directors. A performance right is the right to acquire one ordinary share in the Company at nil exercise price. If exercised, each performance right will be converted into one ordinary share in the Company. These performance rights are capable of exercise from 1 January 2019 to 30 June 2021. The performance rights were valued at grant date at $3.52 per entitlement share using a discounted cash flow technique. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of Tranche 1 performance rights amounted to $1,408,000 in aggregate.

On 28 November 2016, the consolidated entity issued a total of 400,000 performance rights under Tranche 2 of the 2016 LTI Plan to the executive directors. These performance rights are capable of exercise from 1 January 2020 to 30 June 2022. The performance rights were valued at grant date at $3.87 per entitlement share using a discounted cash flow technique. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of Tranche 2 performance rights amounted to $1,548,000 in aggregate.

Options issued pursuant to the Third Tranche and the performance rights issued under Tranche 1 and Tranche 2 of the 2016 LTI Plan have been included in the calculation of diluted earnings per share. They are considered to be dilutive as their conversion to ordinary shares would decrease the net profit per share. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date.

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Receivables from franchisees (a)	**535,448**	942,934
Trade receivables	**81,667**	106,435
Consumer finance loans	**2,435**	2,215
Provision for doubtful debts	**(1,195)**	(862)
Receivables from franchisees and trade receivables, net	**618,355**	1,050,722
Amounts receivable in respect of finance leases	**5,548**	9,223
Provision for doubtful debts	**(2,458)**	(5,897)
Finance leases, net	**3,090**	3,326
Non-trade debts receivable from:		
- Related entities (including joint ventures and joint venture partners)	**15,678**	28,391
- Unrelated entities	**3,714**	15,120
Provision for doubtful debts	**(151)**	(987)
Non-trade debts receivable, net	**19,241**	42,524
Total trade and other receivables (current)	**640,686**	1,096,572

(a) Receivables from franchisees

Derni Pty Limited (Derni), a wholly-owned subsidiary of Harvey Norman Holdings Limited (HNHL), may, at the request of a franchisee, provide financial accommodation in the form of a revolving line of credit, to that franchisee. The repayment of the indebtedness of that franchisee to Derni is secured by a security interest over all present and after-acquired property of that franchisee, pursuant to a General Security Deed (GSD).

The receivables from franchisees balance of $535.45 million as at 30 June 2017 comprises the aggregate of the balances due from each franchisee to Derni. Receivables from franchisees are current and neither past due nor impaired as at 30 June 2017. The indebtedness of each franchisee to Derni is reduced on a daily basis by an electronic funds transfer process. Each franchisee directs the financial institution of that franchisee to transfer the net cash receipts in the bank account of the franchisee to Derni, in reduction of outstanding indebtedness.

As at 30 June 2016, the receivables from franchisees balance also included amounts representing the aggregate value of committed commercial advances to each franchisee, being amounts that Derni had committed to make available to franchisees to be drawn down to pay third party suppliers for inventory purchased and received by each franchisee prior to balance date, which remained unpaid at balance date by that franchisee. Committed commercial advances to franchisees were previously recognised by Derni due to the existence of a constructive obligation deemed to be owed by Derni to suppliers of each franchisee. Derni has no legal obligation to discharge the liabilities of a franchisee to suppliers of that franchisee. However, a constructive obligation arose as:
- it was deemed that by an established pattern of past practice Derni indicated to suppliers of franchisees that Derni would, upon receipt of a payment direction from a franchisee, out of financial accommodation to be provided to that franchisee, pay the debts of that franchisee due to those suppliers; and
- as a result, it was deemed that, Derni had created an expectation on the part of those suppliers that Derni would discharge those debts which remained unpaid as at 30 June 2016.

During the 2017 financial year, Derni reiterated, reconfirmed and clarified with suppliers to each franchisee the following key principles of the franchised operating model in Australia:
- each franchisee separately contracts with each supplier in respect of the supply of goods by that supplier to that franchisee;
- each franchisee separately orders inventory, has title to the inventory and is responsible for payment of the purchase price to a supplier to acquire inventory;
- each franchisee sells inventory to customers of the business of the respective franchisee;
- HNHL and each subsidiary of HNHL (including Derni) is not the purchaser of any goods supplied by a supplier to a franchisee and is not a party to the standard trading terms between a supplier and a purchasing franchisee;
- HNHL and each subsidiary of HNHL is not responsible for the discharge of any obligations of a franchisee under any contract with a supplier, does not provide any guarantees or otherwise owe any responsibilities to a supplier in respect of any purchase of goods by a franchisee from that supplier and does not, at any time, have possession of or title to any goods supplied by a supplier to a franchisee; and
- Derni may from time to time provide financial accommodation in the form of a revolving line of credit to a franchisee, at the request of a franchisee, to assist the franchisee to acquire inventory from a supplier. Derni receives a payment direction from each franchisee to pay and apply the proceeds of each drawdown of financial accommodation to the supplier, in satisfaction of the debt owed by the franchisee to the supplier for the acquired inventory.

The above reiteration, reconfirmation and clarification measures conveyed to suppliers of each franchisee prior to June 2017 appropriately addressed and rectified any incorrect expectations on the part of a supplier that Derni would discharge any of the debts owed by a franchisee to the supplier. As a result, as at 30 June 2017, there was no constructive obligation by Derni to any supplier to any franchisee and no committed commercial advance to any franchisee.

	CONSOLIDATED June 2017 $000	June 2016 $000

8. OTHER FINANCIAL ASSETS (CURRENT)

	June 2017 $000	June 2016 $000
Listed shares held for trading at fair value	**27,474**	24,512
Derivatives receivable	**25**	-
Other current financial assets	**1,692**	1,692
Total other financial assets (current)	**29,191**	26,204

9. INVENTORIES (CURRENT)

	June 2017 $000	June 2016 $000
Finished goods at cost	**321,142**	321,307
Provision for obsolescence	**(5,174)**	(5,561)
Total inventories (current)	**315,968**	315,746

10. OTHER ASSETS (CURRENT)

	June 2017 $000	June 2016 $000
Prepayments	**28,383**	15,578
Other current assets	**17,495**	11,125
Total other assets (current)	**45,878**	26,703

11. INTANGIBLE ASSETS (CURRENT)

	June 2017 $000	June 2016 $000
Net licence property	**486**	448

12. TRADE AND OTHER RECEIVABLES (NON-CURRENT)

	June 2017 $000	June 2016 $000
Trade receivables	**499**	800
Consumer finance loans	**513**	464
Provision for doubtful debts	**(5)**	(4)
Trade receivables, net	**1,007**	1,260
Amounts receivable in respect of finance leases	**884**	1,207
Non-trade debts receivable from:		
- Related entities (including joint ventures)	**114,605**	93,179
- Unrelated entities	**10,435**	8,049
Provision for doubtful debts	**(48,154)**	(29,313)
Non-trade debts receivable, net	**76,886**	71,915
Total trade and other receivables (non-current)	**78,777**	74,382

13. OTHER FINANCIAL ASSETS (NON-CURRENT)

	June 2017 $000	June 2016 $000
Listed shares held for trading at fair value	**9,331**	2,200
Listed shares held as available for sale at fair value	**19,650**	15,616
Units in unit trusts	**219**	221
Other non-current financial assets	**876**	714
Total other financial assets (non-current)	**30,076**	18,751

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000

14. PROPERTY, PLANT AND EQUIPMENT

	June 2017 $000	June 2016 $000
Land at fair value	**182,529**	166,399
Buildings at fair value	**231,320**	223,401
Net land and buildings at fair value	**413,849**	389,800
Plant and equipment:		
At cost	**779,989**	772,179
Accumulated depreciation	**(570,902)**	(583,817)
Net plant and equipment	**209,087**	188,362
Lease make good asset:		
At cost	**5,083**	5,526
Accumulated depreciation	**(2,907)**	(2,883)
Net lease make good asset	**2,176**	2,643
Total plant and equipment	**211,263**	191,005
Total property, plant and equipment:		
Land and buildings at fair value	**413,849**	389,800
Plant and equipment at cost	**785,072**	777,705
Total property, plant and equipment	**1,198,921**	1,167,505
Accumulated depreciation and amortisation	**(573,809)**	(586,700)
Total written down amount	**625,112**	580,805

15. INVESTMENT PROPERTIES

	June 2017 $000	June 2016 $000
Opening balance at beginning of the year, at fair value	**2,046,295**	1,935,936
Net additions, disposals and transfers	**88,077**	62,569
Net increase from fair value adjustments	**107,382**	47,790
Closing balance at end of the year, at fair value	**2,241,754**	2,046,295

Investment Properties

Each investment property is valued at fair value. Each investment property is the subject of a lease or licence in favour of independent third parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees ("Franchisees"). The fair value in respect of each investment property has been calculated predominantly using the income capitalisation method of valuation, using the current market rental value, and having regard to, in respect of each property:

- the highest and best use
- quality of construction
- age and condition of improvements
- recent market sales data in respect of comparable properties
- current market rental value, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction
- tenure of franchisees and external tenants
- adaptive reuse of buildings
- the specific circumstances of the property not included in any of the above points
- non-reliance on turnover rent

The investment property portfolio in Australia is subject to a semi-annual review to fair market value at each reporting period. At each reporting period, one-sixth of the portfolio is independently valued with the remaining five-sixths reviewed for fair value by Directors. The whole portfolio is independently valued every three years.

The consolidated entity obtained independent valuations in respect of fifty (50) sites within the investment property portfolio during the year ended 30 June 2017. Based on the results of the independent valuations, and a consideration of other internal and external factors that may impact the fair value of the overall investment property portfolio, a further twenty-nine (29) sites within the investment property portfolio were identified by management for further review by management. The twenty-nine (29) sites had been similarly affected by the same factors or characteristics of the properties which had been independently valued, particularly in relation to yields and market rentals. The capitalisation method of valuation was used for all valuations. A discounted cash flow valuation was undertaken in respect of all properties for means of comparison. There were no material differences between the capitalisation method result and the discounted cash flow result.

16. INTANGIBLE ASSETS (NON-CURRENT)

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Net licence property	**3,549**	4,108
Other intangible assets	**334**	272
Computer software:		
- At cost	**181,188**	170,560
- Accumulated amortisation and impairment	**(109,834)**	(93,748)
Net computer software	**71,354**	76,812
Net intangible assets (non-current)	**75,237**	81,192

17. TRADE AND OTHER PAYABLES (CURRENT)

	June 2017 $000	June 2016 $000
Trade and other creditors (a)	**182,917**	666,276
Accruals	**55,711**	47,277
Total trade and other payables (current)	**238,628**	713,553

(a) Trade and other creditors

The prior year balance as at 30 June 2016 included amounts previously recognised as a payable by Derni due to the existence of a constructive obligation deemed to be owed by Derni to suppliers of each franchisee.

During the 2017 financial year, Derni reiterated, reconfirmed and clarified with suppliers to each franchisee key principles of the franchised operating model in Australia. These measures appropriately addressed and rectified any incorrect expectations on the part of a supplier that Derni would discharge the debts owed by a franchisee to the supplier and effectively removed the existence of any constructive obligation by Derni to that supplier. As at 30 June 2017, there was no constructive obligation due by Derni to any supplier to any franchisee.

Refer to Note 7(a). Receivables from franchisees for further information.

18. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT)

	CONSOLIDATED June 2017 $000	June 2016 $000
Secured:		
Non-trade amounts owing to:		
- Bank overdraft	**37,342**	36,243
- Commercial bills payable	**9,750**	9,750
- Syndicated Facility Agreement (a)	**200,000**	260,000
- Other short-term borrowings (b)	**87,576**	102,110
Lease liabilities	**1,327**	364
Unsecured:		
Derivatives payable	**68**	325
Non-trade amounts owing to:		
- Directors	**36,341**	38,134
- Other related parties	**14,036**	5,932
- Unrelated parties	**211**	177
Total interest-bearing loans and borrowings (current)	**386,651**	453,035

(a) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company ("Borrower") and certain other subsidiaries of the Company ("Guarantors") entered into a Syndicated Facility Agreement with certain banks ("Financiers" and each a "Financier"). On 30 November 2016, the Amending Deed (No. 4) to the Syndicated Facility Agreement was executed with the effect of extending the repayment date of Tranche A1 of the Facility totalling $170 million to 4 December 2019 and the repayment date of Tranche B of the Facility totalling $240 million to 4 December 2018.

The aggregate available facility of the Syndicated Facility Agreement remained at $610 million. The utilised amount of the Syndicated Facility Agreement as at 30 June 2017 was $530 million, repayable as set out below, $200 million of which was classified as current interest-bearing loans and borrowings and $330 million classified as non-current interest-bearing loans and borrowings. This Facility is secured by:

- fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers; and
- real estate mortgages granted by certain Guarantors in favour of the security trustee for the Financiers over various real properties owned by those Guarantors.

Under the terms of the Syndicated Facility Agreement, the Facility is repayable:

- in respect of Tranche A1 totalling $170 million, on 4 December 2019 ($90 million utilised at 30 June 2017);
- in respect of Tranche A2 totalling $200 million, on 4 December 2017 ($200 million utilised at 30 June 2017);
- in respect of Tranche B totalling $240 million, on 4 December 2018 ($240 million utilised at 30 June 2017); and
- otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:
  - (i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;
  - (ii) if any change in law or other event makes it illegal or impractical for a Financier to perform its obligations under the Syndicated Facility Agreement or fund or maintain the amount committed by that Financier to the provision of the Increased Facility ("Commitment"), the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

(b) Other Short-Term Borrowings

Of the total other short-term borrowings of $87.58 million:

- a total of $47.26 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facilities are utilised in Slovenia and Croatia and have a maturity date of 2 December 2017.
- a total of $32.74 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facility is utilised in Singapore and has a maturity date of 30 November 2017.
- a total of $3.77 million relates to a revolving credit facility with ANZ in Singapore. This facility is subject to periodic review and otherwise repayable on demand. The revolving credit facility is secured by the securities given pursuant to the Syndicated Facility Agreement.
- a total of $1.06 million relates to a revolving credit facility with AmBank (M) Berhad in Malaysia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.
- a total of $2.75 million relates to a revolving credit facility with ANZ in Australia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to ANZ in respect of the obligations of the Lighting Partners Australia partnership.

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During the 2017 and 2016 financial years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note and in Note 21. Interest-Bearing Loans and Borrowings (Non-Current).

	CONSOLIDATED	
	June 2017 $000	June 2016 $000

19. OTHER LIABILITIES (CURRENT)

	June 2017 $000	June 2016 $000
Lease incentives	**3,598**	3,164
Unearned revenue	**37,973**	37,852
Total other liabilities (current)	**41,571**	41,016

20. PROVISIONS (CURRENT)

	June 2017 $000	June 2016 $000
Employee entitlements	**31,513**	25,174
Lease make good	**792**	1,684
Deferred lease expenses	**1,200**	1,243
Onerous lease costs	**529**	596
Total provisions (current)	**34,034**	28,697

21. INTEREST-BEARING LOANS AND BORROWINGS (NON-CURRENT)

	June 2017 $000	June 2016 $000
Secured:		
Syndicated Facility Agreement (Refer to Note 18(a))	**330,000**	200,000
Lease liabilities	**3,858**	1,042
Total interest-bearing loans and borrowings (non-current)	**333,858**	201,042

22. PROVISIONS (NON-CURRENT)

	June 2017 $000	June 2016 $000
Employee entitlements	**4,768**	6,134
Lease make good	**4,293**	3,859
Deferred lease expenses	**3,991**	4,717
Total provisions (non-current)	**13,052**	14,710

23. OTHER LIABILITIES (NON-CURRENT)

	June 2017 $000	June 2016 $000
Lease incentives	**16,061**	17,553
Unearned revenue	**3,222**	4,555
Total other liabilities (non-current)	**19,283**	22,108

24. CONTRIBUTED EQUITY

	June 2017 $000	June 2016 $000
Ordinary shares	**386,309**	385,296
Total contributed equity	**386,309**	385,296

	Number of shares	Number of shares
Number of ordinary shares issued and fully paid	**1,113,054,911**	1,112,554,911

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

	Number of shares	**June 2017 $000**
Movements in ordinary shares on issue		
At 1 July 2016	**1,112,554,911**	**385,296**
Issue of shares under executive share option plan	**500,000**	**1,013**
At 30 June 2017	**1,113,054,911**	**386,309**

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000

25. RETAINED PROFITS AND DIVIDENDS

	June 2017 $000	June 2016 $000
Movements in retained profits were as follows:		
Balance at beginning of the year	**2,125,186**	2,043,463
Profit for the year	**448,976**	348,605
Dividends paid	**(344,962)**	(266,882)
Balance at end of the year	**2,229,200**	2,125,186

	June 2017 $000	June 2016 $000
Dividends declared and paid:		
Dividends on ordinary shares:		
Final fully-franked dividend for 2016: 17.0 cents (2015: 11.0 cents)	**189,134**	122,250
Interim fully-franked dividend for 2017: 14.0 cents (2016: 13.0 cents)	**155,828**	144,632
Total dividends paid	**344,962**	266,882

The final dividend of $189.13 million, fully-franked, for the year ended 30 June 2016 was paid on 1 December 2016.

The interim dividend of $155.83 million, fully-franked, for the year ended 30 June 2017 was paid on 2 May 2017.

The final dividend of 12.0 cents per share totalling $133.57 million, fully-franked, for the year ended 30 June 2017 will be paid on 1 December 2017. No provision has been made in the Statement of Financial Position for the payment of this final dividend.

	June 2017 $000	June 2016 $000
Franking Account Balance:		
The amount of franking credits available for the subsequent financial years are:		
- franking account balance as at the end of the financial year at 30%	**564,369**	588,411
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	**36,008**	34,254
- franking credits that will be utilised in the payment of proposed final dividend	**(57,243)**	(81,058)
The amount of franking credits available for future reporting years	**543,134**	541,607

26. NON-CONTROLLING INTERESTS

	June 2017 $000	June 2016 $000
Interest in:		
- Ordinary shares	**2,691**	2,691
- Reserves	**12,716**	14,011
- Retained earnings	**7,041**	5,676
Total non-controlling interests	**22,448**	22,378

27. RESERVES

CONSOLIDATED $000	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2015	102,244	18,529	8,581	(2,817)	8,804	(22,051)	**113,290**
Revaluation of land and buildings	12,454	-	-	-	-	-	**12,454**
Tax effect of revaluation of land and buildings	(3,499)	-	-	-	-	-	**(3,499)**
Unrealised gain on available-for-sale investments	-	-	1,101	-	-	-	**1,101**
Reverse expired or realised cash flow hedge reserves	-	-	-	2,817	-	-	**2,817**
Net loss on forward foreign exchange contracts	-	-	-	(46)	-	-	**(46)**
Tax effect of net loss on forward foreign exchange contracts	-	-	-	14	-	-	**14**
Currency translation differences	-	29,492	-	-	-	-	**29,492**
Share based payment	-	-	-	-	191	-	**191**
At 30 June 2016	**111,199**	**48,021**	**9,682**	**(32)**	**8,995**	**(22,051)**	**155,814**
At 1 July 2016	111,199	48,021	9,682	(32)	8,995	(22,051)	**155,814**
Revaluation of land and buildings	25,467	-	-	-	-	-	**25,467**
Tax effect of revaluation of land and buildings	(5,362)	-	-	-	-	-	**(5,362)**
Unrealised gain on available-for-sale investments	-	-	4,050	-	-	-	**4,050**
Reverse expired or realised cash flow hedge reserves	-	-	-	32	-	-	**32**
Net loss on forward foreign exchange contracts	-	-	-	(28)	-	-	**(28)**
Tax effect of net loss on forward foreign exchange contracts	-	-	-	8	-	-	**8**
Currency translation differences	-	(5,647)	-	-	-	-	**(5,647)**
Share based payment	-	-	-	-	616	-	**616**
At 30 June 2017	**131,304**	**42,374**	**13,732**	**(20)**	**9,611**	**(22,051)**	**174,950**

NATURE AND PURPOSE OF RESERVES:

ASSET REVALUATION RESERVE
This reserve is used to record increases in the fair value of “owner occupied” land and buildings and decreases to the extent that such decreases relate to an increase of the same asset previously recognised in equity.

FOREIGN CURRENCY TRANSLATION RESERVE
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

AVAILABLE FOR SALE RESERVE
This reserve is used to record fair value changes on available-for-sale investments.

CASH FLOW HEDGE RESERVE
This reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

EMPLOYEE EQUITY BENEFITS RESERVE
This reserve is used to record the value of equity benefits provided to executive directors as part of their remuneration.

ACQUISITION RESERVE
This reserve is used to record the consideration paid in excess of carrying value of non-controlling interests.

28. CASH AND CASH EQUIVALENTS

(a) RECONCILIATION TO CASH FLOW STATEMENT

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Cash and cash equivalents comprise the following at end of the year:		
Cash at bank and on hand	**65,969**	99,909
Short term money market deposits	**14,255**	39,965
	80,224	139,874
Bank overdraft (Note 18)	**(37,342)**	(36,243)
Cash and cash equivalents at end of the year	**42,882**	103,631

(b) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET OPERATING CASH FLOWS

	June 2017 $000	June 2016 $000
Profit after tax	**452,966**	351,340
Adjustments for:		
Net foreign exchange gains	**(771)**	(1,561)
Bad and doubtful debts	**21,864**	26,058
Share of net profit from joint venture entities	**(5,200)**	(4,356)
Depreciation of property, plant and equipment	**60,710**	62,422
Amortisation	**17,159**	16,125
Impairment of non-current assets	**-**	1,883
Impairment of equity-accounted investments	**1,148**	7,235
Impairment loss on repayment of external finance facility	**5,022**	-
Revaluation of investment properties	**(107,382)**	(47,790)
Property revaluation adjustment for overseas controlled entities	**(669)**	(568)
Deferred lease expenses	**(962)**	(131)
Provision for onerous leases	**643**	617
Executive remuneration expenses	**4,992**	3,628
(Profit)/loss on disposal and sale of property, plant and equipment, and the revaluation of listed securities	**(6,849)**	490
Movements in provisions	**2,229**	5,392
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	**(72,818)**	17,709
Inventory	**165**	(17,362)
Other current assets	**(19,175)**	(3,631)
Increase/(decrease) in liabilities:		
Payables and other current liabilities	**72,238**	12,287
Income tax payable	**(170)**	7,904
Net cash from operating activities	**425,140**	437,691

29. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	CONSOLIDATED			
	Investment		Share of Profit Before Tax	
	June 2017 $000	June 2016 $000	**June 2017 $000**	June 2016 $000
Total joint venture entities accounted for using equity method	**26,355**	24,828	**5,200**	4,356

	Ownership Interest		Contribution to Profit / (Loss) Before Tax	
	June 2017 %	June 2016 %	**June 2017 $000**	June 2016 $000
Noarlunga (Shopping complex)	**50%**	50%	**1,591**	1,533
Perth City West (Shopping complex)	**50%**	50%	**4,023**	3,820
Warrawong King St (a) (Shopping complex)	**62.5%**	62.5%	**1,081**	1,056
Byron Bay (Residential/convention development)	**50%**	50%	**(734)**	(711)
Byron Bay – 2 (Resort operations)	**50%**	50%	**467**	596
Dubbo (Shopping complex)	**50%**	50%	**651**	624
Bundaberg (Land held for investment)	**50%**	50%	**(3)**	(4)
Gepps Cross (Shopping complex)	**50%**	50%	**3,101**	2,994
QCV (b) (Miners residential complex)	**50%**	50%	**(114)**	(2,844)
KEH Partnership (Retailer) (c)	**50%**	50%	**-**	-
Coomboona Dairy (d) (Dairy farming)	**49.9%**	49.9%	**(5,945)**	(2,708)
Other	**50%**	-	**1,082**	-
			5,200	4,356

(a) This joint venture has not been consolidated as the consolidated entity does not have control over operating and financing decisions and all joint venture parties participate equally in decision making.

(b) A number of wholly-owned subsidiaries of Harvey Norman Holdings Limited ("HNHL") have entered into joint ventures with an unrelated party to provide mining camp accommodation. The respective joint ventures have been granted finance facilities as follows:
   (i) a finance facility from ANZ for the amount of $5.15 million plus interest and costs, with a maturity date of 15 September 2017.
   (ii) finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $30.05 million plus interest and costs, subject to bi-annual review.

(c) The consolidated entity, through a wholly-owned subsidiary, has a 50% interest in KEH Partnership Pty Limited, a retail joint venture in Australia. The KEH Partnership retail joint venture operates two main retail businesses in Australia: (1) Big Buys by Harvey Norman®, primarily an online retailer of a variety of goods; and (2) The School Locker, primarily a retailer of schooling and educational equipment.

The consolidated entity has a commercial loan receivable from the KEH Partnership retail joint venture totalling $73.60 million as at 30 June 2017 (2016: $61.82 million). The commercial loan was used to assist with the working capital of the retail joint venture. An impairment assessment was conducted resulting in the recognition of an expense of $18.41 million (2016: $11.56 million) in the 2017 financial year as disclosed in Note 4. Expenses.

The present value of future cash flows as at 30 June 2017 was assessed for a five-year period, based on financial budgets and assets held as security for the loan. The effective interest rate of 7.5% was applied to the cash flow projections. Cash flow projections were limited to five years.

Each of the key assumptions in the impairment assessment is subject to judgement including the future trading performance of the retail joint venture. Judgement has been applied based on available information to assess the recoverable amount of the non-trade receivables as at balance date.

(d) In September 2015, the consolidated entity acquired, through a wholly-owned subsidiary, 49.9% of Coomboona Holdings Pty Limited comprising dairy farm operations and a pedigree breeding and genetics division in Northern Victoria.

Non-Cash Financing and Investing Activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.	N/A

	CONSOLIDATED	
	June 2017	**June 2016**
Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	**2.68**	**2.53**
Business Combinations Having Material Effect		
Name of business combination	N/A	N/A
Consolidated profit/(loss) after tax of the business combination since the date in the current year on which control was acquired	N/A	N/A
Date from which such profit has been calculated	N/A	N/A
Profit/(loss) after tax of the controlled business combination for the whole of the previous corresponding year	N/A	N/A
Loss of Control of Entities Having Material Effect		
Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current year to the date of loss of control	N/A	N/A
Date from which such profit/(loss) has been calculated	N/A	N/A
Profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding year	N/A	N/A

Audit

This preliminary financial report is based on statutory financial statements that are in the process of being audited.