HARVEY NORMAN
HOLDINGS LIMITED
A.C.N 003 237 545

A1 RICHMOND ROAD HOMEBUSH WEST,
N.S.W 2140 LOCKED BAG 2

SILVERWATER DC, NSW 1811
AUSTRALIA

Telephone: (02) 9201 6111
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29 September 2017

The Manager Announcements
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir

Pursuant to listing rule 4.5, we enclose a copy of the 2017 Annual Report for Harvey Norman Holdings Limited, for your attention.

We would appreciate if this Annual Report be treated as having been lodged with ASIC pursuant to section 317 of the Corporations Act 2001.

We confirm that this Annual Report is the same as those to be sent to shareholders.
We expect to have the printed Annual Report for posting to shareholders on 10th October 2017.

If you have any queries, please do not hesitate to contact the writer.

Yours faithfully

Chris Mentis
Chief Financial Officer / Company Secretary

TEAM HARVEY

2017

ANNUAL REPORT

Harvey Norman

HOLDINGS LIMITED

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

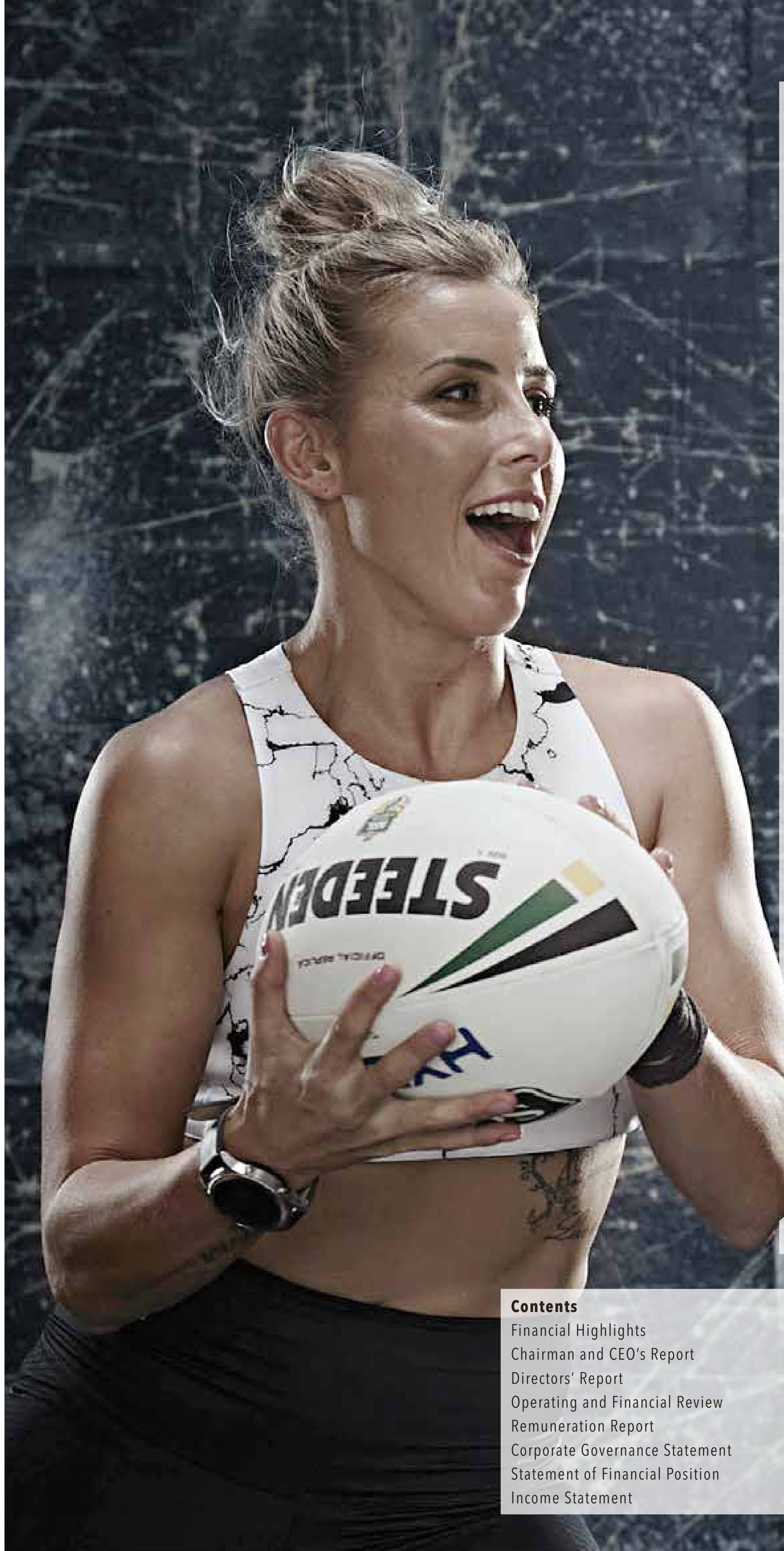
Auditors:
Ernst & Young

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
ACN 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

Contents

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.


SAMSUNG
THE FRAME

FINANCIAL HIGHLIGHTS

	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
29 September 2017	29 September 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 Chartered Accountants Australia and New Zealand (CAANZ) 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 Chartered Accountants Australia and New Zealand (CAANZ). 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	338,889,449	-	125,000
K.L. Page	17,507,642	-	225,000
J.E. Slack-Smith	899,818	-	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	544,451,826	567,000	800,000

Share Options

At the date of this report, there were 567,000 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. In September 2017, 567,000 options were exercised resulting in the creation of 567,000 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 70 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.

OPERATING AND FINANCIAL REVIEW

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.

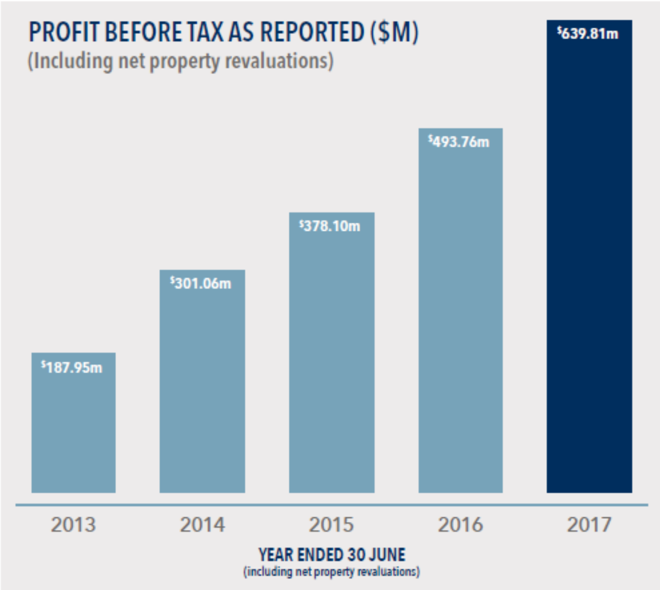
Geographically speaking, the results generated in Australia remain the largest contributor to consolidated entity's net profit before income tax. The franchising operations segment in Australia delivered a strong trading result of **$304.53 million for the 2017 financial year, up from $268.15 million 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.

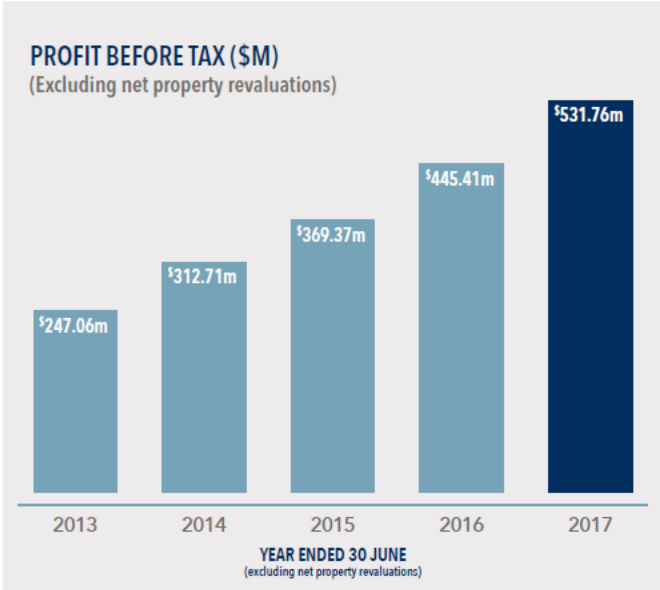
PROFIT BEFORE TAX (excluding net property revaluations)

UP BY 19.4% TO $531.76m

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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.

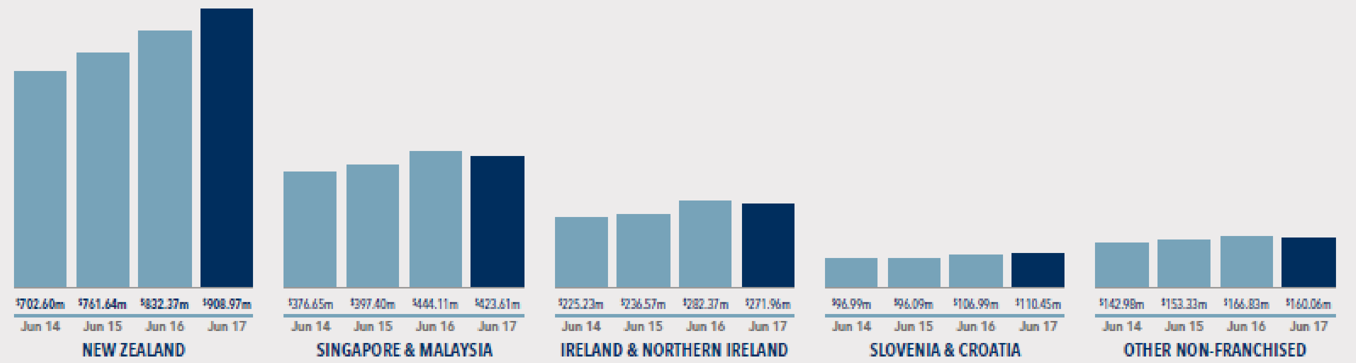
We see a bright future ahead of us, and our Flagship strategy is an opportunity to give our stakeholders a glimpse of that future as well.

- **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

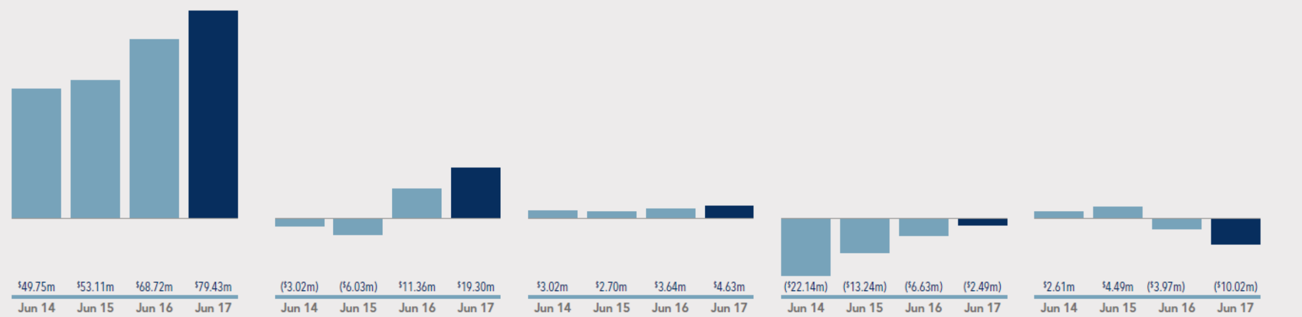
COMPANY-OPERATED RETAIL REVENUE ($AUDm)



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.

COMPANY-OPERATED RETAIL RESULT BEFORE TAX ($AUDm)



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.

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.

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.

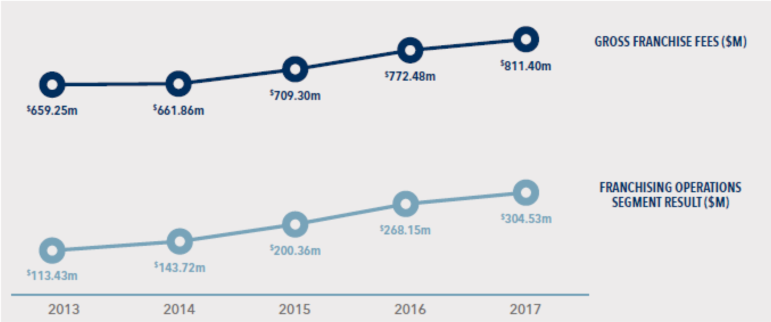
The franchising operations segment result increased **$36.38 million, or 13.6%, to $304.53 million** in the 2017 financial year from $268.15 million in the prior year. This solid result was particularly pleasing as it was on the back of a strong 34% growth in the segment in the previous financial year. 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.

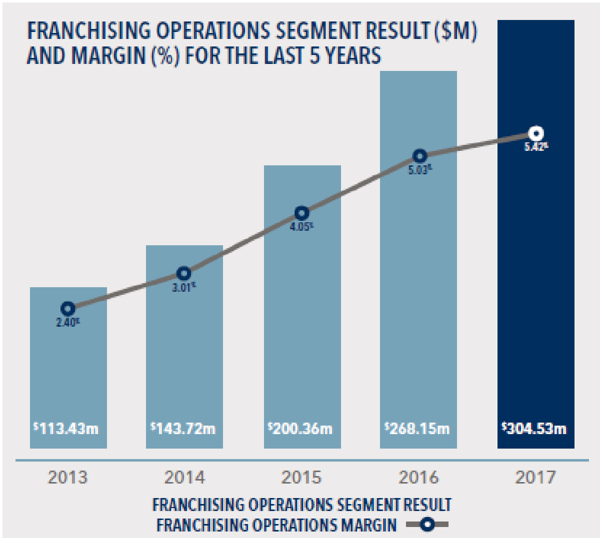
Revenue in this segment increased **$28.90 million, or 3.1%, to $968.85 million** primarily due to an increase in franchise fee income of **5.0%, or $38.93 million, to $811.40 million** in the 2017 financial year from $772.48 million in the prior year.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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.



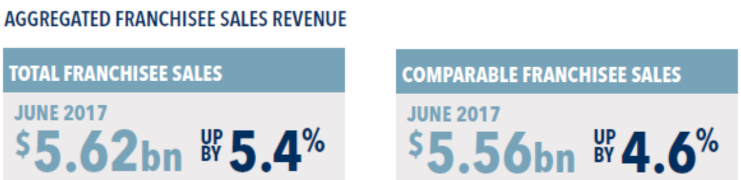


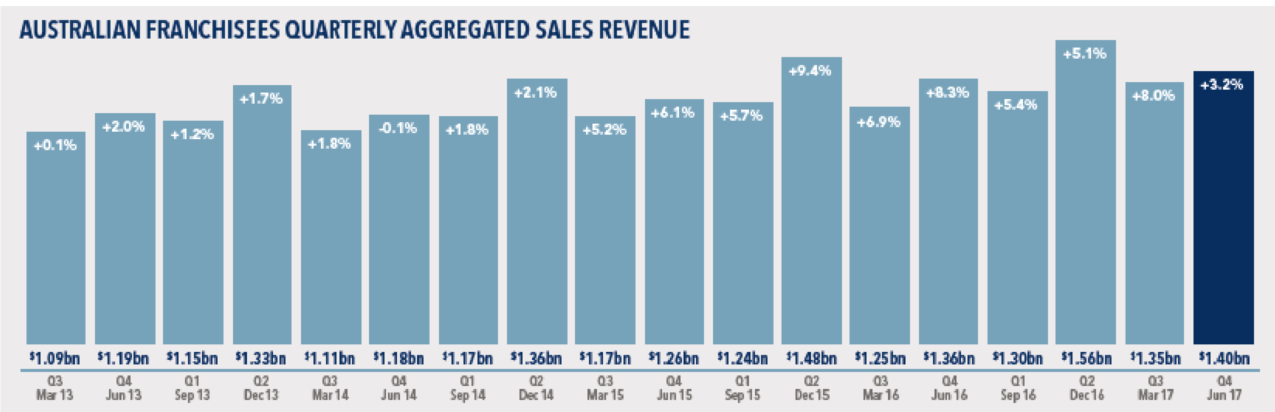
FRANCHISING OPERATIONS SEGMENT ANALYSIS BY HALF YEAR	Half Year Ended 31 December			Half Year Ended 30 June			Full Year 30 June		
	2014	2015	2016	2015	2016	2017	2015	2016	2017
No. of franchised complexes in Australia	195	191	**193**	194	192	**194**	194	192	**194**
Franchising operations segment result	$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.





OPERATING AND FINANCIAL REVIEW (CONTINUED)

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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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.

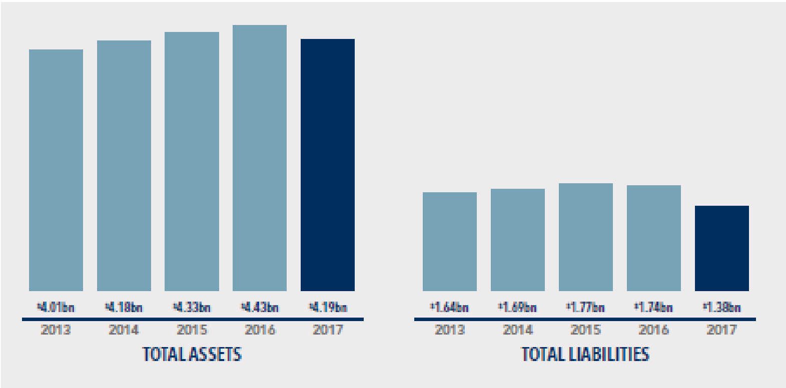
The balance of the portfolio was reviewed for comparability resulting in the preparation of internal valuations for twenty-nine (29) additional sites. The valuation for the 30 June 2017 financial year resulted in a net increase of $107.38 million in Australia and an increase of $0.67 million in Slovenia.

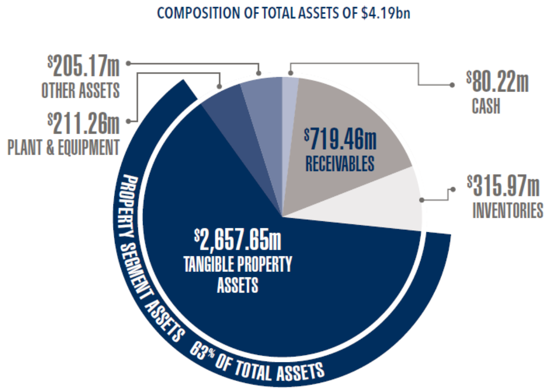
The weighted average capitalisation rate (WACR) used in the valuation of investment properties in Australia was 7.93% for the year ended 30 June 2017 compared to a WACR of 8.53% for the year ended 30 June 2016.

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

OPERATING AND FINANCIAL REVIEW (CONTINUED)

REVIEW OF THE FINANCIAL POSITION OF THE CONSOLIDATED ENTITY

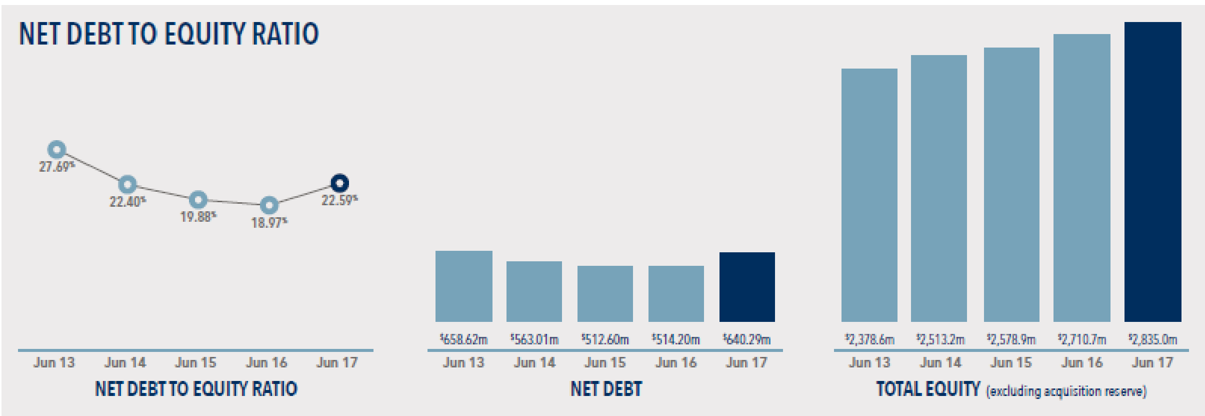




The net assets of the consolidated entity remains strong, with **a solid 4.6% growth, or an increase of $124.23 million, to $2.81 billion** as at 30 June 2017 from $2.69 billion as at 30 June 2016.

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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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, reserves and retained profits as disclosed in Notes 24, 25 and 26 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 not 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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

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.

REMUNERATION REPORT (AUDITED)

Letter from the Chairman of the Remuneration Committee

Dear Shareholders

The consolidated entity has delivered a record-breaking result achieving a 29.6% growth in profit before tax and an increase of 4.6% in the net asset base for shareholders.

The directors and other members of the key management personnel team are committed to building on the solid result achieved this year.

Remuneration Outcomes

The achievements of the year are reflected in the remuneration outcomes.

- Executive directors achieved 94.10% of their **2017 Short Term Incentive** ("STI") targets for performance against a balanced scorecard of measures.
- Increased Return on Net Assets ("RONA") of 19.94% for the year resulted in a probable vesting of 80% for the long-term incentives granted in November 2016 under the **Tranche 2 of the 2016 LTI Plan**, subject to cumulative assessment over the 2017, 2018 and 2019 financial years.
- **Tranche 1 of the 2016 LTI Plan**, granted in November 2015 and measured over the 2016, 2017 and 2018 financial years, was reassessed due to the increased RONA achieved in the year, resulting in an increased probability of achieving this Long-Term Incentive ("LTI") target of 60% from 40% last year.
- The sustained long-term performance measured over the 2015, 2016 and 2017 financial years for the **2015 LTI Plan** led to the assessment of achievement of the LTI targets being revised from 90.0% to 93.4%.

Changes to Remuneration

The Framework

The Board regularly reviews the executive remuneration structure to ensure it continues to drive shareholder value and to attract and retain the talent needed to achieve its strategic objectives.

The framework for the executive remuneration structure remains the same as was in place for the 2016 financial year comprised as follows:

- Benchmarked fixed remuneration;
- At risk short term incentives in the form of performance cash incentives, subject to a balanced scorecard of measures relevant to the given financial year; and
- At risk long term incentives in the form of performance rights as issued under the terms of the 2016 LTI Plan.

This framework was introduced in 2016 to align the executive remuneration structure to best practice with the focus on long-term sustainable returns and was designed to remain in place at least until the end of the 2018 financial year.

2017 STI Plan

The Board adopted an executive STI Plan relevant to the desired outcomes of the 2017 financial year. The STI Plan is subject to both financial conditions (calculated exclusively in respect of RONA) as to a 50% weighting and non-financial conditions as to 50% weighting.

'Take-Home Pay'

The Board has included a schedule of 'take-home pay' which shows the remuneration benefits paid to executive directors during the current financial year. This can be compared to the compensation expense recognised in the income statement for Executive Directors during the 2017 financial year.

The Board is confident that the remuneration policies continue to support the financial and strategic goals of the consolidated entity.

On behalf of the Board, I invite you to review the full report and thank you for your continued interest.

Yours sincerely

Ken Gunderson-Briggs

K.W GUNDERSON-BRIGGS
Remuneration Committee Chairman

REMUNERATION REPORT (AUDITED) (CONTINUED)

Contents of the 2017 Remuneration Report

This remuneration report for the year ended 30 June 2017 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the *Corporations Act 2001 (Cth), as amended,* (the "Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration principles and strategy
3. Remuneration governance
4. Remuneration mix - target
5. Details of short-term and long-term incentive plans
6. Performance and executive remuneration outcomes in FY17
7. Executive contractual arrangements
8. Non-executive director remuneration arrangements
9. Relationship between remuneration and the performance of the Company
10. Compensation of key management personnel (KMP)
11. Additional disclosures relating to options, performance rights and shares
12. 'Take-Home Pay' for KMP Directors of the Company
13. Loans to key management personnel (KMP) and their related parties
14. Other transactions and balances with KMP and their related parties

1. Introduction

The remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the consolidated entity.

Details of KMP of the Company and consolidated entity during the 2017 financial year are set out below. Unless otherwise indicated, the individuals were KMP for the entire financial year. For the purposes of this report, the term "executive" includes the chief executive officer ("CEO"), executive directors and senior executives of the consolidated entity.

Key Management Personnel

	Position	Term as KMP
Executive Directors		
Gerald Harvey	Executive Chairman	Full financial year
Kay Lesley Page	Executive Director & Chief Executive Officer	Full financial year
John Evyn Slack-Smith	Executive Director & Chief Operating Officer	Full financial year
David Matthew Ackery	Executive Director	Full financial year
Chris Mentis	Executive Director, Chief Financial Officer & Company Secretary	Full financial year
Non-Executive Directors		
Christopher Herbert Brown OAM	Non-Executive Director	Full financial year
Michael John Harvey	Non-Executive Director	Full financial year
Kenneth William Gunderson-Briggs	Non-Executive Director (Independent)	Full financial year
Graham Charles Paton AM	Non-Executive Director (Independent)	Full financial year
Senior Executives		
Martin Anderson	General Manager – Advertising	Full financial year
Thomas James Scott	General Manager – Property	Full financial year
Gordon Ian Dingwall	Chief Information Officer	Full financial year
Geoff Van Der Vegt	General Manager – Technology & Entertainment	Resigned 31 May 2017
Haydon Ian Myers	General Manager – Home Appliances	Full financial year
Rob Nelson	General Manager – Audio Visual	Full financial year

REMUNERATION REPORT (AUDITED) (CONTINUED)

2. Remuneration Principles and Strategy

The executive remuneration strategy of the consolidated entity in 2017 is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders.

The following diagram illustrates how the remuneration strategy of the consolidated entity in 2017 aligns with the strategic direction and links remuneration outcomes to performance.

Objective of the consolidated entity in 2017	To be recognised as a leader in the sectors in which the consolidated entity operates and build long-term sustainable value for shareholders

Remuneration strategy linkages to objectives of the consolidated entity in 2017	Align the interests of executives with shareholders	The remuneration framework incorporates "at risk" components, through STI and LTI plans	Short-term performance is assessed against a suite of financial and non-financial measures relevant to the success of the consolidated entity in 2017 and generating returns for shareholders
	Long-term performance is assessed against financial performance conditions calculated exclusively in respect of RONA	Attract, motivate and retain high performing individuals Longer-term remuneration encourages retention and multi-year performance focus	The remuneration offering is competitive for companies of a similar sector, size and complexity

Component	Vehicle	Purpose	Link to Performance
Fixed Remuneration	Comprises base salary, superannuation contributions and other benefits	To provide competitive fixed remuneration set with reference to role, market and experience	Consolidated entity and individual performance are considered during the annual remuneration review
Short-Term Incentive (STI)	Paid as cash as performance cash incentive (PCI)	Rewards executives for their contribution to achievement of consolidated entity outcomes	50% subject to financial conditions, of which: (a) 50% satisfied at 17% RONA; (b) 100% satisfied at 18% RONA; and 50% subject to non-financial conditions
Long-Term Incentive (LTI)	Awards under the LTI Plan are granted in the form of performance rights, being a right to acquire one ordinary share in the Company at nil exercise price	Rewards executives for their contribution to the financial performance of the consolidated entity and the effective utilisation of net assets to generate wealth for shareholders	Vesting of LTI performance rights is conditional upon achievement, in aggregate, of Minimum RONA over the 2016, 2017 and 2018 financial years of 16% (for 20% vesting) with full vesting (i.e. 100%) achieved at 20% RONA

Where Return on Net Assets ("RONA") means the fraction	**APBT (annual net profit before income tax excluding property revaluation increments or decrements)** **Net Assets (excluding non-controlling interests) at the close of the preceding financial year**

3. Remuneration Governance

Remuneration Committee

The remuneration committee is responsible for making recommendations to the Board on the remuneration arrangements for executive directors and non-executive directors ("NEDs").

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In determining the level and composition of executive remuneration, the remuneration committee has not engaged external consultants to provide independent advice or make any remuneration recommendation.

The remuneration committee comprises three NEDs, two of whom are independent NEDs. Further information on the committee's role, responsibilities and membership is located on the website: www.harveynormanholdings.com.au.

Remuneration Approval Process

The Board approves the remuneration arrangements of the chief executive officer ("CEO") and executives and all awards made under the long-term incentive plans of the Company, following recommendations from, and certain determinations by, the remuneration committee. The Board sets the aggregate remuneration of NEDs, subject to shareholder approval.

The remuneration committee approves, having regard to the recommendations made by the CEO, the level of the short term incentive ("STI") pool, in the form of performance cash incentive ("PCI"), for executive directors.

No director may participate in deliberations about, or decisions, in respect of the remuneration of that director.

No executive director was present at any meeting of directors which considered any long term incentive plan or short term incentive plan of the Company, and no executive director voted on those matters.

REMUNERATION REPORT (AUDITED) (CONTINUED)

4. Remuneration Mix - Target

In FY2017, the executive remuneration framework comprised fixed remuneration, STI and LTI as outlined below.

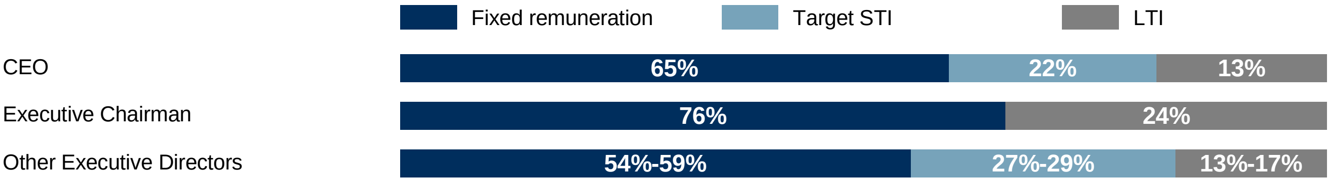
The consolidated entity aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive.

The policy of the consolidated entity is to position fixed remuneration around the median of comparator groups. Target total remuneration is intended to provide the opportunity to earn top quartile rewards for outstanding performance.

In FY2017, remuneration benchmarking was undertaken with reference to both sector peers and comparator groups comprising companies of a similar financial size.

Remuneration levels are considered annually through a remuneration review which considers market data and the performance of the consolidated entity and individual.

The following summarises the target remuneration mix of the executives.



5. Details of Short-Term and Long-Term Incentive Plans

The extent to which the financial condition and non-financial conditions are satisfied will be documented in a Performance Report and an Internal Audit Report, for consideration by the Remuneration Committee in accordance with the terms and conditions of the short-term and long-term incentive plans. The Performance Report is a report prepared by the CEO addressing whether each weighted non-financial condition has been satisfied or, where relevant, the extent (expressed as a percentage) to which each weighted non-financial condition has been satisfied. The Internal Audit Report is a report prepared by the Chief Internal Auditor of the Company, which is an objective appraisal of the Performance Report and documents the findings of the audit of the Performance Report.

2017 STI Plan

The consolidated entity operates an annual STI program available to executive directors and awards a performance cash incentive (PCI) subject to the achievement of clearly defined measures, targets, initiatives and conditions.

REMUNERATION REPORT (AUDITED) (CONTINUED)

2017 STI Plan	
Who participates?	Executive directors
How is the STI delivered?	STI awards, in the form of a cash bonus or performance cash incentive ("PCI"), have been made annually to executive directors in order to align remuneration with the achievement of a number of performance measures, targets and initiatives covering both financial and non-financial, corporate and individual measures of performance.
When is the STI paid?	The payment of the 2017 STI Plan PCI to an executive under the 2017 STI Plan is to be made on 29 September 2017, or as soon as reasonably practicable after that date, subject to the satisfaction of 2017 STI Plan Performance Conditions and 2017 STI Plan Service Conditions.
What is the 2017 STI opportunity?	Executive directors, excluding the Executive Chairman, have a target STI opportunity of between 33% to 53% of fixed remuneration. The target STI opportunity is set at a level so as to provide sufficient incentive to executive directors to achieve the operational targets and such that the cost to the consolidated entity is reasonable in the circumstances. For the year ended 30 June 2017, the aggregate maximum amount of 2017 STI Plan PCI, potentially payable, was $2,350,000 as follows: (i) in respect of Gerald Harvey, nil; (ii) in respect of Kay Lesley Page, $700,000; (iii) in respect of John Evyn Slack-Smith, $575,000; (iv) in respect of David Matthew Ackery, $575,000; and (v) in respect of Chris Mentis, $500,000.
What are the STI performance conditions for FY2017?	Actual STI payments awarded to each executive depend on the extent to which specific measures, targets, initiatives and conditions for the 2017 financial year ("STI Targets") are met. STI Targets cover financial and non-financial measures of performance. The primary weighting of the 2017 STI Plan Performance Conditions are as follows: (a) as to 50% - the Financial Condition; and (b) as to 50% - the Non-Financial Conditions

(a) 50% Financial Condition	(b) 50% Non-Financial Conditions
RONA [Aggregate APBT ÷ Aggregate Net Assets] as defined in Section 2 above was selected as the STI performance measure as it: ▪ drives profitable use of assets and provides an alignment between comparative shareholder return and reward for executive directors; and ▪ minimises the effects of market cycles The Financial Condition is calculated in respect of the year ended 30 June 2017 and will be: ▪ 50% satisfied at 17% RONA; ▪ 100% satisfied at 18% RONA; ▪ There will be no additional STI award for over achievement greater than 18% RONA.	The Non-Financial Conditions are assessed in respect of the year ended 30 June 2017 and include the following non-financial measures in: ▪ Customer experience (12.50%); ▪ Franchisee productivity (12.50%); ▪ Franchisee inventory and supply chain management (12.50%); and ▪ Franchisee learning, development and growth (12.50%).

How is performance assessed?	On an annual basis, after consideration of reports and performance against STI Targets, the remuneration committee makes a final determination of the amount of STI to be paid to the CEO and other executive directors. The extent to which the Financial Condition is satisfied will be documented in a Performance Report and an Internal Audit Report, for consideration by the Remuneration Committee in accordance with the terms and conditions of the 2017 STI Plan. The Remuneration Committee (acting on behalf of the Company) may at any time, in its absolute discretion, decrease the amount of the PCI which is, or may become, payable to an executive under the 2017 STI Plan by serving a written notice to the relevant executive at any time before the payment date. Details of the 2017 STI Targets and levels of achievement in the 2017 financial year are set out in pages 40 and 41 of this report.
What happens if an executive leaves?	For "Bad Leavers" (defined by the Company as resignation or termination for cause), any STI is forfeited, unless otherwise determined by the Board. For any other reason, the Board has discretion to award STI on a pro-rated basis taking into account time and the current level of performance against performance hurdles.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Tranche 2 FY2017 of the 2016 LTI Plan	LTI grants are made annually to executive directors in order to align remuneration with the creation of sustainable shareholder value over the long-term.
Who participates?	Executive directors which have an impact on the performance of the consolidated entity against the relevant long-term performance measures.
How is the LTI delivered?	Shareholders at the AGM held on 24 November 2015 approved the terms and conditions of the 2016 LTI Plan that permitted the grant of performance rights to executive directors, being a right to acquire one ordinary share in the Company at nil exercise price, in three separate tranches in the 2016, 2017 and 2018 financial years. The granting of performance rights under the 2016 LTI Plan replaced the previous LTI Plan (that was in place up to the 2015 financial year) that had previously delivered long-term incentives as a performance cash incentive (PCI).
What is the LTI opportunity?	A performance right is the right to acquire one ordinary share in the Company at nil exercise price. No amount is payable in respect of the grant of a performance right. If exercised, each performance right will be converted into one ordinary share in the Company. Executive directors have a target LTI opportunity of between 20% to 32% of fixed remuneration. A total of 400,000 performance rights under Tranche 2 FY2017 of the 2016 LTI Plan were granted to executive directors on 28 November 2016. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date with a fair value of $3.87 per entitlement share granted under Tranche 2 on 28 November 2016, based on a share price of $4.73. The fair value was derived from a discounted cash flow technique where the value of the performance right is the face value of the share at grant date less the present value of the dividends expected to be paid on the share but not received by the holder during the vesting period. 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.

Tranche 2 FY2017	Key Dates
Grant date	28 November 2016
Vesting date	31 December 2019
First exercise date	1 January 2020
Last exercise date	30 June 2022

Executive Director	Number Granted	Fair Value at Grant Date	Fair Value of Performance Rights
Gerald Harvey	62,500	$3.87	$241,875
Key Lesley Page	112,500	$3.87	$435,375
John Evyn Slack-Smith	75,000	$3.87	$290,250
David Matthew Ackery	75,000	$3.87	$290,250
Chris Mentis	75,000	$3.87	$290,250
Total	**400,000**		**$1,548,000**

What are the performance conditions for Tranche 2 of the 2016 LTI Plan?	Performance conditions are deemed to be an essential component of all variable reward entitlements. The proposed allocation of performance rights will be subject to service conditions and financial performance conditions. The Board (after consideration of the recommendations of the Remuneration Committee), may, in its discretion, impose additional non-financial performance conditions which must be satisfied as a condition of exercise of any performance rights by the Grantee.

100% Financial Condition

With the exception of the service condition, the Board has resolved that the conditions in respect of the achievement of Tranche 2 of the 2016 LTI Plan will be all financial, based exclusively on RONA, where Tranche 2 RONA means the fraction:

Tranche 2 Aggregate APBT ÷ Tranche 2 Aggregate Net Assets, expressed as a percentage. Where:

- **Tranche 2 Financial Years** means the financial years ending 30 June 2017, 2018 and 2019;
- **Tranche 2 Aggregate APBT** means the aggregate amounts of the annual net profit before income tax of the consolidated entity for each of the Tranche 2 Financial Years, but excluding property revaluation increments or decrements;
- **Tranche 2 Aggregate Net Assets** means the amounts of the net assets of the consolidated entity, excluding non-controlling interests, as at each of 30 June 2016, 2017 and 2018 as described in the annual report of the consolidated entity in respect of each of the Tranche 2 Financial Years.

Full vesting of the Tranche 2 performance rights is conditional upon achievement, of Tranche 2 RONA of at least 20%, with a lesser vesting as set out in the table below:

Tranche 2 RONA Achieved	Tranche 2 % of Performance Rights that will become exercisable
Less than 16%	Nil
16%	20%
17%	40%
18%	60%
19%	80%
20%	100%

REMUNERATION REPORT (AUDITED) (CONTINUED)

Tranche 2 FY2017 of the 2016 LTI Plan (continued)	
What are the service conditions of Tranche 2 of the 2016 LTI Plan?	The service condition in respect of a Grantee in respect of performance rights of that Grantee under a Tranche will be deemed satisfied if at the time of exercise of the performance rights: (a) the Grantee has not resigned or provided notice of resignation of employment from the Company, except in order to retire from the workforce; (b) the Company has not terminated the employment of the Grantee for cause; and (c) the Board has not determined that the performance rights should lapse as a result of any fraud, gross misconduct or conduct of the Grantee which brings the Company into disrepute.
How will the 2016 LTI Plan be administered?	The LTI Plan will be administered by the Board. The Board has the right (after consideration of any recommendations of the Remuneration Committee), and subject to the Listing Rules and applicable legal requirements, to: ▪ make all determinations required under the LTI Plan; and ▪ waive or modify the application of all or any service conditions, non-financial terms; and conditions of the LTI Plan and performance rights granted under the LTI Plan as the Board considers appropriate.
How is performance assessed?	Level of satisfaction of LTI Plan conditions is monitored by the Remuneration Committee, with assistance from internal audit, each year, with the vesting outcomes ultimately determined at the end of the three year performance period. The LTI award for each of the financial years will be measured over a three year period, with Tranche 2 of the 2016 LTI Plan measured over the period for financial years ending 30 June 2017, 30 June 2018 and 30 June 2019.
When does the LTI vest?	Performance rights granted under Tranche 2 of the 2016 LTI Plan will vest on 31 December 2019, subject to meeting the financial performance conditions in FY2017, FY2018 and FY2019 and service conditions, and will be capable of exercise between 1 January 2020 and 30 June 2022.
How are potential LTI awards treated on termination?	In general, where a participant resigns or is terminated for cause before a performance right vests, all unvested performance rights will lapse. The Board (after consideration of the recommendations of the Remuneration Committee of the Board), has discretion to determine the treatment of any unvested performance rights where a participant ceases employment in "good leaver" circumstances (such as by reason of death, disability or otherwise in circumstances approved by the Board). In the event of fraud, dishonesty or breach of obligations, the Board may make a determination, including lapsing an award of performance rights, to ensure no unfair benefit is obtained by a participant.
How are potential LTI awards treated if a change of control occurs?	In the event of a takeover, scheme of arrangement or other transaction which may result in a person becoming entitled to exercise control over the Company, the Board has a discretion to determine whether any unvested performance rights should vest, lapse or become subject to different performance conditions, or whether any resulting shares that are subject to a restriction period, should become unrestricted.
Are executives eligible for dividends?	Performance rights will not carry any voting or dividend rights. Performance rights are non-transferable except in limited circumstances or with the consent of the Board. If exercised, each performance right will be converted into one ordinary share in the Company. Executives will then be entitled to dividends on those ordinary shares after conversion.

6. Performance and Executive Remuneration Outcomes in FY17

6A. Actual Remuneration Earned by Key Management Personnel (KMP) in FY17

The compensation expensed in respect of key management personnel in FY17 is set out in Table 1 (for Directors) and Table 2 (for Executives) on pages 48 and 49 of this report. This provides shareholders with a view of the remuneration earned by KMP for performance in the 2017 financial year and the value of any LTIs expensed during the financial year.

The 'take-home pay' for KMP Directors of the Board of the Company, representing the benefits paid to each Director during the year ended 30 June 2017, or as soon as practicable after that date, is set out in Section 12 of the Remuneration Report on page 55.

6B. Fixed Remuneration

Executive contracts of employment do not include any guaranteed base pay increases. The fixed remuneration of executive directors is reviewed annually by the remuneration committee. The process consists of a review of Company, business unit and individual performance, relevant comparative remuneration internally and externally and, where appropriate, external advice independent of management.

The fixed component of the remuneration of executive directors is disclosed in Table 1 on page 48 of this report.

REMUNERATION REPORT (AUDITED) (CONTINUED)

6C. Actual Performance Against Short Term Incentive (STI) Measures

A combination of financial and non-financial measures is used to measure performance for STI awards. The aggregate maximum amount of 2017 STI Plan PCI potentially payable was $2,350,000. 50% of the STI is dependent on the satisfaction of financial performance conditions (exclusively based on RONA) and 50% is measured against the achievement of set non-financial measures. Actual performance against those measures is as follows for FY17:

(a) 100% achievement of the 50% Financial Condition (score of 50%) = $1,175,000 payable for FY17
(b) 88.2% achievement of the 50% Non-Financial Conditions (score of 44.1%) = $1,036,236 payable for FY17

The total 2017 STI Plan PCI payable in respect of the 2017 financial year is $2,211,236, representing a total achievement of 94.1% of the maximum 2017 STI PCI as shown in the tables below. The payment of the 2017 STI Plan PCI is to be made on or before 29 September 2017, or as soon as reasonably practicable after that date, subject to the satisfaction of the 2017 STI Plan Service Conditions.

Financial Conditions of the 2017 STI Plan:

Achievement of 50% Financial Condition			
Calculation of FY17 RONA	FY 17 APBT (net profit excluding property revaluation) / FY 16 Net Assets (excluding non-controlling interests)	$531.76 million / $2,666.30 million	= 19.94% RONA

	Maximum 2017 STI PCI	% Financial Conditions	2017 STI PCI Financial Condition	2017 RONA %	% Financial Condition Satisfied	2017 STI PCI Payable
Gerald Harvey	Nil	n/a	Nil	n/a	n/a	Nil
Kay Lesley Page	$700,000	50%	$350,000	19.94%	100% (50% score)	$350,000
John Evyn Slack-Smith	$575,000	50%	$287,500	19.94%	100% (50% score)	$287,500
David Matthew Ackery	$575,000	50%	$287,500	19.94%	100% (50% score)	$287,500
Chris Mentis	$500,000	50%	$250,000	19.94%	100% (50% score)	$250,000
Total	**$2,350,000**		**$1,175,000**			**$1,175,000**

For the 2017 financial year $1,175,000, being 50% of the aggregate maximum 2017 STI Plan PCI of $2,350,000, was subject to the RONA financial condition. The financial condition will be wholly satisfied at a 18% RONA calculation and 50% satisfied at a 17% RONA result. RONA for the 2017 financial year was 19.94% and therefore 100% of the financial condition in respect of the 2017 STI Plan PCI was satisfied.

Non-Financial Conditions of the 2017 STI Plan:

Achievement of 50% Non-Financial Conditions	For the 2017 financial year $1,175,000, being 50% of the aggregate maximum 2017 STI Plan PCI of $2,350,000, was subject to set non-financial performance measures including: ▪ Customer experience (12.50%) ▪ Improve franchisee productivity (12.50%) ▪ Inventory and supply chain management (12.50%) ▪ Learning, development and growth (12.50%)

	Maximum 2017 STI PCI	% Non-Financial Conditions	2017 STI PCI Non-Financial Conditions	% Non-Financial Conditions Satisfied	2017 STI PCI Payable
Gerald Harvey	Nil	n/a	Nil	n/a	Nil
Kay Lesley Page	$700,000	50%	$350,000	88.2% (44.1% score)	$308,666
John Evyn Slack-Smith	$575,000	50%	$287,500	88.2% (44.1% score)	$253,547
David Matthew Ackery	$575,000	50%	$287,500	88.2% (44.1% score)	$253,547
Chris Mentis	$500,000	50%	$250,000	88.2% (44.1% score)	$220,476
Total	**$2,350,000**		**$1,175,000**		**$1,036,236**

The Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management, including the Performance Report and Internal Audit Report, and noted that 88.2% of the non-financial performance hurdles for the 2017 STI Plan were substantially achieved. Based on a score of 50%, an amount of $1,036,236 representing 44.1% of the aggregate maximum STI amount attributable to the non-financial performance measures will become payable to executive directors.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Achievement of the Non-Financial Performance Conditions for the 2017 STI Plan are set out in the following table.

	Assessment of Non-Financial Conditions of the 2017 STI Plan					
Measure	**Target**	**Primary Weighting**	**Initiatives and Conditions**	**Weighting of Initiatives & Conditions**	**Achievement**	**Score**
Customer Experience	Grant licences to use tools to reinforce and enhance the "Shop with Confidence" Harvey Norman® brand positioning through the Customer Service Standards.	12.50%	Each franchisee in a Harvey Norman® complex to achieve an aggregate satisfaction rating from customer experience surveys of no less than 50% for that complex in Australia (expected achievement of 75%) and, in aggregate, customer satisfaction rating of no less than 50% for company-operated stores in New Zealand (expected achievement of 75%). Each franchisee in Australia and company-operated stores in New Zealand to achieve a reduction in the number of total consumer complaints over the prior year. Full achievement of this initiative is at a 10% reduction in consumer complaints.	60%	96.3%	7.22%
			Implement specified projects and develop the tools to support the "Shop With Confidence" brand positioning during FY2017.	40%	50%	2.5%
Franchisee Productivity	Grant each franchisee licences to use tools to assist franchisees to improve franchisee productivity.	12.50%	Each franchisee to implement the Device Optimisation Project and complete the rollout to all franchised complexes during FY2017.	100%	100%	12.50%
Franchisee Inventory and Supply Chain Management	Grant each franchisee licences to use tools to drive improvements in efficiency by each franchisee in franchisee supply chain systems.	12.50%	Each electrical franchisee and each computer franchisee to achieve an average in-stock rate of no less than 90% for identified core range franchisee inventory during FY2017.	50%	100%	6.25%
			Implement specified projects and develop the tools to support the supply chain framework of franchisees and company-operated stores in New Zealand.	50%	50%	3.13%
Franchisee Learning, development and growth	Ongoing refinement of the process by each franchisee that promotes and encourages measureable improvement in the knowledge and capability of the franchisee and their employees.	12.50%	Franchisees to identify and nominate a minimum number of 50 candidates to attend the "Franchisees-in-Training (FIT)" development course during FY2017.	30%	100%	3.75%
			Achieve a participation rate of female FITs in the FIT course of no less than 40% for the courses run within the 2017 financial year.	30%	100%	3.75%
			Achieve a successful completion rate of 75% by participants in the FIT course during FY2017.	40%	100%	5.0%
Total		**50.0%**				**44.1%**

Service Conditions of the 2017 STI Plan

The 2017 STI Plan Service Conditions will be deemed to be satisfied, if and only if, as at the relevant payment date being 29 September 2017:

- the Executive has not resigned or provided notice of resignation of employment from the Employer, except in order to retire from the workforce;
- the Employer has not terminated the employment of the Executive for cause; or
- the Board has not determined that the incentives should be revoked or lapse as a result of any breach of the law, corrupt conduct, bribery, fraud, gross misconduct or conduct of the Executive which brings the Company or the Employer into disrepute.

REMUNERATION REPORT (AUDITED) (CONTINUED)

6D. Actual Performance Against Long-Term Incentive (LTI) Measures for Tranche 2 of the 2016 LTI Plan

With the exception of the service condition, the Board has resolved that the conditions in respect of Tranche 2 of the 2016 LTI Plan will be all financial, based exclusively on RONA, where Tranche 2 RONA means the fraction **Tranche 2 Aggregate APBT ÷ Tranche 2 Aggregate Net Assets**, expressed as a percentage. Tranche 2 of the 2016 LTI Plan will be measured over a three-year period for financial years ending 30 June 2017, 30 June 2018 and 30 June 2019. The financial condition of Tranche 2 will be wholly satisfied if the cumulative RONA over the measurement period is 20%, with lesser vesting as set out in the LTI Plan conditions on pages 38 and 39. Tranche 2 will not vest if the RONA is less than 16% on a cumulative basis over the three-year measurement period.

A total of 400,000 performance rights were granted to executive directors on 28 November 2016. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $3.87 per entitlement share, based on a share price of $4.73 as at grant date, resulting in a total fair value of Tranche 2 of $1,548,000. The Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management, including the Performance Report and Internal Audit Report, and has estimated, based on the available evidence, that the financial performance condition for Tranche 2 of the 2016 LTI Plan will be 80% achieved by the end of the vesting period and 80% of the estimated fair value of the performance rights will meet the performance condition.

The probability of 80% vesting has been estimated based on the calculation of Tranche 2 RONA for the 2017 financial year of 19.94% (see table below for the calculation). A 19.94% RONA for FY17 resulted in a 80% vesting for year 1 of the three-year measurement period and it is presently estimated that this trend may continue into the remaining vesting years of the tranche. An 80% vesting probability will result in an estimated cumulative Tranche 2 fair value of $1,238,400 over the vesting period. An amount of $235,834 has been recognised as remuneration to executive directors and expensed in the income statement on a straight-line basis for the year ended 30 June 2017.

Achievement of 100% Financial Condition for Tranche 2 of 2016 LTI Plan		
Calculation of FY17 RONA	FY 17 APBT (net profit excluding property revaluation) / FY 16 Net Assets (excluding non-controlling interests)	$531.76 million / $2,666.30 million = 19.94% RONA

	Number of Performance Rights	Fair Value per Right	Fair Value of Performance Rights	Probability of Vesting %	Estimated Value of Tranche 2 2016 LTI Plan to Vest	Tranche 2 LTI Plan Expense in FY2017
Gerald Harvey	62,500	$3.87	$241,875	80%	$193,500	$36,849
Kay Lesley Page	112,500	$3.87	$435,375	80%	$348,300	$66,328
John Evyn Slack-Smith	75,000	$3.87	$290,250	80%	$232,200	$44,219
David Matthew Ackery	75,000	$3.87	$290,250	80%	$232,200	$44,219
Chris Mentis	75,000	$3.87	$290,250	80%	$232,200	$44,219
Total	400,000		$1,548,000		$1,238,400	$235,834

Subject to the satisfaction of the financial performance condition and service conditions of the 2016 LTI Plan, Tranche 2 will vest on 31 December 2019. The exercise price for each performance right will be nil. If exercised, each performance right will be converted into one ordinary share of the Company. Unexercised performance rights, will lapse, irrespective of whether they have become exercisable on 1 July 2022 or:

- such earlier date specified by the Board;
- the Board determines the performance rights granted to a Grantee should lapse, as a result of any fraud, gross misconduct or conduct by that Grantee which brings the Company into disrepute; or
- the Board determines the relevant requirements in relation to performance rights granted to a Grantee, including performance conditions and a service condition, have not and are incapable of being met.

6E. Reassessment of Tranche 1 of the 2016 LTI Plan PCI Performance Conditions and Expense Recognised in FY17

In the previous financial year, a total of 400,000 performance rights were granted to executive directors on 30 November 2015 under Tranche 1 of the 2016 LTI Plan. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $3.52 per entitlement share, based on a share price of $4.08 as at grant date, resulting in a total fair value of Tranche 1 of $1,408,000. Tranche 1 of the 2016 LTI Plan will be measured over a three-year period for financial years ending 30 June 2016, 30 June 2017 and 30 June 2018.

In the 2016 Remuneration Report, it was reported that the estimated achievement of Tranche 1 of the 2016 LTI Plan would have been 40% by the end of the vesting period and that 40% of the estimated fair value of the performance rights will meet the performance condition. The probability of 40% vesting had been estimated based on the calculation of Tranche 1 RONA for the 2016 financial year of 17.56%. The financial performance condition of Tranche 1 is subject to reassessment during each of the Tranche 1 Financial Years meaning the financial years ending 30 June 2016, 2017 and 2018. A reassessment of the Tranche 1 Aggregate APBT and Tranche 1 Aggregate Net Assets for the 2016 and 2017 financial years resulted in a revised RONA for the two-year aggregated period of 18.78%. A revised aggregated RONA of 18.78% for the Tranche 1 Financial Years has resulted in a revised probability of vesting of 60% and it is presently estimated that this trend may continue into the remaining 2018 financial year. An increase in the vesting probability from 40% to 60% will result in an estimated cumulative expense in respect of Tranche 1 of $844,800, an increase of $281,600 from the previous cumulative Tranche 1 expense of $563,200.

REMUNERATION REPORT (AUDITED) (CONTINUED)

Reassessment of 100% Financial Condition for Tranche 1 of 2016 LTI Plan			
Calculation of Aggregated RONA for Tranche 1 Financial Years (2016 and 2017)	Tranche 1 Aggregated APBT (2016 + 2017) / Tranche 1 Aggregated Net Assets (2015 + 2016)	$977.16 million / $5,203.38 million	= 18.78% RONA

	Probability Vesting % in FY16	Tranche 1 Fair Value in FY16	Revised Probability Vesting in FY17	Revised Tranche 1 Fair Value in FY17	Increase due to Reassessment	Tranche 1 LTI Plan Expense in FY2017
Gerald Harvey	40%	$88,000	60%	$132,000	$44,000	$51,060
Kay Lesley Page	40%	$158,400	60%	$237,600	$79,200	$91,909
John Evyn Slack-Smith	40%	$105,600	60%	$158,400	$52,800	$61,272
David Matthew Ackery	40%	$105,600	60%	$158,400	$52,800	$61,272
Chris Mentis	40%	$105,600	60%	$158,400	$52,800	$61,272
Total		$563,200		$844,800	$281,600	$326,785

6F. Reassessment of the 2015 LTI Plan PCI Performance Conditions and Expense Recognised in FY17

In previous years up to the 2015 financial year, the LTI was delivered as a performance cash incentive (PCI).

The 2015 LTI Plan, adopted by the Board during the 2015 financial year, remained in existence for the assessment of the 2015 LTI award granted to executive directors. The LTI award for FY15 will be measured against financial and non-financial performance conditions measured in FY15 and reassessed in FY16 and FY17, subject to the terms and conditions of the 2015 LTI Plan.

In the 2016 Remuneration Report, the aggregate amount of the 2015 LTI Plan PCI in respect of the 2015 financial year was $3,700,000. It was previously reported that the probable achievement of the aggregate amount of the 2015 LTI Plan PCI, in accordance with the terms and conditions of the 2015 LTI Plan, was estimated to be 90.0% of the total, being $3,330,000 in respect of the 2015 financial year.

In the 2017 financial year, the Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management, including the Performance Report and Internal Audit Report, and has reassessed the probable achievement of the 2015 LTI Plan PCI from 90.0% to 93.4%, an increase of 3.4%, due to a further 3.4% achievement of set non-financial performance conditions thereby increasing the non-financial performance conditions score from 40% to 43.4%.

A revised assessment of 93.4% vesting probability will result in the vesting of 93.4% of the 2015 LTI Plan PCI and the payment of $3,455,800 on the payment date of 30 June 2018, subject to the achievement of the 2015 LTI Plan Service Conditions. An amount of $926,301 has been recognised as remuneration to executive directors in respect of the 2015 LTI Plan PCI and expensed in the income statement on a straight-line basis for the year ended 30 June 2017.

Reassessment of the 2015 LTI Plan Performance Conditions and Cumulative Expense	Maximum 2015 LTI Plan PCI	Probability Vesting in FY16	Estimated 2015 LTI PCI Payable in FY16	Revised Probability Vesting in FY17	Revised Estimated 2015 LTI PCI Payable in FY17	Increase due to Reassessment	2015 LTI Plan PCI Expense in FY2017
Gerald Harvey	$470,000	90%	$423,000	93.4%	$438,980	$15,980	$117,665
Kay Lesley Page	$880,000	90%	$792,000	93.4%	$821,920	$29,920	$220,310
John Evyn Slack-Smith	$800,000	90%	$720,000	93.4%	$747,200	$27,200	$200,281
David Matthew Ackery	$800,000	90%	$720,000	93.4%	$747,200	$27,200	$200,281
Chris Mentis	$750,000	90%	$675,000	93.4%	$700,500	$25,500	$187,764
Total	$3,700,000		$3,330,000		$3,455,800	$125,800	$926,301

REMUNERATION REPORT (AUDITED) (CONTINUED)

A reassessment of the 2015 LTI Plan PCI non-financial conditions for the year ended 30 June 2017 has resulted in the actual achievement of 43.4% compared to the probable achievement of 40% assessed in the prior year. The 2017 financial year is the final year for the assessment of the 2015 LTI Plan PCI non-financial conditions and, based on the below revised assessment, the executive directors will be entitled to 86.8% of value of the 2015 LTI Plan PCI that are subject to the 50% non-financial performance conditions (score of 43.4%).

	Reassessment of Non-Financial Conditions of the 2015 LTI Plan PCI					
Measure	**Target**	**Primary Weighting**	**Initiatives and Conditions**	**Weighting of Initiatives & Conditions**	**Achievement**	**Score**
Franchisee Inventory and supply chain management	Improvements in efficiency by each franchisee in franchisee supply chain systems in line with customer service standards throughout the 3-year period.	15%	Each franchisee to successfully implement the merchandise, inventory and supplier management system to deliver no less than 70% of the benefits identified for that franchisee from using the system by 30 June 2017.	100%	100%	15%
Digital	Enhance and progress the digital capabilities of Harvey Norman® in key territories throughout the 3-year period.	15%	An external organisation to measure the Omni Channel capabilities of each franchisee in Australia and company-operated stores in New Zealand, with the results to be in the top quartile of retail organisations in each respective market in each of the years ending 30 June 2015, 30 June 2016 and 30 June 2017. Implement specified projects to support the digital capabilities in accordance with the approved business cases setting out the budgets, benefits to be realised and timetable.	100%	100%	15%
Franchisee Productivity	Grant each franchisee licences to use tools to assist franchisees to improve franchisee productivity throughout the 3-year period.	20%	Develop the initial upgrade to franchisee logistics and delivery management systems in accordance with the approved business case setting out the budgets, benefits to be realised and timetable.	50%	67%	6.7%
			Develop the reinforcement program in respect of brand experience and customer service standards in accordance with the approved business case setting out the budgets, benefits to be realised and timetable	50%	67%	6.7%
Total		**50%**				**43.4%**

6G. Expense Recognised in FY17 for the 2014 LTI Plan PCI

The 2014 LTI Plan, adopted by the Board during the 2014 financial year, resulted in the award of an aggregate maximum PCI amount of $3,700,000 to executive directors in respect of the 2014 financial year. The 2014 LTI Plan PCI was assessed solely in respect of performance in the 2014 financial year and will not be subject to cumulative reassessment prior to payment date.

In the 2014 Remuneration Report, the Remuneration Committee reported that 90.5% of the performance conditions in respect of the 2014 LTI Plan had been achieved. In the 2017 Remuneration Report, an amount of $836,553 has been recognised as remuneration to executive directors in respect of the 2014 LTI Plan PCI and expensed in the income statement on a straight-line basis for the year ended 30 June 2017. The cumulative expense recognised to up to the final vesting date of 30 June 2017, in respect of the 2014 LTI Plan PCI, was $3,348,500 which was recognised on a straight-line basis over the vesting period, being the four financial years ending 30 June 2017. The aggregate value of the 2014 LTI Plan PCI of $3,348,500 was paid on 30 June 2017, or as soon as possible after that date, subject to the achievement of the 2014 LTI Plan Service Conditions.

REMUNERATION REPORT (AUDITED) (CONTINUED)

6H. Summary of Performance and Executive Remuneration Outcomes in FY17

Remuneration Component	Value of STI and LTI Disclosed in 2017 and 2016 Remuneration Reports						
	Maximum Amount	Achievement	Score	Amount Payable	Vesting Period	2017 Remuneration Amount	2016 Remuneration Amount
2017 STI Plan PCI							
Financial conditions (50%)	$1,175,000	100%	50%	$1,175,000	1 Year	$1,175,000	-
Non-financial conditions (50%)	$1,175,000	88.2%	44.1%	$1,036,236		$1,036,236	-
Total 100%	**$2,350,000**			**$2,211,236**		**$2,211,236**	-
2016 STI Plan PCI	Awarded in FY2016						
Financial conditions (50%)							$925,000
Non-financial conditions (50%)							$793,650
Total 100%							**$1,718,650**
Total Short-Term Incentive PCI						**$2,211,236**	**$1,718,650**
Tranche 2 (FY17) of 2016 LTI Plan							
Financial conditions (100%)	$1,548,000	80%	80%	$1,238,400	4 Years	$235,834	-
Non-financial conditions (0%)	-	-	-	-	(Yr 1 of 4)	-	-
Total 100%	**$1,548,000**			**$1,238,400**		**$235,834**	-
Tranche 1 (FY16) of 2016 LTI Plan							
Financial conditions (100%)	$1,408,000	60%	60%	$844,800	4 Years	$326,785	$106,848
Non-financial conditions (0%)	-	-	-	-	(Yr 2 of 4)	-	-
Total 100%	**$1,408,000**			**$844,800**		**$326,785**	**$106,848**
Total LTI Performance Rights						**$562,619**	**$106,848**
2015 LTI Plan PCI							
Financial conditions (50%)	$1,850,000	100%	50%	$1,850,000	4 Years	$462,183	$611,348
Non-financial conditions (50%)	$1,850,000	100%	43.4%	$1,605,800	(Yr 3 of 4)	$464,118	$407,734
Total 100%	**$3,700,000**			**$3,455,800**		**$926,301**	**$1,019,082**
2014 LTI Plan PCI							
Financial conditions (20%)	$740,000	60%	12%	$444,000	4 Years	$110,924	$111,228
Non-financial conditions (80%)	$2,960,000	98.13%	78.5%	$2,904,500	(Yr 4 of 4)	$725,629	$727,616
Total 100%	**$3,700,000**			**$3,348,500**		**$836,553**	**$838,844**
Total LTI Performance Cash Incentive						**$1,762,854**	**$1,857,926**
2010 Share Option Plan							
Third Tranche	Awarded in prior years					-	$78,246
Total Value of Options						-	**$78,246**
Total Value of STI and LTI						**$4,536,709**	**$3,761,670**

7. Executive Contractual Arrangements

Remuneration arrangements for KMP are formalised in employment agreements. Details of these contracts are below.

Chief Executive Officer

The CEO, Ms. K.L. Page is employed under a rolling contract.

Under the terms of the present contract the CEO's total potential employment cost is $3,235,375 comprised of:
- fixed remuneration of $2,100,000 per annum;
- maximum STI opportunity in respect of the year ended 30 June 2017 of $700,000; and
- maximum LTI opportunity in respect of the year ended 30 June 2017 of $435,375.

The CEO's termination provisions are as follows:

CEO's Termination Provisions	Notice Period	Payment in Lieu of Notice	Treatment of STI on Termination	Treatment of LTI on Termination
Employer-initiated termination	4 weeks	4 weeks	Pro-rated for time and performance	Board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee-initiated termination	4 weeks	4 weeks	Unvested awards forfeited, subject to Board discretion	Unvested awards forfeited, subject to Board discretion

REMUNERATION REPORT (AUDITED) (CONTINUED)

Minimum Shareholding Requirement

There are no minimum shareholding requirements imposed on the CEO.

Other KMPs

All other KMPs have rolling contracts.

Standard KMP Termination Provisions	Notice Period	Payment in Lieu of Notice	Treatment of STI on Termination	Treatment of LTI on Termination
Employer-initiated termination	4 weeks	4 weeks	Pro-rated for time and performance	Board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee-initiated termination	4 weeks	4 weeks	Unvested awards forfeited, subject to Board discretion	Unvested awards forfeited, subject to Board discretion

8. Non-Executive Director Remuneration Arrangements

Remuneration Policy

The Board seeks to set aggregate remuneration at a level that provides the consolidated entity with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

The amount of aggregate remuneration sought to be approved by shareholders and the fee structure is reviewed annually against fees paid to NEDs of comparable companies. The Board considers published material from external sources and makes its own enquiries when undertaking the annual review process.

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. The latest determination was at the 2006 annual general meeting (AGM) held on 21 November 2006 when shareholders approved an aggregate NED pool of $1,000,000 per year.

The Board will not seek any increase for the NED pool at the 2017 AGM.

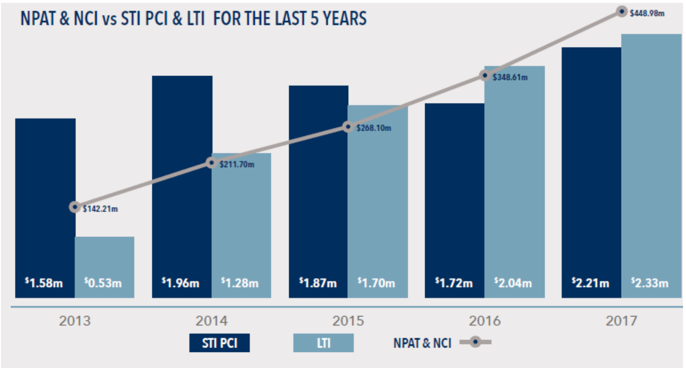
Structure

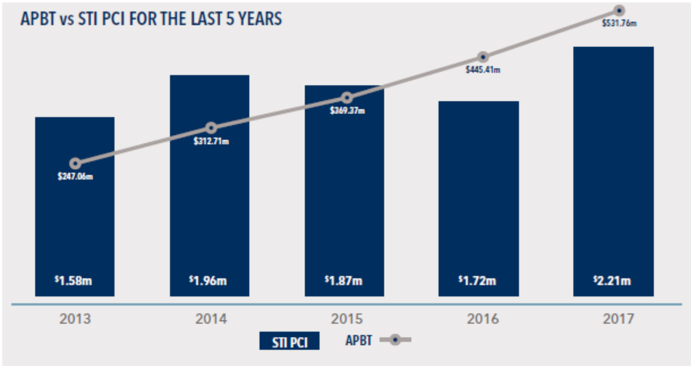
The remuneration of NEDs consists of directors' fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs. Each NED receives a fee for being a director of the Company. The structure of NED remuneration is separate and distinct from executive remuneration. The remuneration of NEDs for the year ended 30 June 2017 and 30 June 2016 are disclosed in Table 1 on page 48 of this report.

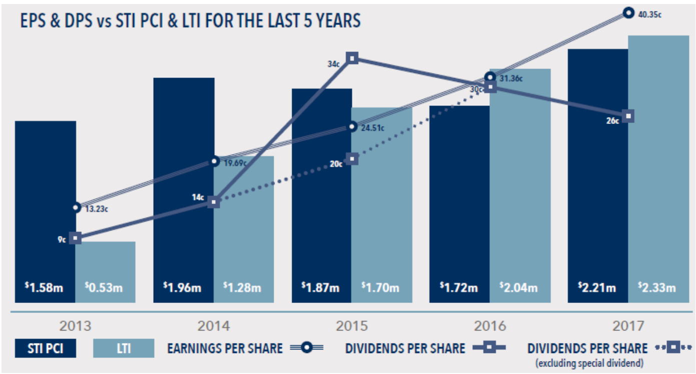
REMUNERATION REPORT (AUDITED) (CONTINUED)

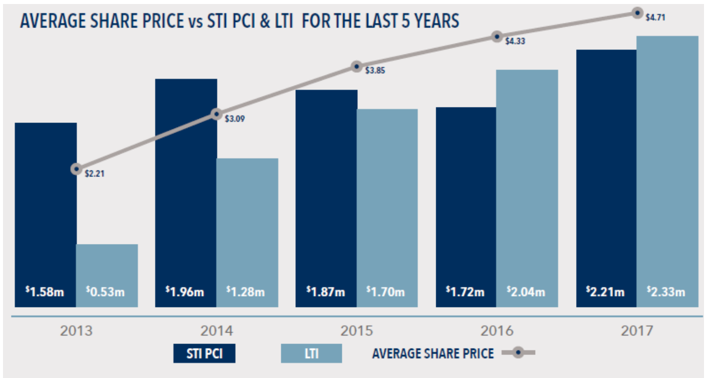
9. Relationship between Remuneration and the Performance of the Company

The graphs below illustrate the Company's performance for the past five financial years.









Where:
NPAT & NCI = net profit after tax & non-controlling interests
APBT = net profit before tax excluding property revaluation adjustments
STI PCI = short-term performance cash incentive
LTI = long-term incentive
EPS = earnings per share and DPS = dividends per share

REMUNERATION REPORT (AUDITED) (CONTINUED)

10. Compensation of Key Management Personnel

TABLE 1: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2017 – Directors of Harvey Norman Holdings Limited:

		Short Term Benefits				Post Employment	Long Term Incentives			Other		
		Salary & Fees	Perform-ance Cash Incentive	Other Short Term	Non-Monetary Benefits	Super-annuation	Perform-ance Cash Incentive	Perform-ance Rights	Value of Options	Long Service Leave (a)	Total Remuneration	% at risk
Gerald Harvey	**2017**	**746,620**	**-**	**10,400**	**-**	**19,616**	**223,930**	**87,909**	**-**	**-**	**1,088,475**	**28.6%**
Executive Chairman	2016	720,292	-	10,400	-	19,308	236,007	16,695	-	-	1,002,702	25.2%
Kay Lesley Page	**2017**	**2,064,922**	**658,666**	**-**	**15,462**	**19,616**	**419,274**	**158,237**	**-**	**-**	**3,336,177**	**37.1%**
Executive Director/CEO	2016	2,074,633	510,950	-	6,059	19,308	441,885	30,051	-	-	3,082,886	31.9%
John Evyn Slack-Smith	**2017**	**1,230,384**	**541,047**	**-**	**-**	**19,616**	**381,157**	**105,491**	**-**	**20,506**	**2,298,201**	**44.7%**
Executive Director/COO	2016	1,230,692	418,050	-	-	19,308	401,714	20,034	26,082	20,512	2,136,392	40.5%
David Matthew Ackery	**2017**	**1,212,384**	**541,047**	**18,000**	**-**	**19,616**	**381,157**	**105,491**	**-**	**20,506**	**2,298,201**	**44.7%**
Executive Director	2016	1,212,692	418,050	18,000	-	19,308	401,714	20,034	26,082	20,512	2,136,392	40.5%
Chris Mentis	**2017**	**905,799**	**470,476**	**-**	**24,585**	**19,616**	**357,336**	**105,491**	**-**	**15,097**	**1,898,400**	**49.2%**
Executive Director/CFO	2016	899,903	371,600	-	30,789	19,308	376,606	20,034	26,082	14,998	1,759,320	45.1%
Michael John Harvey	**2017**	**54,795**	**-**	**-**	**-**	**5,205**	**-**	**-**	**-**	**-**	**60,000**	**-**
Non-Executive Director	2016	54,795	-	-	-	5,205	-	-	-	-	60,000	-
Christopher Herbert Brown	**2017**	**132,420**	**-**	**-**	**-**	**12,580**	**-**	**-**	**-**	**-**	**145,000**	**-**
Non-Executive Director	2016	109,589	-	-	-	10,411	-	-	-	-	120,000	-
Kenneth William Gunderson-Briggs	**2017**	**173,377**	**-**	**-**	**-**	**16,098**	**-**	**-**	**-**	**-**	**189,475**	**-**
Non-Executive Director	2016	136,986	-	-	-	13,014	-	-	-	-	150,000	-
Graham Charles Paton	**2017**	**132,420**	**-**	**-**	**-**	**12,580**	**-**	**-**	**-**	**-**	**145,000**	**-**
Non-Executive Director	2016	109,589	-	-	-	10,411	-	-	-	-	120,000	-
Total for the 2017 Financial Year	**2017**	**6,653,121**	**2,211,236**	**28,400**	**40,047**	**144,543**	**1,762,854**	**562,619**	**-**	**56,109**	**11,458,929**	**39.6%**
Total for the 2016 Financial Year	**2016**	**6,549,171**	**1,718,650**	**28,400**	**36,848**	**135,581**	**1,857,926**	**106,848**	**78,246**	**56,022**	**10,567,692**	**35.6%**

(a) Table 1 includes the accrual for long service leave entitlements in respect of the years ended 30 June 2017 and 30 June 2016. The Chairman (G. Harvey) and Chief Executive Officer (K.L. Page) do not have a long service leave accrual as they have elected to forgo this employee entitlement.

The listed Parent Company, Harvey Norman Holdings Limited, does not have any employees.

REMUNERATION REPORT (AUDITED) (CONTINUED)

10. Compensation of Key Management Personnel (continued)

TABLE 2: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2017 – Senior Executives of Harvey Norman Holdings Limited:

		Short Term Benefits				Post Employment	Long Term Incentives		Other			
		Salary & Fees	Performance Cash Incentive	Other Short Term	Non-Monetary Benefits	Superannuation	Performance Cash Incentive	Performance Rights	Termination Benefits	Long Service Leave	Total Remuneration	% at risk
Martin Anderson ***GM – Advertising***	**2017**	**362,438**	**-**	**-**	**24,568**	**21,394**	**-**	**-**	**-**	**6,041**	**414,441**	**-**
	2016	353,909	-	-	25,004	21,087	-	-	-	5,898	405,898	-
Thomas James Scott ***GM – Property***	**2017**	**521,160**	**-**	**-**	-	**19,616**	**-**	**-**	**-**	**8,686**	**549,462**	**-**
	2016	521,467	-	-	-	19,308	-	-	-	8,691	549,466	-
Gordon Ian Dingwall ***Chief Information Officer***	**2017**	**430,384**	**-**	**-**	**-**	**19,616**	**-**	**-**	**-**	**7,173**	**457,173**	**-**
	2016	419,176	-	-	-	19,308	**-**	**-**	-	6,986	445,470	**-**
Geoff Van Der Vegt * ***GM – Technology & Entertainment***	**2017**	**400,722**	**-**	**-**	**39,630**	**17,981**	**-**	**-**	**11,292**	**-**	**469,625**	**-**
	2016	406,793	-	-	40,185	19,308	-	-	-	6,780	473,066	-
Haydon Ian Myers ***GM – Home Appliances***	**2017**	**393,183**	**-**	**-**	**44,717**	**19,616**	**-**	**-**	**-**	**6,553**	**464,069**	**-**
	2016	383,359	-	-	42,849	19,308	-	-	-	6,389	451,905	-
Rob Nelson ***GM – Audio Visual***	**2017**	**342,384**	**-**	**9,000**	**-**	**19,616**	**-**	**-**	**-**	**5,706**	**376,706**	**-**
	2016	330,692	-	9,000	-	19,308	-	-	-	5,512	364,512	-
Total for the 2017 Financial Year	**2017**	**2,450,271**	**-**	**9,000**	**108,915**	**117,839**	**-**	**-**	**11,292**	**34,159**	**2,731,476**	**-**
Total for the 2016 Financial Year	**2016**	**2,415,396**	**-**	**9,000**	**108,038**	**117,627**	**-**	**-**	**-**	**40,256**	**2,690,317**	**-**

* resigned 31 May 2017

REMUNERATION REPORT (AUDITED) (CONTINUED)

11. Additional Disclosures Relating to Options, Performance Rights and Shares
TABLE 3: Options Granted to Executive Directors as Part of Remuneration:

The table below discloses the number of share options granted to executive directors as remuneration during the year ended 30 June 2017 as well as the number of options that vested, were exercised or lapsed during the year.

Share options do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

	Options Granted as Remuneration During Year		Options Vested During the Year		Unvested Options at 30 June 2017		Options Exercised During the Year		Remaining Unexercised Options at 30 June 2017	
	Grant Number	Value of Options Granted $	Number of Options Vested	Value of Options Vested $	Number of Unvested Options	Value of Unvested Options $	Number of Options Exercised	Value of Options Exercised $	Number of Remaining Unexercised Options	Value of Remaining Unexercised Options $
John Evyn Slack-Smith	-	-	-	-	-	-	250,000	$127,500	567,000	$159,894
David Matthew Ackery	-	-	-	-	-	-	-	-	-	-
Chris Mentis	-	-	-	-	-	-	250,000	$127,500	567,000	$159,894
Total	**-**	**-**	**-**	**-**	**-**	**-**	**500,000**	**$255,000**	**1,134,000**	**$319,788**

Movement in option holdings during the year ended 30 June 2017:

(a) There were no share options issued pursuant to the 2010 Share Option Plan during the 2017 financial year.
(b) On 3 March 2017, C. Mentis exercised 250,000 options over 250,000 shares representing his full entitlement in respect of the Second Tranche of Options, at the exercise price of $2.0267 per option. The total consideration paid by C. Mentis was $506,675.
(c) On 23 March 2017, J.E. Slack-Smith exercised 250,000 options over 250,000 shares representing his full entitlement in respect of the Second Tranche of Options, at the exercise price of $2.0267 per option. The total consideration paid by J.E. Slack-Smith was $506,675.
(d) As at 30 June 2017, 567,000 options over 567,000 shares granted to each of C. Mentis and J.E. Slack-Smith, a total of 1,134,000 options over 1,134,000 shares, previously granted on 29 November 2012 ("Third Tranche of Options"), remain unexercised. These options were independently valued by Mercer (Australia) Pty Limited at grant date utilising the assumptions underlying the Black-Scholes methodology at $0.282 per option, totalling $319,788, and may be exercised from 1 January 2016 to 30 June 2018.

REMUNERATION REPORT (AUDITED) (CONTINUED)

11. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)
TABLE 4: Option Holdings of Key Management Personnel for the Year Ended 30 June 2017

	1 July 2016 Balance at the Beginning of Year	Granted as Remuneration	Options Exercised	Net Change Other	30 June 2017 Balance at End of Year	Vested as at 30 June 2017 Total	Vested as at 30 June 2017 Exercisable	Vested as at 30 June 2017 Not Exercisable
KMP: Board of Directors								
Gerald Harvey	-	-	-	-	-	-	-	-
Kay Lesley Page	-	-	-	-	-	-	-	-
John Evyn Slack-Smith	817,000	-	(250,000)	-	567,000	567,000	567,000	-
David Matthew Ackery	-	-	-	-	-	-	-	-
Chris Mentis	817,000	-	(250,000)	-	567,000	567,000	567,000	-
Michael John Harvey	-	-	-	-	-	-	-	-
Christopher Herbert Brown	-	-	-	-	-	-	-	-
Kenneth William Gunderson-Briggs	-	-	-	-	-	-	-	-
Graham Charles Paton	-	-	-	-	-	-	-	-
KMP: Senior Executives								
Martin Anderson	-	-	-	-	-	-	-	-
Thomas James Scott	-	-	-	-	-	-	-	-
Gordon Ian Dingwall	-	-	-	-	-	-	-	-
Geoff Van Der Vegt	-	-	-	-	-	-	-	-
Haydon Ian Myers	-	-	-	-	-	-	-	-
Rob Nelson	-	-	-	-	-	-	-	-
Total	**1,634,000**	**-**	**(500,000)**	**-**	**1,134,000**	**1,134,000**	**1,134,000**	**-**

REMUNERATION REPORT (AUDITED) (CONTINUED)

11. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)
TABLE 5: Performance Rights Granted to Executive Directors as Part of Remuneration:

The table below discloses the number of performance rights granted to executive directors as remuneration during the year ended 30 June 2017 as well as the number of performance that vested, were exercised or lapsed during the year.

Performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

	Performance Rights Granted as Remuneration During Year		Performance Rights Vested During the Year		Unvested Performance Rights at 30 June 2017		Performance Rights Exercised During the Year
	Grant Number	Value of Performance Rights Granted $	Number of Performance Rights Vested	Value of Performance Rights Vested $	Number of Unvested Performance Rights	Value of Unvested Performance Rights $	Number of Performance Rights Exercised
Gerald Harvey	62,500	$241,875	-	-	125,000	$461,875	-
Kay Lesley Page	112,500	$435,375	-	-	225,000	$831,375	-
John Evyn Slack-Smith	75,000	$290,250	-	-	150,000	$554,250	-
David Matthew Ackery	75,000	$290,250	-	-	150,000	$554,250	-
Chris Mentis	75,000	$290,250	-	-	150,000	$554,250	-
Total	**400,000**	**$1,548,000**	**-**	**-**	**800,000**	**$2,956,000**	**-**

Movement in performance rights during the year ended 30 June 2017:

(a) A total of 400,000 performance rights under Tranche 2 FY2017 of the 2016 LTI Plan were granted to executive directors on 28 November 2016. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date with a fair value of $3.87 per entitlement share granted under Tranche 2 on 28 November 2016, based on a share price of $4.73. The fair value was derived from a discounted cash flow technique where the value of the performance right is the face value of the share at grant date less the present value of the dividends expected to be paid on the share but not received by the holder during the vesting period. 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.

(b) As at 30 June 2017, a total of 800,000 performance rights under Tranche 1 FY2016 (as to 400,000 performance rights) and Tranche 2 FY2017 (as to 400,000 performance rights) of the 2016 LTI Plan were outstanding, unvested and not capable of exercise.

REMUNERATION REPORT (AUDITED) (CONTINUED)

11. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)
TABLE 6: Performance Rights of Key Management Personnel for the Year Ended 30 June 2017

	1 July 2016 Balance at the Beginning of Year	Granted as Remuneration	Options Exercised	Net Change Other	30 June 2017 Balance at End of Year	Vested as at 30 June 2017 Total	Vested as at 30 June 2017 Exercisable	Vested as at 30 June 2017 Not Exercisable
KMP: Board of Directors								
Gerald Harvey	62,500	62,500	-	-	125,000	-	-	-
Kay Lesley Page	112,500	112,500	-	-	225,000	-	-	-
John Evyn Slack-Smith	75,000	75,000	-	-	150,000	-	-	-
David Matthew Ackery	75,000	75,000	-	-	150,000	-	-	-
Chris Mentis	75,000	75,000	-	-	150,000	-	-	-
Michael John Harvey	-	-	-	-	-	-	-	-
Christopher Herbert Brown	-	-	-	-	-	-	-	-
Kenneth William Gunderson-Briggs	-	-	-	-	-	-	-	-
Graham Charles Paton	-	-	-	-	-	-	-	-
KMP: Senior Executives								
Martin Anderson	-	-	-	-	-	-	-	-
Thomas James Scott	-	-	-	-	-	-	-	-
Gordon Ian Dingwall	-	-	-	-	-	-	-	-
Geoff Van Der Vegt	-	-	-	-	-	-	-	-
Haydon Ian Myers	-	-	-	-	-	-	-	-
Rob Nelson	-	-	-	-	-	-	-	-
Total	**400,000**	**400,000**	**-**	**-**	**800,000**	**-**	**-**	**-**

REMUNERATION REPORT (AUDITED) (CONTINUED)

11. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)
TABLE 7: Shareholdings/Relevant Interests of Key Management Personnel for the Year Ended 30 June 2017

	1 July 2016 Balance at the Beginning of Year	Granted as Remuneration	On Exercise of Options	Net Change Other	30 June 2017 Balance at End of Year
KMP: Board of Directors					
Gerald Harvey	331,889,449	-	-	6,000,000	337,889,449
Kay Lesley Page	17,717,642	-	-	(210,000)	17,507,642
John Evyn Slack-Smith	649,818	-	250,000	(200,000)	699,818
David Matthew Ackery	1,020,334	-	-	(531,200)	489,134
Chris Mentis	98,341	-	250,000	-	348,341
Michael John Harvey	2,974,897	-	-	-	2,974,897
Christopher Herbert Brown	183,323,726	-	-	-	183,323,726
Kenneth William Gunderson-Briggs	3,137	-	-	-	3,137
Graham Charles Paton	15,682	-	-	-	15,682
KMP: Senior Executives					
Martin Anderson	-	-	-	-	-
Thomas James Scott	19,000	-	-	12,835	31,835
Gordon Ian Dingwall	-	-	-	-	-
Geoff Van Der Vegt	-	-	-	-	-
Haydon Ian Myers	-	-	-	-	-
Rob Nelson	-	-	-	-	-
Total	**537,712,026**	**-**	**500,000**	**5,071,635**	**543,283,661**

Movement in shareholdings / relevant interests during the year ended 30 June 2017:

(a) On 15 November 2016, D.M. Ackery sold 220,000 shares in the Company, on-market, for an average sale price of $4.50 per share or $990,064 in total.
(b) On 3 March 2017, C. Mentis exercised 250,000 options in respect of the Second Tranche of Options at the exercise price of $2.0267 per option or $506,675 in total. 250,000 new shares in the Company were issued pursuant to this transaction.
(c) On 14 March 2017, K. Page Pty Limited, a company associated with K.L. Page, sold 210,000 shares in the Company, on-market, for an average sale price of $5.04 per share or $1,058,379 in total.
(d) On 15 March 2017, D.M. Ackery sold 311,200 shares in the Company, on-market, for an average sale price of $4.96 per share or $1,543,552 in total.
(e) On 20 March 2017, G. Harvey Nominees Pty Limited, a company associated with G. Harvey, acquired 2,000,000 shares in the Company, on-market, for an average consideration of $4.35 per share or $8,700,400 in total.
(f) On 20 March 2017, J.E. Slack-Smith, as Trustee for Slack-Smith 2003 Option Trust, an entity associated with J.E. Slack-Smith, sold 200,000 shares in the Company, on-market, for an average sale price of $4.59 per share or $918,825 in total.
(g) On 23 March 2017, G. Harvey as Trustee for Harvey 2003 Option Trust, an entity associated with G. Harvey, acquired 1,000,000 shares in the Company, on-market, for an average consideration of $4.36 per share or $4,356,700 in total.
(h) On 23 March 2017, J.E. Slack-Smith exercised 250,000 options in respect of the Second Tranche of Options at the exercise price of $2.0267 per option or $506,675 in total. 250,000 new shares in the Company were issued pursuant to this transaction.
(i) On 24 March 2017, G. Harvey as Trustee for Harvey 2003 Option Trust, an entity associated with G. Harvey, acquired 1,000,000 shares in the Company, on-market, for an average consideration of $4.32 per share or $4,321,300 in total.
(j) On 29 March 2017, G. Harvey as Trustee for Harvey 2003 Option Trust, an entity associated with G. Harvey, acquired 2,000,000 shares in the Company, on-market, for an average consideration of $4.43 per share or $8,869,000 in total.

REMUNERATION REPORT (AUDITED) (CONTINUED)

12. 'Take-Home Pay' for KMP Directors of the Company

The below table shows the 'take-home pay' for each director of the Company, representing the benefits paid to each director during the year ended 30 June 2017, or as soon as practicable after that date. Total 'take-home pay' for the directors of the Company amounted to $11.93 million for the year ended 30 June 2017. The total value of remuneration expensed for directors of the Company in respect of the 2017 financial year was $11.46 million (refer to Table 1 on page 48 of this report). For the 2017 financial year, total 'take-home pay' was $0.47 million higher than the value of remuneration expensed to the income statement.

	Salary & Fees	Other Short Term	Non-Monetary Benefits	Super-annuation	Short-Term Performance Cash Incentive (a)	Long-Term Performance Cash Incentive (b)	FY2017 Total Take-Home Pay
KMP: Board of Directors							
Gerald Harvey	746,620	10,400	-	19,616	-	425,350	1,201,986
Kay Lesley Page	2,064,922	-	15,462	19,616	510,950	796,400	3,407,350
John Evyn Slack-Smith	1,230,384	-	-	19,616	418,050	724,000	2,392,050
David Matthew Ackery	1,212,384	18,000	-	19,616	418,050	724,000	2,392,050
Chris Mentis	905,799	-	24,585	19,616	371,600	678,750	2,000,350
Michael John Harvey	54,795	-	-	5,205	-	-	60,000
Christopher Herbert Brown	132,420	-	-	12,580	-	-	145,000
Kenneth William Gunderson-Briggs	173,377	-	-	16,098	-	-	189,475
Graham Charles Paton	132,420	-	-	12,580	-	-	145,000
Total	**6,653,121**	**28,400**	**40,047**	**144,543**	**1,718,650**	**3,348,500**	**11,933,261**

(a) The short-term performance cash incentive of $1.72 million represented the payment of the 2016 STI Plan PCI that was earned in respect of the 2016 financial year, but paid to executive directors in September 2016.

(b) The long-term performance cash incentive of $3.35 million represented the payment of the 2014 LTI Plan PCI that was earned in respect of the 2014 financial year, was expensed over a 4-year vesting period for the financial years ending 30 June 2014, 30 June 2015, 30 June 2016 and 30 June 2017, and paid to executive directors on or about 30 June 2017.

13. Loans to Key Management Personnel and their Related Parties

There were no loans granted to key management personnel during the year ended 30 June 2017 (2016: nil). There were no loans outstanding from key management personnel as at 30 June 2017 (2016: nil).

14. Other Transactions and Balances with Key Management Personnel and their Related Parties

		CONSOLIDATED	
		June 2017 $000	June 2016 $000
(i)	**Loans from directors to subsidiaries of Harvey Norman Holdings Limited:**		
	Derni Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited) borrowed money from entities associated with Dimbulu Pty Limited (C.H. Brown), G. Harvey, M.J. Harvey and K.L. Page. Interest is payable at commercial rates. These loans are unsecured and repayable at call.	**36,340,557**	38,134,236
	Net amounts paid to entities associated with the above mentioned directors and their related parties.	**(1,793,679)**	(40,837,465)
	Interest paid/payable	**787,533**	1,976,777
(ii)	**Lease of business premises from Ruzden Pty Limited:**		
	The consolidated entity leases business premises at Bundall, Queensland from Ruzden Pty Limited. Mr G. Harvey, Ms K.L. Page, Mr M.J. Harvey and I.J. Norman Nominees Pty Limited (C.H. Brown) have an equity interest in Ruzden Pty Limited. The lease arrangements were approved by shareholders in the General Meeting held 25 May 1993, and in the General Meeting held 31 August 1999. The lease is subject to normal commercial terms and conditions. Rent paid by the consolidated entity to Ruzden Pty Limited was:	**4,588,056**	4,494,126

REMUNERATION REPORT (AUDITED) (CONTINUED)

14. Other Transactions and Balances with KMP and their related parties (continued)

		CONSOLIDATED June 2017 $000	June 2016 $000
(iii)	**Legal fees paid to a director-related entity:** Legal fees were paid to the firm of which Mr C.H. Brown is a partner for professional services rendered to the consolidated entity in the normal course of business.	**3,636,482**	2,459,461
(iv)	**Other income derived by related entities of key management personnel:** Certain franchises are operated by entities owned or controlled by relatives of key management personnel under normal franchisee terms and conditions. Aggregated net income derived by entities owned or controlled by relatives of key management personnel was:	**1,256,314**	1,292,505

(v) Perth City West Retail Complex

By a contract for sale dated 31 October 2000, Gerald Harvey, as to a one-half share as tenant in common, and a subsidiary of Harvey Norman Holdings Limited, as to a one-half share as tenant in common, purchased the Perth City West retail complex for a purchase price of $26.60 million. In the financial report for the year ended 30 June 2017 this has been accounted for as a joint venture as disclosed in Note 37 to the financial statements. This transaction was executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transaction was at arm's length. The property was purchased subject to a lease of part of the property in favour of a subsidiary of Harvey Norman Holdings Limited (the "Lessee"). That lease had been granted by the previous owner of the property on arm's length normal terms and conditions. Gerald Harvey is entitled to one-half of the rental paid by the Lessee. The amount of rental and outgoings paid by the Lessee to Gerald Harvey and the subsidiary of Harvey Norman Holdings Limited for the year ended 30 June 2017 was $1.67 million each (2016: $2.11 million).

(vi) The Byron at Byron Resort, Spa and Conference Centre

By a contract for sale dated 15 May 2002, a company (of which Gerald Harvey was a director) acting in its capacity as trustee of a trust, as to a one-half share as tenant in common (the "GH entity"), and a subsidiary of Harvey Norman Holdings Limited, as to a one-half share as tenant in common, purchased the Byron at Byron Resort, Spa and Conference Centre (the "Byron Bay JV"). In the financial report for the year ended 30 June 2017, this has been accounted for as a joint venture as disclosed in Note 37. This transaction was executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transaction was at arm's length. Each of the GH entity and a subsidiary of Harvey Norman Holdings Limited received capital distributions in the sum of $0.30 million (2016: $0.35 million). A subsidiary of Harvey Norman Holdings Limited held a conference at The Byron at Byron Resort and paid the Byron Bay JV conference fees amounting to $0.11 million for the year ended 30 June 2017 (2016: $0.10 million).

(vii) Gepps Cross Retail Complex

By a contract for sale dated 18 December 2007, a subsidiary of the Company ("HNHL G.C. Entity") and Axiom Properties Fund Limited ("G.C. Co-Owner") purchased land located in Gepps Cross, South Australia ("G.C. Land") in equal shares as tenants in common, for the purpose of constructing and subsequently managing a retail complex on the G.C. Land ("the Gepps Cross Joint Venture"). In November 2009, HNHL G.C. Entity and the G.C. Co-Owner granted a lease of part of the G.C. Land and retail complex to a subsidiary of the Company ("G.C. Lessee") on arm's length commercial terms ("G.C. Lease"). In August 2010, the G.C. Co-Owner informally advised the Company that the G.C. Co-Owner intended or wished to dispose of its interest in the Gepps Cross Joint Venture, triggering first and last rights of refusal in the HNHL G.C. Entity. At a meeting of the Company held 26 August 2010, it was resolved that the Company not purchase the share of the G.C. Co-Owner in the Gepps Cross Joint Venture (including G.C. Land). On 6 October 2010, HNHL G.C. Entity formally waived the right to purchase the interest of the G.C. Co-Owner in the Gepps Cross Joint Venture (including the G.C. Land).

By a contract for sale dated 23 December 2010, GH Gepps Cross Pty Limited, an entity associated with Gerald Harvey ("Gerald Harvey Entity") and MJH Gepps Cross Pty Limited, an entity associated with Michael Harvey ("Michael Harvey Entity") and, M&S Gepps Cross Pty Limited, purchased the one-half share as tenant in common of the G.C. Co-Owner in the G.C. Land and retail complex. The sale was subject to the G.C. Lease. The Gerald Harvey Entity is entitled to one-quarter of the rental and outgoings paid by the G.C. Lessee amounting to $0.79 million for the year ended 30 June 2017 (2016: $0.73 million). The Michael Harvey Entity is entitled to one-eighth of the rental and outgoings paid by the G.C. Lessee amounting to $0.40 million for the year ended 30 June 2017 (2016: $0.37 million). The Gepps Cross Joint Venture has been accounted for as equity accounted investment as disclosed in Note 37. The Gerald Harvey Entity is entitled to one-quarter of the profits generated by the retail complex on the G.C. Land amounting to $1.55 million for the year ended 30 June 2017 (2016: $1.50 million). The Michael Harvey Entity is entitled to one-eighth of the profits generated by the retail complex on the G.C. Land amounting to $0.78 million for the year ended 30 June 2017 (2016: $0.75 million).

(viii) Gazal Corporation Limited

Mr. G.C. Paton is an independent, non-executive director of Gazal Corporation Limited, a public company listed on the Australian Stock Exchange. A wholly-owned subsidiary of the consolidated entity owns 4.17 million shares (2016: 1.00 million shares) in Gazal Corporation Limited with a market value of $9.33 million as at 30 June 2017 (2016: $2.20 million). The consolidated entity received dividends from Gazal Corporation Limited amounting to $0.67 million for the year ended 30 June 2017 (2016: $0.48 million).

During the year ended 30 June 2017, no wholly-owned subsidiaries of Harvey Norman Holdings Limited leased premises to Gazal Corporation Limited. During the year ended 30 June 2016, wholly-owned subsidiaries of Harvey Norman Holdings Limited leased two premises to Gazal Corporation Limited on normal commercial terms amounting to $0.31 million.

Mr G.C. Paton was not present at, did not direct, manage or otherwise participate in, and did not vote in respect of any of the arrangements between the consolidated entity and Gazal Corporation Limited.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

The consolidated entity acknowledges that integrating sustainable growth into its strategy, business practices and decision making is essential for long-term value creation. The consolidated entity believes that the sustainability of its operations is, in part, linked to the successful monitoring and management of its economic, social and environmental risks and opportunities and therefore the consolidated entity aims to adopt sustainable practices that will generate better long-term returns and benefits for investors and stakeholders, both internal and external.

The Board of Directors, as the Company's highest governance body, alongside management is charged with establishing a business strategy that supports responsible decision making and sustainable value creation.

The Company's Code of Conduct reinforces the consolidated entity's commitment to honest, fair and transparent business practices and outlines the standards of behaviour that the consolidated entity expects of its employees.

In addition, the consolidated entity has adopted other policies such as the Conflicts of Interest Policy, the Gifts and Benefits Policy, the Intellectual Property Policy and a Confidentiality and Privacy Policy, all of which aim to reinforce corporate governance best practices.

The consolidated entity is a member of the following organisations and associations:
- Consumer Electronics Association
- Australasia Furniture Research and Development Institute (AFRDI)
- New Zealand Leather and Shoe Research Association (LASRA)
- National Retailers Association, including representation on the Technical Standards Committee (NRATSC)
- Energy Users Association of Australia
- Soft Landings Product Stewardship Scheme (Founding Member)
- Diversity Council of Australia

Environmental Regulation Performance

The consolidated entity submits a National Greenhouse Gas and Emissions Report (NGER) to the Clean Energy Regulator annually.

The consolidated entity's environmental obligations are regulated under both State and Federal Law. With the exception of the asbestos issue discussed below, there were no environmental breaches notified to the consolidated entity by any Government agency during the year ended 30 June 2017 and up to the date of this report.

Asbestos Contamination at Fyshwick

The Company received notification of a possible asbestos contamination at the Fyshwick warehouse owned by a wholly owned subsidiary of HNHL. The consolidated entity engaged an independent expert to report on issues associated with the possible asbestos contamination. The expert concluded that the risk of contamination ranged from negligible levels to low-risk levels.

Actions of the Franchisor

The consolidated entity acts as a landlord in a number of retail complexes utilised by Harvey Norman®, Domayne® and Joyce Mayne® franchisees. At those premises, the landlord provides lighting and air conditioning for the utilisation of franchisees at the site and also provides electricity to the site.

The consolidated entity has undertaken the following recent actions with respect to air conditioning, solar energy and LED lighting:

Air Conditioning
The air conditioning replacement program that commenced during the 2015 financial year was completed. Analysis of sites involved in this program across FY2017 showed a net consumption decrease of 2% when compared with the previous financial year.

Solar Energy
The consolidated entity has now installed solar panel systems at fifteen (15) franchised complexes from a planned thirty three (33) installations at franchised complexes across Australia. Analysis across 13 of the 15 franchised complexes revealed that consumption across those complexes reduced by 7.56% in the current financial year, or 989,000KWh. These savings were worth the equivalent of $153,000 in FY2017 when the average delivered cost of energy from FY16 (before the installations were completed) was used to calculate the savings.
A detailed audit of franchised complex performance utilising 12 months of actual data per franchised complex will be performed in FY2018 to be reported in the 2018 Annual Report.

LED Lighting
Following the successful trial of LED baton lighting at one franchised complex, a detailed replacement program of all currently installed T8 troffer light fittings commenced in August 2017. At completion, savings of approximately 4% of the FY2017 energy spend for franchised complexes are expected. An update on the progression of this program will be provided in the 2018 Annual Report.

Actions of Franchisees

The consolidated entity remains a signatory to the Australian Packaging Covenant ("APC"). The APC is a sustainable packaging initiative which aims to change the culture of business to design more sustainable packaging, increase recycling rates and reduce packaging litter. The consolidated entity has taken a product stewardship approach to waste.

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY (CONTINUED)
Environmental Regulation Performance (continued)

Harvey Norman®, Domayne® and Joyce Mayne® franchisees have improved on their waste management performance and offering to customers during the 2017 financial year as follows:

Waste Stream	Percentage Improvement During 2017 Financial Year	Description
e-Waste	8% overall increase on FY2016 volumes	E-waste recycling is available through most Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes.
Mattresses	No net movement in recycled volumes from prior year	Harvey Norman® and Domayne® franchisees are founding members of the Soft Landings Mattress Product Stewardship Scheme and more franchised complexes will have access to the recycling offered by the Scheme in FY2018.
Polystyrene	19% increase in polystyrene recycling in FY2017.	Approximately 80% of franchised complexes in Australia recycle this separate waste stream.
Cardboard and Plastic Recycling Recycling as a percentage of franchised complex waste (excluding the above initiatives)	Data not available. Most Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes changed their waste services provider to Waste Options in FY2017. This vendor will provide reporting across the franchised complexes to allow for detailed waste stream and diversion reporting from FY2018.	Each franchisee in each franchised complex in Australia carries out cardboard and plastic recycling.
Plastic Bag Usage by Customers	Net distribution of plastic bags reduced by 4.58% in FY2017 and reduced by 6.42% for all bags (including multiple use bags).	Multiple use bags includes smart bags (thicker, multiple use bags).

Social Sustainability

Maintaining a well-trained, engaged and committed workforce is a key priority for the consolidated entity. The consolidated entity has adopted a well-developed training strategy to ensure that all employees are given opportunities to develop and improve their skills and expertise throughout their careers.

The consolidated entity also conducts an Engagement & Diversity Survey on an annual basis. The survey aims to measure the satisfaction levels of employees and collects feedback and comments on topics such as diversity initiatives and flexible working arrangements.

Employee Learning and Development

The consolidated entity has provided its employees with an increasing range of training opportunities over the years from mandatory sessions and programs (inductions, compliance, customer service, culture awareness etc.) to optional courses providing vocational recognition and certification. The consolidated entity actively encourages employees to participate in these courses.

The consolidated entity has appointed a Learning and Development team to support its Learning and Development framework. This team has been engaged to scope, develop, design and implement training programs and strategies.

The training conducted throughout the organisation includes, but is not limited to:

- **Online e-learning for all employees through an externally hosted Learning Management System.** There is a combination of compulsory training and role-based training allocated and assigned to employees and undertaken in the workplace. Online training modules may include:
  - Orientation for new employees;
  - Occupational Health and Safety;
  - Discrimination, harassment and workplace bullying; and
  - Cultural Awareness.

- **Professional development for individuals in specialised roles to maintain and update requisite skills and knowledge.** This training is conducted by external bodies including:
  - Accounting (Chartered Accountants of Australia and New Zealand and CPA Australia);
  - Compliance (Australian Compliance Institute);
  - Digital Innovation (Data Science and Analytics and User Experience (UX));
  - Human Resources (National Retailers Association seminars);
  - Information Technology;
  - Legal (College of Law, Law Society of NSW, LegalWise, Australian Corporate Lawyers Association seminars);
  - Management;
  - Procurement (Supply Chain School and Chartered Institute of Purchasing and Supply); and
  - Microsoft Office Applications (Excel, Word, Access and PowerPoint).

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY (CONTINUED)
Employee Learning and Development (continued)

- Annual conferences to educate and reinforce knowledge of employees.
- Diversity awareness in order to reinforce the Company's commitment to an inclusive culture and diversity in the workplace and to add value to diversity-related initiatives.

The Learning Management framework is a comprehensive platform that supports the consolidated entity's growth and development initiatives. This enables structured learning paths that promote further training and development for employees.

The consolidated entity may provide financial reimbursement to employees that obtain a degree relevant to their role and responsibilities, including equipment and travel.

Corporate employees are reviewed annually as part of the 'Salary Review' process where performance is benchmarked to market rates and career development is discussed as part of employee succession planning.

OTHER INFORMATION

Indemnification of Officers

During the financial year, insurance and indemnity arrangements were continued for officers of the consolidated entity.

An indemnity agreement was entered into between the Company and each of the directors of the Company named earlier in this report and with each full-time executive officer, director and secretary of all group entities. Under the agreement, the Company has agreed to indemnify those officers against any claim or for any expenses or costs which may arise as a result of work performed in their respective capacities.

Rounding of Amounts

The amount contained in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars (unless specifically stated to be otherwise) under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The company is an entity to which this legislative instrument applies.

Auditor Independence and Non-Audit Services

During the year, the auditors of Harvey Norman Holdings Limited, Ernst & Young, provided non–audit services to Harvey Norman® Group entities. In accordance with the recommendation from the Audit Committee of the Company, the directors are satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Also, in accordance with the recommendation from the Audit Committee, the directors are satisfied that the nature and scope of each type of non–audit service provided means that auditor independence was not compromised.

Details of the amounts paid or payable to the auditor, Ernst & Young, for the provision of non–audit services during the year ended 30 June 2017 are as follows:

- Tax compliance services $205,823 (2016: $191,160);
- Other services $71,756 (2016: $116,123)

Auditor Independence and Non-Audit Services

The directors received the following declaration from the auditor of Harvey Norman Holdings Limited.

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Harvey Norman Holdings Limited

As lead auditor for the audit of Harvey Norman Holdings Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Harvey Norman Holdings Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
29 September 2017

Signed in accordance with a resolution of directors.

K. L. Page

G. HARVEY
Executive Chairman
Sydney
29 September 2017

K.L. PAGE
Executive Director / Chief Executive Officer
Sydney
29 September 2017

The board of directors of Harvey Norman Holdings Limited ("Company") is responsible for establishing, maintaining and monitoring the corporate governance framework of the consolidated entity. The board has benchmarked its practices against the ASX Corporate Governance Council (CGC) published guidelines and the CGC corporate governance principles and recommendations (27 March 2014 edition) ("Principles"). An analysis of compliance by the Company with the Principles is set out below. The directors guide and monitor the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Recommendation		Comply Yes	Comply No	Reference/ Explanation in Annual Report	ASX Listing Rule/ Recommendation
Principle 1 – Lay solid foundations for management and oversight					
1.1	Disclose the respective roles and responsibilities of its board and management and those matters expressly reserved to the board and those delegated to management.	Yes		Pages 63-64	ASX CGC 1.1
1.2	Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director and provide security holders with all material information relevant to a decision on whether to elect or re-elect a director.	Yes		Page 64	ASX CGC 1.2
1.3	Have a written agreement with each director and senior executive setting out the terms of their appointment.	Yes		Pages 45-46	ASX CGC 1.3
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	Yes			ASX CGC 1.4
1.5	Have a diversity policy which includes requirements for the board, or a relevant committee of the board, to set measurable objectives for achieving gender diversity and to assess annually both the objectives and progress in achieving them; disclose this policy, or a summary of it; disclose progress towards achieving them as at the end of each reporting period; disclose the respective proportions of men and women on the board , in senior executive positions and across the whole organisation (and how 'senior executive' has been defined for this purpose).	Yes		Pages 68-69	ASX CGC 1.5
1.6	Have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors and, in relation to each reporting period whether a performance evaluation was undertaken in accordance with that process.	Yes		Pages 33-35	ASX CGC 1.6
1.7	Have and disclose a process for periodically evaluating the performance of senior executives and disclose whether a performance evaluation was undertaken in the reporting period in accordance with that process.	Yes		Pages 33-35	ASX CGC 1.7
Principle 2 – Structure the Board to add value					
2.1	Have a nomination committee which: ▪ has at least three members, a majority of whom are independent directors; and ▪ is chaired by an independent director And disclose: ▪ the charter of the committee; ▪ the members of the committee; and ▪ as at the end of the reporting period, the number of times the committee met and the individual attendances of the members at those meetings.	 Yes Yes Yes Yes Yes		Page 64	ASX CGC 2.1
2.2	Have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.	Yes		Refer to Nomination Committee Charter on the website	ASX CGC 2.2
2.3	Disclose the names of the independent directors, the factors relevant to assessing the independence of a director and the length of service of each director.	Yes		Pages 63-64	ASX CGC 2.3
2.4	A majority of the board should be independent directors.		No	Pages 63-64	ASX CGC 2.4
2.5	The chair of the board should be an independent director and, in particular, should not be the same person as the CEO.		No	Pages 63-64	ASX CGC 2.5
2.6	Have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	Yes			ASX CGC 2.6
Principle 3 – Act ethically and responsibly					
3.1	Have a code of conduct for its directors, senior executives and employees and disclose that code or a summary of it.	Yes		Refer to the website	ASX CGC 3.1

Recommendation		Comply Yes	Comply No	Reference/ Explanation in Annual Report	ASX Listing Rule/ Recommendation
Principle 4 – Safeguard integrity in corporate reporting					
4.1	Have an audit committee which ▪ has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and ▪ is chaired by an independent director, who is not the chair of the board; and disclose: ▪ the charter of the committee; ▪ the relevant qualifications and experience of the members of the committee; and ▪ as at the end of the reporting period, the number of times the committee met and the individual attendances of the members at those meetings.	 Yes Yes Yes Yes Yes		Page 65	ASX CGC 4.1
4.2	Have the board receive before approval of financial statements for a financial period, from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	Yes		Page 66	ASX CGC 4.2
4.3	Ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	Yes		Page 67	ASX CGC 4.3
Principle 5 – Make timely and balanced disclosures					
5.1	Have written policies for complying with its continuous disclosure obligations under the Listing Rules and disclose that policy or a summary of it.	Yes		Refer to the website	ASX CGC 5.1
Principle 6 – Respect the rights of security holders					
6.1	Provide information about itself and its governance to investors via its website.	Yes		Page 67	ASX CGC 6.1
6.2	Design and implement an investor relations program to facilitate effective two-way communication with investors.	Yes		Page 67	ASX CGC 6.2
6.3	Disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	Yes		Page 67	ASX CGC 6.3
6.4	Give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	Yes		Page 67	ASX CGC 6.4
Principle 7 – Recognise and manage risk					
7.1	Have a committee or committees to oversee risk, each of which: ▪ has at least three members, a majority of whom are independent directors; and ▪ is chaired by an independent director. and disclose: ▪ the charter of the committee; ▪ the members of the committee; and ▪ as at the end of the reporting period, the number of times the committee met and the individual attendances of the members at those meetings.	 Yes Yes Yes	 No No	Page 65	ASX CGC 7.1
7.2	The board or a committee of the board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose, in relation to each reporting period, whether such a review has taken place.	Yes		Page 65	ASX CGC 7.2
7.3	Disclose if it has an internal audit function, how the function is structured and what role it performs.	Yes		Page 66	ASX CGC 7.3
7.4	Disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	Yes		Pages 31-32 Page 65	ASX CGC 7.4

Recommendation		Comply Yes	Comply No	Reference/ Explanation in Annual Report	ASX Listing Rule/ Recommendation
Principle 8 – Remunerate fairly and responsibly					
8.1	Have a remuneration committee, which: ▪ has at least three members, a majority of whom are independent directors; and ▪ is chaired by an independent director, and disclose: ▪ the charter of the committee; ▪ the members of the committee; and ▪ as at the end of the reporting period, the number of times the committee met and the individual attendances of the members at those meetings.	Yes Yes Yes Yes Yes		Page 66	ASX CGC 8.1
8.2	Separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.	Yes		Pages 33-46 & 66	ASX CGC 8.2
8.3	Have a policy for an equity-based remuneration scheme on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.	Yes		Pages 33-46	ASX CGC 8.3

	ASX Listing Rule / Recommendation
The corporate governance practices of the Company, including those described below, were in place throughout the year ended 30 June 2017.	ASXLR 4.10.3
Further details about corporate governance policies adopted by the Company may be accessed via the website www.harveynormanholdings.com.au ("website").	
Board Functions	
The role and responsibility of the Board is to set and approve the strategy of the Company, to identify significant business risks and ensure arrangements are in place in order to manage those risks and review the performance of the CEO. The Board aims to foster a culture of compliance, with an emphasis on ethical behaviour, accountability, corporate and individual integrity and respect for others.	ASX CGC 1.1
The Board has established guidelines for the composition of the Board and meeting processes.	
The responsibility for implementation of strategy and risk management and operations of the business is delegated, by the Board, to the CEO and the executive management team. The CEO reports to the Board on operational issues that include: (i) recommendations on strategic initiatives and developing and implementing corporate strategies; (ii) preparation for approval by the Board of budgets and cash flow forecasts and management of operations within the financial constraints imposed by the Board; (iii) maintenance of effective compliance and risk management frameworks; (iv) evaluation of the performance of key executives, including succession and learning and growth activities; (v) achievement of financial and non-financial key performance indicators as set by the Board; (vi) information to keep the Board and ASX fully informed having regard to continuous disclosure obligations.	ASX CGC 1.1
The Board has established specialist Audit, Nomination, Remuneration and Risk committees.	
The membership and responsibilities of these committees are discussed throughout this corporate governance statement and in the Board charters that may be accessed on the website.	
Other functions reserved to the Board include: (i) approving the annual and half-yearly financial reports; (ii) approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures; (iii) ensuring that any significant risks are identified, assessed, appropriately managed and monitored; and (iv) reporting to shareholders.	
Structure of the Board	
The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directors' report. The Board considers that the present board has an appropriate mix of skills and diversity. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could interfere materially with, or could reasonably be perceived to interfere materially with, the exercise of their unfettered and independent judgement.	ASX CGC 1.2 ASX CGC 2.2
The following directors of the Company are considered to be independent:	ASX CGC 2.3
Name / **Position** Kenneth William Gunderson-Briggs — Non-Executive Director Graham Charles Paton — Non-Executive Director	
A majority of the Board does not consist of independent directors. The majority of the board consists of executive directors. The Board recognises the CGC's recommendation that a majority of the Board should consist of independent directors.	ASX CGC 2.4

	ASX Listing Rule / Recommendation
The Board believes that each executive director (and each non-executive director who is not independent) is able to bring, and does bring quality independent judgement to all relevant issues falling within the scope of the role of that executive director and that the Company, as a whole, benefits from the long-standing experience of that director in relation to the operations and business relationships of the Company. The Board notes that while the two independent, non-executive members have each served more than nine years, having regard to the totality of the defining characteristics of an independent director and the specific skills and experience of these directors, the Board still believes each of them are able to bring quality independent judgement to the issues that come before the Board.	
The Board recognises the CGC's recommendation that the Chair should be an independent director. As Chair, Mr Gerald Harvey is not an independent director. The Board believes that Mr Gerald Harvey is the most appropriate person to lead the board as Executive Chairman and that he is able to bring, and does bring quality independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Company, as a whole, benefits from his long standing experience of its operations and business relationships.	ASX CGC 2.5
Directors may seek independent professional advice at the expense of the Company, subject to procedures agreed by the Board.	
The length of service of each director is:	ASX CGC 2.3 ASX CGC 2.4

Name	Position	Appointed to Board of Company
Gerald Harvey	Executive Chairman	1987
Kay Lesley Page	Executive Director and CEO	1987
John Evyn Slack-Smith	Executive Director and COO	2001
David Matthew Ackery	Executive Director	2005
Chris Mentis	Executive Director, CFO and Company Secretary	2007
Michael John Harvey	Non-Executive Director	1993
Christopher Herbert Brown	Non-Executive Director	1987
Kenneth William Gunderson-Briggs	Independent Non-Executive Director	2003
Graham Charles Paton	Independent Non-Executive Director	2005

Performance and Board Procedure

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators that align with the financial and non-financial objectives of the Company. During the reporting period, the nomination committee conducted performance evaluations of each Board member.	ASX CGC 1.6
The Company Secretary is responsible for all matters concerning the proper functioning of the Board and its Committees, including convening, conducting and recording of meetings, compliance with policy and charters, and advising the Board and its Committees as to governance matters. The Company Secretary is able to meet with the Chair on any matter regarding the functioning of the Board and its Committees.	ASX CGC 1.4

Trading Policy

A copy of the Share Trading Policy may be accessed via the website. An executive or director of the Company must not trade in any securities of the Company at any time when he or she is in possession of unpublished, price-sensitive information in relation to those securities.	
Before commencing to trade, an executive must first obtain the approval of the Company Secretary or CEO to do so and a director must first obtain approval of the Chairman.	
Trading Windows apply during each period of 30 days starting: (i) one day following the announcement of the half yearly and full year results as the case may be; (ii) one day following the holding of the Annual General Meeting.	
Approval to trade outside Trading Windows will only be granted in exceptional circumstances. As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.	

Nomination Committee

The Board has established a nomination committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director and undertaking appropriate checks, including character and qualifications, of any potential candidate. The nomination committee is comprised of non-executive directors, Graham Charles Paton (Chairman), Christopher Herbert Brown and Kenneth William Gunderson-Briggs for the year ended 30 June 2017.	ASX CGC 2.1
The nomination committee recognises the CGC's recommendation that the Chair of the committee should be an independent director. Mr Graham Charles Paton is an independent director.	
Details of attendance at meetings of the nomination committee are set out in the directors' report. Additional details regarding the nomination committee, including its charter, may be accessed via the website.	

	ASX Listing Rule / Recommendation
Audit Committee	
All members of the audit committee are non-executive directors.	ASX CGC 4.1
The members of the audit committee during the year were: ▪ Graham Charles Paton (Chairman) ▪ Christopher Herbert Brown ▪ Kenneth William Gunderson-Briggs	
Qualifications of Audit Committee Members ▪ Graham Charles Paton is an experienced certified practising accountant, a Fellow and Life Member of CPA Australia, and during 23 years as a partner of an international chartered accounting practice was involved in the provision of professional services to the retail industry, and has been an Independent Non-Executive Director of the Company since 2005. ▪ Christopher Herbert Brown is an experienced solicitor, financially literate and has been a Non-Executive Director of the Company since 1987. ▪ Kenneth William Gunderson-Briggs is an experienced chartered accountant, a Fellow of CAANZ and has been an Independent Non-Executive Director of the Company since 2003.	
Details of attendance at meetings of the audit committee are set out in the directors' report.	
Additional details about the audit committee, including a copy of its charter, may be accessed via the website.	
Risk	
The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the approach of the Company to creating long-term shareholder value.	ASX CGC 7.1
The Board determines the risk profile of the Company and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board has established a separate risk committee, to assist the Board, and has appointed a Chief Risk Officer to collate, monitor, evaluate and report material risks to the Board. The Board recognises the CGC's recommendation that the Chair should be an independent director and that the committee should consist of a majority of independent directors. The Board considers that the frequent reporting to the Audit Committee by both the Chairman of the risk committee and the Chief Risk Officer (the latter as private reporting) provides an adequate and appropriate level of involvement by the independent directors in the risk management function. The risk committee is not comprised of a majority of independent directors and is not chaired by an independent director. The risk committee is comprised by four executive directors, including the CEO and CFO. The Chief Risk Officer is required to attend all meetings of the risk committee to inform and assist members of the risk committee to carry out its functions. The chairman of the risk committee and the Chief Risk Officer, both regularly attend meetings of the audit committee to inform members of the audit committee of risk matters considered by the risk committee. The chairman of the risk committee regularly gives reports to the Board about matters considered by the risk committee.	
The Board, in conjunction with the Chief Risk Officer, oversees an annual assessment of the effectiveness of risk management and control. The tasks of undertaking and assessing risk management are delegated to the Chief Risk Officer through the CEO , including responsibility for the day to day design and implementation of the risk management system of the Company. The Chief Risk Officer reports to the Board on the key risks of the Company and the extent to which the Chief Risk Officer believes these risks are being adequately managed.	ASX CGC 7.2
The Chief Risk Officer is required by the Board to carry out risk specific management activities in core areas, including strategic risk, operational risk, reporting risk and compliance risk. The Chief Risk Officer is then required to assess risk management and associated internal compliance and control procedures and report to the Board on the efficiency and effectiveness of these efforts by benchmarking performance in substantially accordance with Australian/New Zealand Standard for Risk Management (AS/NZS ISO 31000:2009 Risk Management). The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following: (i) Board approval of strategic plans designed to meet stakeholders' needs and manage business risk; and (ii) implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of financial and non-financial KPIs.	

	ASX Listing Rule/ Recommendation
Internal Audit	
The internal audit function provides an objective assessment of: (i) the systems of internal control; (ii) the risk and control framework; and (iii) generally, compliance by the Company with risk management protocols of the Company. The Board has appointed a Head of Internal Audit to monitor and assess the internal control environment of the Company. The tasks of undertaking and assessing internal control effectiveness are delegated to the Head of Internal Audit through the Chief Executive Officer, including responsibility for the day to day design and implementation of the internal control system of the Company. The Head of Internal Audit reports to the Board on the key internal controls of the Company and the extent to which the Head of Internal Audit believes these controls are effective. In order to ensure the independence of the internal audit function, the Head of Internal Audit meets privately with the audit committee, without management present, on a regular basis. The audit committee is responsible for making the final decision on the head of internal audit's tenure. Additional details about the risk committee, including a copy of its charter, may be accessed via the website.	ASX CGC 7.3
The Board has adopted a comprehensive set of policies and procedures directed towards achieving the recognition and management of risks relating to: (i) Effectiveness and efficiency in the use of the resources of the Company; (ii) Compliance with applicable laws and regulations; and (iii) Preparation of reliable published financial information.	ASX CGC 7.4
CEO and CFO Certification	
The CEO and CFO have provided written statements to the Board in accordance with section 295A of the *Corporations Act 2001* and have also certified to the Board that: (i) their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and (ii) the Company's risk management and internal compliance and control system is operating effectively in all material respects.	ASX CGC 4.2
The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to factors such as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive. CEO and CFO control assurance is not, and cannot, be designed to detect all weaknesses in control procedures.	
In order to mitigate this risk, internal control questions are required to be answered and completed by the key management personnel of all significant business units, including finance managers, in support of the written statements of the CEO and CFO.	
Remuneration	
The Company aspires to maximise shareholder value by retaining a high quality Board and executive team. Directors and key executives are remunerated fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are: (i) retention and motivation of key executives; (ii) attraction of high quality management to the Company; and (iii) performance incentives that allow executives to share in the success of Harvey Norman Holdings Limited. The remuneration report (contained with the directors' report) contains a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current year. There is no scheme to provide retirement benefits to non-executive directors.	ASX CGC 8.1 ASX CGC 8.2
The Board is responsible for determining and reviewing compensation arrangements for the directors themselves, the chief executive officer and executive team. The Board has established a remuneration committee, comprising three non-executive directors. Members of the remuneration committee throughout the year were Kenneth William Gunderson-Briggs (Chairman), Christopher Herbert Brown and Graham Charles Paton.	ASX CGC 8.1
The remuneration committee recognises the CGC's recommendation that the Chair should be an independent director. Mr Kenneth William Gunderson-Briggs is an independent director.	
Details of attendance at of meetings of the remuneration committee are set out in the directors' report.	
Additional details about the remuneration committee, including a copy of its charter, may be accessed via the website.	

	ASX Listing Rule/ Recommendation
Shareholder communication policy	
Pursuant to Principle 6, the objective of the Company is to promote effective communication with its shareholders at all times.	ASX CGC 6.2
The Company is committed to: (i) ensuring that shareholders and the financial markets are provided with full and timely information about the activities of the Company in a balanced and understandable way; (ii) complying with continuous disclosure obligations contained in applicable the ASX listing rules and the Corporations Act 2001 in Australia; and (iii) communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.	ASX CGC 6.3
To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders: (i) through the release of information to the market via the ASX; (ii) through the distribution of the annual report and Notice of Annual General Meeting; (iii) through shareholder meetings and investor relations presentations; (iv) through letters and other forms of communications directly to shareholders; and (v) by posting relevant information to the website of the Company. Shareholders may receive or send communications to the Company or its share registry electronically.	ASX CGC 6.3
The website has a dedicated Investor Relations section for the purpose of publishing all important company information and relevant announcements made to the market (www.harveynormanholdings.com.au/index.html).	ASX CGC 6.1
The external auditor is required to attend the Annual General Meeting and be available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.	ASX CGC 4.3

DIVERSITY

The Company is committed to promoting an environment that embraces and promotes diversity. In accordance with the ASX Corporate Governance Council's published guidelines and the CGC corporate governance principles and recommendations (27 March 2014 edition), the Company has established a diversity policy that aims to create a more competitive and inclusive environment for all of its employees. This policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

Diversity Policies

The Company has a Board Diversity Policy and an Employee Diversity Policy; these policies are published on the website: www.harveynormanholdings.com.au.

The Company recognises the importance of having a diverse workplace and embraces the benefits that a diverse workforce brings to an organisation. The Company believes that increasing diversity in the workplace and at Board level is essential to producing greater value for its shareholders as it allows the Company to become more innovative, responsive, productive and competitive.

The Company is conducive to the selection of well qualified employees and senior management candidates from diverse backgrounds, experiences and perspectives.

Present Measurements

The Company presently measures:

(1) the number of female and male employees;
(2) The different positions held by female and male employees;
(3) The number of female and male employees in full time, part time and casual roles;
(4) The salaries of female and male employees and whether a pay gap exists in the Company; and
(5) Other measures including the age of employees, the ethnicity of employees and the length of service of employees.

Workforce Gender Profile

As at 30 June 2017 women represent 44.82% of total employees of the Company (2016: 43.68%), 29.81% of employees in senior executive positions (2016: 25.89%) and 11.1% of the Board (2016: 11.1%).

The Company participates in the annual completion of the Workplace Gender Equality Report (WGEA Report) that provides further details on the composition of the Company's workforce.

Diversity Measures, Targets and Initiatives

The Company is committed to increasing diversity in the workplace and, in particular, increasing the participation of women in the Company so as to broaden the talent pool from which future leaders of the Company can be drawn.

During the financial year ended 30 June 2017, the following measures, targets and initiatives were undertaken in accordance with the diversity objectives of the consolidated entity:

Policies and Procedures

(1) The Diversity and Reconciliation Intranet page was reviewed and updated, making information and resources available to employees on key diversity areas including: gender, culture, generational & mature age, disability and family and work-life balance.
(2) Reviewed and updated Human Resources policies and processes to ensure that they are inclusive in nature and do not expressly or implicitly operate in a manner contrary to the Employee Diversity Policy or the Board Diversity Policy.
(3) Continued development of role-based training content for the Learning Management System, which assists managers to identify any skill or knowledge gaps of employees and monitors whether compulsory online training has been completed.
(4) Conducted the annual internal audit of the bullying and harassment training completed by employees and the Board in an effort to eliminate bullying and harassment in the workplace. Bullying and Harassment training content was fully reviewed and the training relaunched as part of refresher training.
(5) Wherever possible, included at least one female on a short list of applicants for all senior management roles, and at least one female in the selection panel for all senior management roles.
(6) Renewed membership of the Diversity Council Australia to reinforce the Company's commitment to an inclusive culture and diversity in the workplace and to add value to diversity related initiatives.

Monitoring

(1) Conducted the annual employee diversity survey. The purpose of this annual survey is to collect detailed information regarding the composition of the workforce including gender, age, cultural heritage, and caring responsibilities, in order to better assess the Company's progress in achieving greater diversity in the workplace.
(2) Created a workplace profile, as at 30 March 2017, as part of the annual governance reporting process, and analysed the data to monitor and evaluate any gender pay gaps within the Company.
(3) Continued to develop systems to enable regular reporting and assessment of progress towards the adopted gender diversity objectives. This included the continued rollout of recruitment and on-boarding technology to improve and promote consistent recruitment processes and better enable reporting across the consolidated entity.

Diversity Measures, Targets and Initiatives (continued)

Community

(1) Conducted the annual "Taste of Harmony" event in March 2017 to raise awareness and embrace the cultural diversity of the workplace. Money raised as part of this annual diversity event was once again donated to "Fitted for Work", a local charity with a mission statement to "help women experiencing disadvantage get work and keep it".

(2) The Company commenced a review of the Reconciliation Action Plan (initially published in 2012) and has continued to support the ideals of Reconciliation Australia to help close the gap in Aboriginal and Torres Strait Islander people's life expectancy through numerous initiatives. One such initiative the continued work with Australian Indigenous Mentoring Experience ("AIME"). In May 2017, the Company renewed its Partnership with AIME and committed to a further three years of financial assistance and support in promoting employment opportunities to indigenous Australians. The Company and AIME have developed an action plan for the 2018 financial year that includes attending outreach sessions and careers days to build relationships with indigenous students. Once again participated in the "NRL All Stars Youth Summit" in February 2017 to further develop and grow relationships with younger members of the indigenous community and assist in their journey of attaining education and employment.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	CONSOLIDATED June 2017 $000	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	37	**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	20	**13,052**	14,710
Deferred income tax liabilities	5(d)	**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	25	**174,950**	155,814
Retained profits	26	**2,229,200**	2,125,186
Parent entity interests		**2,790,459**	2,666,296
Non-controlling interests	27	**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.

	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	37	**5,200**	4,356
Profit before income tax		**639,806**	493,763
Income tax expense	5(a) & 5(c)	**(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)	26	**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.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2017

	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.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Information

Harvey Norman Holdings Limited (the "Company") is a for profit company limited by shares incorporated in Australia and operating in Australia, New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia whose shares are publicly traded on the Australian Securities Exchange ("ASX") trading under the ASX code HVN.

(b) Basis of Preparation

The financial report has been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments, listed shares held for trading and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The consolidated financial statements of the Company and its subsidiaries (the "consolidated entity") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the directors on 29 September 2017.

(c) Statement of Compliance

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and interpretations, and complies with other requirements of the law. The financial report complies with Australian Accounting Standards, as issued by the Australian Accounting Standards Board, and International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2017. For details on the impact of future accounting standards, refer to pages 86 and 87.

(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of Harvey Norman Holdings Limited and its controlled entities. Control is achieved when the consolidated entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the consolidated entity controls an investee if and only if the consolidated entity has all of the following:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the consolidated entity has less than a majority of the voting or similar rights of an investee, the consolidated entity considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The consolidated entity's voting rights and potential voting rights

The consolidated entity re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the consolidated entity obtains control over the subsidiary and ceases when the consolidated entity loses control of the subsidiary.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered. Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with the consolidated entity's policy and generally accepted accounting principles in Australia.

Non-controlling interests are allocated their share of net profit after tax in the income statement and are presented within equity in the consolidated statement of financial position, separately from the equity of the owners of the Parent. Losses are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as an equity transaction.

(e) Summary of Significant Accounting Policies

(i) Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except as discussed below. The consolidated entity applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2016. These new pronouncements do not have a material impact on the annual consolidated financial statements of the consolidated entity. The consolidated entity has not early adopted any other standards, interpretation or amendment that has been issued but is not yet effective.

(ii) Significant accounting judgements, estimates and assumptions

In applying the consolidated entity's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the consolidated entity. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

Significant accounting judgements:

(a) Assessment of AASB 10 Consolidated Financial Statements in respect of Harvey Norman®, Domayne® and Joyce Mayne® Franchisees in Australia

In determining whether the consolidated entity has control over an entity (investee) and should or should not consolidate the results of the investee, the consolidated entity assesses its exposure to / rights to variable returns from its involvement with the investee and whether it has the ability to affect those returns through its power over the investee.

The assessment of whether Harvey Norman Holdings Limited (HNHL), or any subsidiary of HNHL, as franchisor, should consolidate or not consolidate the results of a franchisee or business operations of that franchisee, is determined by whether the franchisor has control over the franchisee. The assessment of whether a franchisor controls a franchisee or the business operations of that franchisee, involves significant judgment in assessing whether the franchisor has sufficient power through its rights under arrangements with franchisees and through the practical application of those arrangements, to direct the relevant activities of the franchisee that most significantly affect the returns (profits or losses) of the franchisee.

At least on an annual basis, the directors of HNHL will reassess the requirements of control in accordance with AASB 10 Consolidated Financial Statements. During the 2017 financial year, after considering both the legal arrangements in place between the consolidated entity and Harvey Norman®, Domayne® and Joyce Mayne® franchisees and the practical application of those arrangements, the directors have continued to conclude that HNHL, or any subsidiary of HNHL, does not control the business operations of franchisees. In particular, HNHL, or any subsidiary of HNHL, does not have any existing rights that give the consolidated entity the current ability to direct the relevant activities that most significantly affect the returns of the franchisee. The ability to direct the relevant activities that most significantly affect the returns of the franchisee, rest with the franchisee.

HNHL, or any subsidiary of HNHL, does not have any voting rights or legal ownership of any equity interest in any franchisee business. Each franchise business is operated by a separate legal entity which is independent of HNHL, or any subsidiary of HNHL. The franchisee has the authority and decision-making responsibility over the day-to-day operation and administration of the franchisee business. The franchisee has the substantive right to control the decisions regarding sales and pricing, inventory purchasing and inventory management, staff management (hiring, termination, staff numbers, remuneration, appointment of management) and employment of personnel including key management.

The above assessment has resulted in the conclusion that the assets, liabilities and the results of franchisees in Australia are not consolidated by the consolidated entity because the consolidated entity does not control the business operations of Harvey Norman®, Domayne® and Joyce Mayne® franchisees.

(b) Operating lease commitments – consolidated entity as lessor

The consolidated entity has entered into commercial property leases in respect of its investment property portfolio. The entity has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and has classified the leases as operating leases.

(c) Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

Significant accounting estimates and assumptions:

The key estimates and assumptions at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next annual reporting period, are described below. The consolidated entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the consolidated entity. Such changes are reflected in the assumptions when they occur.

Revaluation of investment properties

The consolidated entity values investment properties at fair value. The valuations are determined by independent external valuers or reviewed internally by the Property Review Committee and the directors of the Company. Independent valuations are performed by external, professionally qualified valuers who hold a recognised, relevant professional qualification and have specialised expertise in the properties valued. The key assumptions used to determine the fair value of the investment properties, and the relevant sensitivity analysis, are disclosed in Note 15.

Revaluation of property, plant and equipment

The consolidated entity values land and buildings at fair value. The valuations are determined by independent external valuers or reviewed internally by the Property Review Committee and the directors of the Company. The key assumptions used to determine the fair value of owner-occupied land and buildings, and the relevant sensitivity analysis, are disclosed in Note 14.

Revaluation of investment properties for development

An investment property for development is valued at fair value if it can be reliably determined. If a fair value cannot be reliably determined, then the investment property for development is measured at cost. The key assumptions used to determine the fair value of the investment properties for development and the relevant sensitivity analysis, are disclosed in Note 15.

Impairment of financial assets and trade receivables

The consolidated entity assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments or the probability that they will enter bankruptcy.

The carrying amount of the asset is either directly reduced or reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

Further details on the significant judgements considered by management relating to impairment of financial assets are disclosed in Note 7.

The impairment loss is disclosed in Notes 4 and 7.

Impairment of equity-accounted investments

The consolidated entity determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the consolidated entity calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted.

Make good provisions

Provisions are recognised for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling and removing the assets and restoring the leased premises according to contractual arrangements. These future cost estimates are discounted to their present value. The related carrying amounts are disclosed in Note 20.

Onerous lease provisions

The provision for onerous lease costs represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements. This obligation may be reduced by the revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The related carrying amounts are disclosed in Note 20.

(iii) Investment in associates and joint ventures

An associate is an entity over which the consolidated entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not control or have joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

(iii) Investment in associates and joint ventures (continued)

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The consolidated entity's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the consolidated entity's share of net assets of the associate or joint venture since the acquisition date.

After application of the equity method, the consolidated entity determines whether it is necessary to recognise any impairment loss with respect to the entity's net investment in the associates and joint ventures. At each reporting date, the consolidated entity determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the consolidated entity calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value.

Joint venture land and building assets, primarily relating to the joint ownership of shopping complexes, resort operations and residential/convention developments, are directly owned by each joint venture partner as tenants in common in their respective shares. Joint venture land and buildings assets are classified as joint venture operations and the consolidated entity's share of land and building assets are proportionately consolidated in the consolidated financial statements within investment properties.

(iv) Foreign currency translation

Both the functional and presentation currency of Harvey Norman Holdings Limited and its Australian subsidiaries is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at balance date.

Differences arising on settlement or translation of monetary items are recognised in profit or loss with the exception of monetary items that are designated as part of the hedge of the consolidated entity's net investment in a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time, the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of overseas subsidiaries is the currency commonly used in their respective countries. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the consolidated entity at the rate of exchange prevailing at the balance date and the income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on retranslation for consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

(v) Property, plant and equipment

Plant and equipment assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Land, leasehold land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment losses recognised at the date of the revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of an asset does not differ materially from its fair value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:
- Land – not depreciated
- Leasehold land – lease term
- Buildings under construction – not depreciated
- Buildings – 20 to 40 years
- Owned plant and equipment – 3 to 20 years
- Plant and equipment under finance lease – 1 to 5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Revaluation of owner-occupied properties

Following initial recognition at cost, owner-occupied land and buildings (including leasehold land) are carried at fair value less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Owner-occupied properties, upon any revaluation, are valued at fair value, determined by independent licensed valuers, or directors' valuations where necessary.

Any revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, the increase is recognised in the income statement. Any revaluation deficit is recognised in the income statement, except to the extent that it offsets a previous surplus of the same asset in the asset revaluation reserve.

Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the fair value of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the asset's fair value at the balance date.

(v) Property, plant and equipment (continued)

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement when the asset is derecognised.

(vi) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as an expense when incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

(vii) Investment properties

Investment properties

Investment properties, which is property held to earn rentals and / or for capital appreciation are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the balance date. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when they are permanently withdrawn from use and no future benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation.

Properties located in the Australian Capital Territory ("ACT") which are held under a 99 year ground crown land sublease from the Commonwealth Government are not amortised over the remaining life of the lease, as the expectation is that these leases will be renewed at minimal cost once they expire. Properties located in the ACT have been accounted for as investment properties as they are primarily held to earn rental income.

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"). Franchisees occupy properties pursuant to a licence, terminable upon reasonable notice. The fair value in respect of each investment property has been calculated primarily using the income capitalisation valuation method, against 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
- non-reliance on turnover rent
- the specific circumstances of the property not included in any of the above points

The income capitalisation valuation method is the primary method used for valuations. A discounted cash flow valuation or a direct sale comparison valuation may be undertaken as a secondary method, excluding property for development.

Investment properties for development

Investment properties for development are valued at fair value if fair value can be reliably determined. The direct sale comparison method was used for investment property for development.

(viii) Intangible assets

Intangible assets, consisting of capitalised computer software assets, capitalised development expenditures and licence property, are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over their estimated useful lives but not greater than a period of nine and a half (9.5) years.

Intangible assets are tested for impairment where an indicator of impairment exists, either individually or at the cash generating unit level. Useful lives are also examined on an annual basis and adjustments, where applicable, are made on a prospective basis. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and are recognised in the income statement when the intangible asset is derecognised.

Development expenditures on an individual project are recognised as an intangible asset when the consolidated entity can demonstrate:

- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability and intention to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

(viii) Intangible assets (continued)

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

(ix) Impairment of non-financial assets

The consolidated entity assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the consolidated entity estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's cash generating unit (CGU) fair value less costs to sell and its value in use. Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the CGU to which the asset belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

The consolidated entity bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the consolidated entity's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five (5) years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the income statement in expense categories consistent with the function of the impaired assets, except for a property previously revalued and the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the consolidated entity estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

(x) Financial assets

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets or as derivatives designated as hedging instruments in an effective hedge.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the consolidated entity commits to purchase or sell the asset.

The consolidated entity's financial assets include cash and short-term deposits, trade and other receivables, quoted financial instruments and derivative financial instruments.

For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by AASB 139.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value presented as finance costs (negative net changes in fair value) or finance income (positive net changes in fair value) in the income statement.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the consolidated entity has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the income statement. The losses arising from impairment are recognised in the income statement as finance costs.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR

(x) Financial assets (continued)

amortisation is included as finance income in the income statement. The losses arising from impairment are recognised in the income statement as administrative expenses for loans and in other operating expenses for receivables.

Available-for-sale financial assets
Available-for-sale financial assets include equity investments. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value though profit or loss. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at balance date. For investments with no active market, fair values are determined using valuation techniques. Dividends on available-for-sale equity instruments are recognised in the income statement when the consolidated entity's right to receive the dividends is established.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:
- The rights to receive cash flows from the asset have expired.
- The consolidated entity has transferred its rights to receive cash flows from the asset or has transferred substantially all the risks and rewards of the asset.

Impairment of financial assets
The consolidated entity assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments or the probability that they will enter bankruptcy.

The carrying amount of the asset is either directly reduced or reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the consolidated entity. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited in the income statement.

For available-for-sale financial investments, the consolidated entity assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognised directly in other comprehensive income.

(xi) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The consolidated entity's financial liabilities include trade and other payables, interest-bearing loans and borrowings and derivative financial instruments.

The measurement of financial liabilities depends on their classification, described as follows:

Financial liabilities at fair value through profit or loss:
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities designated upon initial recognition at fair value through profit and loss only if the criteria of AASB 139 are satisfied.

Loans and borrowings:
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(xii) Derivative financial instruments and hedge accounting

The consolidated entity uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

For the purposes of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

At the inception of a hedge relationship, the consolidated entity formally designates and documents the hedge relationship to which the consolidated entity wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Fair value hedges
The change in the fair value of a hedging instrument is recognised in the income statement. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the income statement. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss. When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit and loss. The consolidated entity uses foreign currency contracts to manage the exposure of changes in the fair value of its receivables or payables that are denominated in foreign currencies.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the income statement. The consolidated entity uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the hedge instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

(xiii) Inventories

Inventories are valued at the lower of cost and net realisable value and are recorded net of all volume rebates, marketing and business development contributions and settlement discounts. Costs are on a weighted average basis and include the acquisition cost, freight, duty and other inward charges. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

(xiv) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities on the statement of financial position.

(xv) Provisions

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

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost, in the income statement.

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

Provision is made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

(xv) Provisions (continued)

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(xvi) Share-based payment transactions

The consolidated entity provides benefits to certain employees (including executive directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions").

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in equity (employee equity benefits reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the consolidated entity's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the consolidated entity's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

(xvii) Leases

Consolidated entity as lessor

Amounts due from lessees under finance leases are recorded as receivables. Finance lease receivables are initially recognised at amounts equal to the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual value expected to accrue at the end of the lease term. Finance lease payments are allocated between interest revenue and reduction of the lease receivable over the term of the lease in order to reflect a constant periodic rate of return on the net investment outstanding in respect of the lease.

Leases in which the consolidated entity does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Consolidated entity as lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the consolidated entity is classified as a finance lease.

Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

An operating lease is a lease other than a finance lease. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

Financial incentive contributions received from lessors are recognised at their fair value on receipt as a liability in the financial statements. The liability is reduced and recognised as income, by offsetting against occupancy expenses in the income statement over the period the consolidated entity expects to derive a benefit from the incentive contribution. Lease incentives are normally amortised to the income statement on a straight-line basis over the term of the lease.

(xviii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The following specific recognition criteria must also be met before revenue is recognised:

(xviii) Revenue (continued)

Sale of goods
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Franchise fee income
Revenue attributable to franchise fees is recognised in the income statement only when the franchise fees have been earned.

Rental income
Rental income arising on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue due to its operating nature. Contingent rental income is recognised as income in the periods in which it is earned.

Interest income
For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available for sale financial assets, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the income statement.

Dividends
Revenue is recognised when the shareholders' right to receive the payment is established, which is generally when shareholders approve the dividend.

(xix) Taxes

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the consolidated entity operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax liabilities are recognised for all taxable temporary differences except:
- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- the carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Goods and services tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except:
- when the GST incurred on a sale or purchase of assets and services is not payable or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or expense item or as part of the cost of acquisition of the asset as applicable.
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(xix) Taxes (continued)

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

Tax consolidation
Harvey Norman Holdings Limited and its 100% owned Australian resident subsidiaries are members of a tax consolidated group. Harvey Norman Holdings Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement which provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Wholly owned companies of the tax consolidated group have entered into a tax funding agreement. The funding agreement provides for the allocation of current and deferred taxes on a modified standalone basis in accordance with the principles as outlined in UIG Interpretation 1052 Tax Consolidation Accounting.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated entity Head Company Harvey Norman Holdings Limited.

(xx) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus elements.

Diluted EPS is calculated as net profit attributable to members, adjusted for:
- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

(xxi) Contributed Equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a reduction, net of tax, from the proceeds.

(xxii) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision makers to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The consolidated entity aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
- nature of the products and services;
- nature of the production processes;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services; and, if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "other segments".

(f) Future Accounting Standards

Certain Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2017.

AASB 9 Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. The standard includes a single approach for the classification and measurement of financial assets, based on cash flow characteristics and the business model used for the management of the financial instruments. For financial liabilities designated as fair value through profit or loss, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in other comprehensive income, and the remaining change is presented in profit or loss. The incurred loss model used in AASB 139 has been replaced by the expected credit loss model in AASB 9 for impairment of financial assets. The requirements of hedge accounting have been amended to more closely align hedge accounting with risk management and establish a more principle-based approach to hedge accounting.

The consolidated entity will first apply AASB 9 in the financial year beginning 1 July 2018 and is expected to apply the standard retrospectively only to the contracts that are not completed at the date of initial application. The cumulative effect of initially applying AASB 9 is recognised as

(f) Future Accounting Standards (continued)

an adjustment to the opening balance of retained earnings. The consolidated entity is still in the process of quantifying the financial reporting impact and assessing any likely changes to systems.

AASB 15 Revenue from Contracts with Customers

AASB 15 provides a single, principles-based five-step model to recognise and measure revenues arising from contracts with customers. It replaces all current guidance on revenue recognition from contracts with customers. The core principle of AASB 15 is that an entity recognises revenue related to the transfer of promised goods or services when control of the goods or services passes to customers. The amount of revenue recognised should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services.

The consolidated entity will first apply AASB 15 in the financial year beginning 1 July 2018 and is expected to apply the standard retrospectively only to the contracts that are not completed at the date of initial application. The cumulative effect of initially applying AASB 15 is recognised as an adjustment to the opening balance of retained earnings.

AASB 15 specifically excludes financial instruments and income derived from lease contracts. Therefore the affected revenue streams are limited to sales revenue from the sale of products, franchise fees received from franchisees and other revenue or income streams that are within the scope of AASB 15. An assessment has been performed on existing revenue streams. The consolidated entity is still in the process of quantifying the financial reporting impact and assessing any likely changes to systems.

AASB 16 Leases

AASB 16 has changed how lessees account for lease contracts. Lessees will no longer distinguish between finance lease contracts and operating lease contracts. From the balance sheet perspective, right-of-use assets and lease liabilities are required to be recognised for all lease contracts on the balance sheet, with the exception of short term (under 12 months) and low value leases. From the profit and loss perspective, lease expense recognised under the current standard will be replaced by depreciation of right-of-use assets and interest on lease liabilities. From the cash flow presentation perspective, lease payments are required to be separated into a principal portion (presented within financing activities) and interest portion (presented within operating activities consistent with the consolidated entity's accounting policy).

The consolidated entity will first apply AASB 16 in the financial year beginning 1 July 2019 and is expected to apply the standard retrospectively with the cumulative effect of initially applying the standard recognised as an adjustment to the opening balance of retained earnings.

The consolidated entity has undertaken significant analysis of how AASB 16 should be implemented and has taken tentative accounting policy decisions. The consolidated entity is still in the process of quantifying the financial reporting impact and assessing any likely changes to systems.

AASB 2016-2 Amendments to AASB 107 Statement of Cash Flows

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The consolidated entity will apply the amendments in the financial year beginning 1 July 2017 and no comparative information for preceding periods is required.

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 Result: 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 RESULT BEFORE TAX	**762,758**	**(20,072)**	**(60,710)**	**(42,170)**	**639,806**

Operating Segment Result: 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 RESULT 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® or Joyce Mayne® franchisee.
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.

3. REVENUES

	CONSOLIDATED June 2017 $000	CONSOLIDATED 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 other 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

	CONSOLIDATED June 2017 $000	CONSOLIDATED 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.

	CONSOLIDATED June 2017 $000	CONSOLIDATED 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	CONSOLIDATED 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 recoverability of the equity-accounted investments in the mining camp joint ventures was assessed as at 30 June 2017. The deterioration in the mining sector over the past two years has resulted in a reduction in the trading performance of several mining camp joint ventures. As a result, an impairment loss of $1.15 million (2016: $7.24 million) was recognised to reduce the carrying amount of the equity-accounted investment to recoverable amount.

The current year impairment loss related to a mining camp joint venture. The cash generating unit was determined to be the underlying mining camp joint venture. The recoverable amount for this cash generating unit was calculated using fair value less costs to sell as independently assessed by external valuers. The income capitalisation method and direct sale comparison method was used to determine the fair value of the assets held by the mining camp joint venture. Each of the key assumptions in the impairment assessment was subject to significant judgement about future economic conditions and its impact on the ongoing trading performance of the mining camp venture. Judgement has been applied, based on the available information, to each of these variables to assess the recoverable amount of the equity accounted Investment as at balance date.

The impairment loss recognised in the 2016 financial year was related to other mining camp joint ventures. The cash generating unit was determined to be each of the underlying mining camp joint ventures and the recoverable amount was estimated based on a value in use calculation using cash flow projections as at 30 June 2016 for a five-year period, based on financial budgets and the assets held as security. The pre-tax discount rate applied to the cash flow projections was 15.0%. Cash flows were limited to five years due to the inherent risks associated with the mining industry.

5. INCOME TAX

(a)

	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

5. INCOME TAX (CONTINUED)

	CONSOLIDATED June 2017 $000	June 2016 $000
(b) Income tax recognised in the Statement of Changes in Equity:		
The following deferred amounts were charged directly to equity during the year:		
Deferred income tax:		
Net gain on revaluation of cash flow hedges	**6**	1,193
Net gain on revaluation of land and buildings	**5,362**	3,499
Total income tax expense reported in equity	**5,368**	4,692
(c) Reconciliation between income tax expense and prima facie income tax:		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:		
Accounting profit before tax	**639,806**	493,763
At the statutory income tax rate of 30% (2016: 30%)	**191,942**	148,129
Adjustments to arrive at total income tax expense recognised for the year:		
Tax provision on the notional interest charged on the intercompany receivable from Harvey Norman Holdings (Ireland) Limited as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012	**1,473**	-
Tax provision on the notional interest charged on the intercompany receivable from Harvey Norman Holdings (Ireland) Limited in respect of the 2016 financial year	**1,560**	-
Adjustments in respect of current income tax of previous years	**(457)**	(33)
Share-based payment expenses	**190**	57
Expenditure not allowable for income tax purposes	**731**	469
Income not assessable for income tax purposes	**(4,195)**	(3,890)
Unrecognised tax losses	**804**	1,647
Utilisation of tax losses	**(771)**	(199)
Tax concession for research and development expenses	**(229)**	(863)
Difference between tax capital gain and accounting profit on asset sales	**365**	(88)
Non-allowable building and motor vehicle depreciation	**212**	440
Receipt of fully franked dividends	**(889)**	(802)
Sundry items	**(646)**	(546)
Effect of different rates of tax on overseas income and exchange rate differences	**(3,250)**	(1,898)
Total adjustments	**(5,102)**	(5,706)
Total income tax expense reported in the Income Statement	**186,840**	142,423

The consolidated entity has not recognised deferred tax assets relating to tax losses of $210.68 million (2016: $212.16 million) which are available for offset against taxable profits of the companies in which the losses arose.

At 30 June 2017, no deferred tax liability has been recognised (2016: nil) in respect of the unremitted earnings of certain subsidiaries, associates or joint ventures.

5. INCOME TAX (CONTINUED)

	Statement of Financial Position June 2017 $000	Statement of Financial Position June 2016 $000	Income Statement June 2017 $000	Income Statement June 2016 $000
(d) Deferred income tax assets and liabilities:				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities:				
Revaluations of investment properties to fair value	**(147,054)**	(116,814)	**30,665**	13,224
Revaluations of owner-occupied land and buildings to fair value	**(35,288)**	(30,677)	**-**	-
Non-allowable building depreciation in respect of properties in New Zealand	**(16,202)**	(17,798)	**(1,676)**	(1,300)
Reversal of building depreciation expense for investment properties	**(78,863)**	(70,085)	**10,215**	11,324
Differences between accounting carrying amount and tax cost base of computer software assets	**(479)**	(479)	**-**	-
Research and development	**(16,466)**	(17,053)	**(91)**	1,410
Other items	**(4,284)**	(2,361)	**1,023**	2,224
Total deferred tax liabilities	**(298,636)**	(255,267)		
Deferred tax assets:				
Employee provisions	**8,347**	7,745	**(603)**	(1,644)
Unused tax losses and tax credits	**372**	2,021	**1,561**	1,755
Other provisions	**15,008**	11,426	**(2,695)**	(7,654)
Provision for lease makegood	**17**	18	**1**	(18)
Provision for deferred lease expenses	**1,400**	1,690	**290**	39
Lease incentives	**1,362**	1,483	**121**	(1,069)
Provision for executive remuneration	**2,606**	1,825	**(781)**	(398)
Revaluations of owner-occupied land and buildings to fair value	**1,388**	908	**-**	-
Finance leases	**389**	1,056	**686**	395
Discount interest-free receivables	**15**	15	**-**	-
Equity-accounted investments	**84**	84	**-**	-
Provisions for onerous leases	**161**	180	**20**	49
Revaluation of forward currency contracts to fair value	**2**	59	**48**	-
Lease surrender	**266**	503	**237**	358
Total deferred tax assets	**31,417**	29,013		
Total deferred tax	**(267,219)**	(226,254)	**39,021**	18,695

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 of the parent	**448,976**	348,605

	NUMBER OF SHARES June 2017	NUMBER OF SHARES June 2016
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) (b)	**535,448**	942,934
Trade receivables (c)	**81,667**	106,435
Consumer finance loans (d)	**2,435**	2,215
Provision for doubtful debts (c) (d)	**(1,195)**	(862)
Receivables from franchisees and trade receivables, net	**618,355**	1,050,722
Amounts receivable in respect of finance leases (e)	**5,548**	9,223
Provision for doubtful debts (e)	**(2,458)**	(5,897)
Finance leases, net	**3,090**	3,326
Non-trade debts receivable from: (f)		
- Related entities (including joint ventures and joint venture partners)	**15,678**	28,391
- Unrelated entities	**3,714**	15,120
Provision for doubtful debts (f)	**(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.

7. TRADE AND OTHER RECEIVABLES (CURRENT) (CONTINUED)

(b) Receivables from franchisees neither past due nor impaired

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 and is net of uncollectible amounts.

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.

At each reporting date, Derni as a secured creditor of the franchisee, conducts an assessment of recoverability in respect of each individual franchisee financial accommodation facility. This involves an objective appraisal of the franchisee's capacity to repay amounts owing to Derni, after taking into account all the assets of the franchisee held as security pursuant to the General Security Deed (GSD).

Receivables from franchisees are current and neither past due nor impaired as at 30 June 2017.

(c) Trade receivables and provisions for doubtful debts

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $0.76 million (2016: $1.87 million) has been recognised by the consolidated entity in the current year for trade receivables. This amount has been included in the other expenses line item in the Income Statement.

The ageing analysis of current and non-current trade receivables is as follows:

- $69.71 million of the trade receivables balance as at 30 June 2017 (2016: $93.05 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- $11.29 million of the trade receivables balance as at 30 June 2017 (2016: $13.35 million) are past due but not impaired as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances as at 30 June 2017 (2016: nil).
- $1.17 million of the trade receivables balance as at 30 June 2017 (2016: $0.84 million) are past due and impaired which have been fully provided for. See below for the movements in the provision for doubtful debts for trade receivables.

		Past due but not impaired			Past due and impaired			
	Neither past due nor impaired	31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	Total
2017 ($000)	**69,708**	**5,758**	**1,771**	**3,756**	**-**	**13**	**1,160**	**82,166**
2016 ($000)	93,047	7,090	2,477	3,779	-	16	826	107,235

	CONSOLIDATED	
	June 2017 $000	June 2016 $000
Reconciled to:		
Trade receivables (Current)	**81,667**	106,435
Trade receivables (Non-current – Note 12)	**499**	800
Total trade receivables	**82,166**	107,235
Movements in the provision for doubtful debts for trade receivables were as follows:		
At 1 July	**842**	856
Charge for the year	**762**	1,868
Foreign exchange translation	**(8)**	44
Amounts written off	**(423)**	(1,926)
At 30 June	**1,173**	842

(d) Consumer finance loans and provision for doubtful debts

The consumer finance loans are non-interest bearing and are generally on 6 to 48 months interest-free terms. The ageing analysis of current and non-current consumer finance loans is as follows:

- $2.59 million of the consumer finance loans at 30 June 2017 (2016: $2.29 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- If a customer has missed a repayment in a consumer finance loan, the remaining balance of the consumer finance loan is treated as past due. $0.33 million of the consumer finance loans balance as at 30 June 2017 (2016: $0.37 million) are past due but not impaired. The consolidated entity does not hold any collateral over these balances and believes that these amounts will be recovered.
- $0.03 million of the consumer finance loans at 30 June 2017 (2016: $0.02 million) are past due and impaired which have been fully provided.

7. TRADE AND OTHER RECEIVABLES (CURRENT) (CONTINUED)

(d) Consumer finance loans and provision for doubtful debts (continued)

	Neither past due nor impaired	Past due but not impaired 31-60 Days	Past due but not impaired 61-90 Days	Past due but not impaired +90 Days	Past due and impaired 31-60 Days	Past due and impaired 61-90 Days	Past due and impaired +90 Days	Total
2017 ($000)	**2,590**	**82**	**60**	**189**	**-**	**-**	**27**	**2,948**
2016 ($000)	2,285	100	30	240	-	-	24	2,679

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Reconciled to:		
Consumer finance loans (current)	**2,435**	2,215
Consumer finance loans (non-current – Note 12)	**513**	464
Total consumer finance loans	**2,948**	2,679

(e) Finance lease receivables and provision for doubtful debts

Finance lease receivables are reconciled to amounts receivable in respect of finance leases as follows:

	June 2017 $000	June 2016 $000
Aggregate of minimum lease payments and guaranteed residual values:		
Not later than one year	**5,701**	9,345
Later than one year but not later than five years	**970**	1,256
	6,671	10,601
Future finance revenue:		
Not later than one year	**(153)**	(122)
Later than one year but not later than five years	**(86)**	(49)
Net finance lease receivables	**6,432**	10,430
Reconciled to:		
Amounts receivable in respect of finance leases (current)	**5,548**	9,223
Amounts receivable in respect of finance leases (non-current – Note 12)	**884**	1,207
Total finance lease receivables	**6,432**	10,430

Movements in the provision for doubtful debts for finance lease receivables were as follows:

	June 2017 $000	June 2016 $000
Opening balance	**5,897**	5,897
Amounts written off	**(3,439)**	-
Closing balance	**2,458**	5,897

The consolidated entity offers finance lease arrangements as part of the consumer finance business. Finance leases are offered in respect of motor vehicles and livestock with lease terms not exceeding 4 years. All finance leases are at fixed rates for the term of the lease. A provision is made for estimated unrecoverable finance lease receivable amounts when there is objective evidence that a finance lease receivable is impaired. No impairment loss has been recognised in the current year (2016: nil).

The ageing analysis of current and non-current finance lease receivables is as follows:

- $1.83 million of the finance lease receivable balance as at 30 June 2017 (2016: $1.80 million) are neither past due nor impaired.
- $2.15 million of the finance lease receivable balance as at 30 June 2017 (2016: $2.73 million) are past due but not impaired. Any risk of default in repayment by customers was minimised by the secured leased assets held as collateral by the consolidated entity. As at balance date, there were no events that required the consolidated entity to sell or re-pledge the secured leased assets.
- $2.46 million of the finance lease receivable balance as at 30 June 2017 (2016: $5.90 million) are past due and impaired which have been fully provided.

(f) Non-trade debts receivable and provision for doubtful debts

Non-trade debts receivable are generally interest-bearing and are normally payable at call. The aggregate balance of current and non-current non-trade debts receivable as at 30 June 2017 was $144.43 million (2016: $144.74 million). $38.76 million of the non-trade debts receivable balance as at 30 June 2017 (2016: $50.37 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date. $48.31 million of the non-trade debts receivable balance as at 30 June 2017 (2016: $30.30 million) are past due and impaired and a provision for doubtful debts has been raised in full.

7. TRADE AND OTHER RECEIVABLES (CURRENT) (CONTINUED)

(f) Non-trade debts receivable and provision for doubtful debts (continued)

At 30 June, the ageing analysis of non-trade debts receivable is as follows:

	Neither past due nor impaired	Past due but not impaired 31-60 Days	Past due but not impaired 61-90 Days	Past due but not impaired +90 Days	Past due and impaired 31-60 Days	Past due and impaired 61-90 Days	Past due and impaired +90 Days	Total
2017 ($000)	**38,759**	**-**	**-**	**57,368**	**-**	**-**	**48,305**	**144,432**
2016 ($000)	50,367	-	-	64,072	-	-	30,300	144,739

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Reconciled to:		
Non-trade debts receivable (current)	**19,392**	43,511
Non-trade debts receivable (non-current – Note 12)	**125,040**	101,228
Total non-trade debts receivables	**144,432**	144,739
Movements in the provision for doubtful debts for non-trade debts receivable were as follows:		
Opening balance	**30,300**	6,283
Charge for the year (i) (ii)	**21,099**	24,189
Amounts written off	**(3,094)**	(172)
Closing balance	**48,305**	30,300

(i) *Impairment of a non-trade receivable from a retail joint venture:*

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 total balance of the provision for doubtful debts as at 30 June 2017 relating to the non-trade receivable from the KEH Partnership joint venture was $34.93 million (2016: $16.52 million).

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. 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 was 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.

(ii) *Impairment of the non-trade receivables from mining camp joint ventures:*

The consolidated entity has made commercial advances to the mining camp joint ventures totalling $31.15 million (2016: $31.56 million) in aggregate as at 30 June 2017. The deterioration in the mining sector over the past two years has resulted in a reduction in the trading performance of the mining camp joint ventures. Consequently, the recoverable amount of non-trade receivables advanced to the mining camp joint ventures has been assessed. An impairment loss of $0.43 million was recognised during the current year (2016: $11.88 million) to reduce the carrying amount of the non-trade receivable to recoverable amount. The total balance of the provision for doubtful debts as at 30 June 2017 relating to non-trade receivables from the mining camp joint ventures was $13.23 million (2016: $12.80 million).

The recoverable amount for these non-trade receivables have been determined based on the present value of estimated cash flow projections as at 30 June 2017 for a five-year period, based on financial budgets and the assets held as security. The effective interest rate applied to the cash flow projections was 7.5%. Cash flow projections were limited to five years due to the inherent risks associated with the mining industry.

Each of the key assumptions in the impairment assessment was subject to significant judgement about future economic conditions and its impact on the ongoing trading performance of the mining camp joint ventures and the possible commencement of future projects which are currently out to tender. Judgement has been applied, based on available information, to each of these variables to assess the recoverable amount of the non-trade receivables as at balance date.

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

(a) Trade receivables

For terms and conditions and provision for doubtful debts for trade receivables refer to Note 7 (c).

(b) Consumer finance loans

For terms and conditions and provision for doubtful debts for consumer finance loans refer to Note 7 (d).

(c) Finance lease receivables

For terms and conditions and provision for doubtful debts for finance lease receivables refer to Note 7 (e).

(d) Non-trade debts receivable

For terms and conditions and provision for doubtful debts for non-trade debts receivable refer to Note 7 (f).

	CONSOLIDATED June 2017 $000	June 2016 $000

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 trust	**219**	221
Other current financial assets	**876**	714
Total other financial assets (non-current)	**30,076**	18,751

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 (a)	**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	**(573,809)**	(586,700)
Total written down amount	**625,112**	580,805

(a) The net book value of land and buildings (other than land and buildings classified as investment properties) was $232.49 million (2016: $230.80 million) as measured on a historical cost basis.

Reconciliation of the carrying amounts of property, plant and equipment were as follows:

	June 2017 $000	June 2016 $000
Land at fair value:		
Opening balance	**166,399**	148,734
Additions	**5,478**	3,922
Increase resulting from revaluation	**7,423**	7,319
Depreciation of leasehold land (b)	**(998)**	(683)
Reclassification from buildings at fair value	**6,886**	-
Reclassification from plant and equipment	**861**	-
Net foreign currency differences arising from foreign operations	**(3,520)**	7,107
Closing balance	**182,529**	166,399

(b) The depreciation charge relates to leasehold land located in Singapore

	June 2017 $000	June 2016 $000
Buildings at fair value:		
Opening balance	**223,401**	209,983
Additions	**6,212**	4,023
Increase resulting from revaluation	**18,732**	5,381
Depreciation for the year	**(8,037)**	(7,918)
Reclassification to land at fair value	**(6,886)**	-
Net foreign currency differences arising from foreign operations	**(2,102)**	11,932
Closing balance	**231,320**	223,401

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of the carrying amounts of property, plant and equipment (continued)

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Plant and equipment at cost:		
Opening balance	**770,712**	750,898
Additions	**75,672**	51,727
Disposals	**(67,194)**	(35,103)
Reclassification to land at fair value	**(861)**	-
Transfer to investment property	**-**	(5,223)
Net foreign currency differences arising from foreign operations	**(4,653)**	8,413
Closing balance	**773,676**	770,712
Plant and equipment accumulated depreciation:		
Opening balance	**583,745**	558,463
Depreciation for the year	**50,265**	53,074
Disposals	**(60,912)**	(30,068)
Transfer to investment property	**-**	(2,877)
Net foreign currency differences arising from foreign operations	**(3,043)**	5,153
Closing balance	**570,055**	583,745
Net book value	**203,621**	186,967
Leased plant and equipment at cost:		
Opening balance	**1,467**	139
Additions	**4,872**	1,328
Disposals	**(26)**	-
Closing balance	**6,313**	1,467
Leased plant and equipment accumulated depreciation:		
Opening balance	**72**	23
Depreciation for the year	**776**	49
Disposals	**(1)**	-
Closing balance	**847**	72
Net book value	**5,466**	1,395
Lease make good asset at cost:		
Opening balance	**5,526**	5,093
Additions	**288**	2,005
Disposals	**(343)**	(1,592)
Net foreign currency differences arising from foreign operations	**(388)**	20
Closing balance	**5,083**	5,526
Lease make good asset accumulated depreciation:		
Opening balance	**2,883**	3,758
Depreciation for the year	**603**	670
Disposals	**(343)**	(1,549)
Net foreign currency differences arising from foreign operations	**(236)**	4
Closing balance	**2,907**	2,883
Net book value	**2,176**	2,643
Total plant and equipment	**211,263**	191,005
Total property, plant and equipment	**625,112**	580,805

The financing facilities as disclosed in Note 22. Financing Facilities Available to the financial statements are secured by charges over certain assets of the consolidated entity and by mortgages over certain assets of the consolidated entity.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Reconciliation of owner occupied properties – land and buildings at fair value

	New Zealand	Slovenia		Singapore			Australia	Ireland	Total	
	Retail $000	Retail $000	Warehouse $000	Retail $000	Warehouse $000	Office $000	Retail $000	Retail $000	2017 $000	2016 $000
Opening balance	218,457	69,501	3,032	64,814	19,209	8,669	6,118	-	**389,800**	358,717
Additions	1,095	-	-	-	175	-	-	10,420	**11,690**	7,945
Fair value adjustments	19,970	4,383	203	-	-	-	1,599	-	**26,155**	12,700
Depreciation for the year	(5,786)	(1,203)	(35)	(963)	(963)	(19)	(66)	-	**(9,035)**	(8,601)
Transfer from plant and equipment	-	-	-	-	861	-	-	-	**861**	-
Net foreign currency differences	(276)	(354)	(15)	(3,484)	(1,027)	(466)	-	-	**(5,622)**	19,039
Closing balance	**233,460**	**72,327**	**3,185**	**60,367**	**18,255**	**8,184**	**7,651**	**10,420**	**413,849**	**389,800**

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy	Fair value 30 June 2017 $000	Valuation technique	Key unobservable inputs	Range of unobservable inputs
Retail	Level 3	384,225	Discounted cash flow	Terminal yield Discount rate	4.38% - 7.88% 6.38% - 9.38%
			Income capitalisation	Net market rent per sqm p.a. Capitalisation rate	$117 - $738 per sqm p.a. 4.25% - 8.88%
			Direct sale comparison	Price per sqm of lettable area	$5,800 per sqm
Warehouse	Level 3	21,440	Direct sale comparison	Price per sqm of lettable area	$1,318 per sqm
			Income capitalisation	Net market rent per sqm p.a. Capitalisation rate	$82 per sqm p.a. 7.67%
Office	Level 3	8,184	Direct sale comparison	Price per sqm of lettable area	$8,025 - $9,488 per sqm
Total		**413,849**			

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Fair value measurement, valuation techniques and inputs (continued)

The income capitalisation method of valuation was used for the valuation of retail properties in New Zealand. A discounted cash flow ("DCF") method was undertaken in respect of the same properties as a secondary method. There were no material differences between the income capitalisation method result and the discounted cash flow method result.

The income capitalisation method of valuation was used for the valuation of one (1) retail owner-occupied property in Australia. A direct sale comparison method was used for the same property as a secondary method. There were no material differences between the income capitalisation method result and the direct sale comparison method result.

The income capitalisation method of valuation was used for the valuation of retail and warehouse properties in Slovenia. The income capitalisation method of valuation was used for the valuation of the flagship Space showroom in Singapore. The direct sale comparison method was used for the warehouse and office properties located in Singapore.

The table on the previous page includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs used in determining the fair value:

Income capitalisation method
Under the income capitalisation method, a property's fair value is estimated based on either net market rent or the normalised net operating income generated by the property, which is divided by the appropriate market capitalisation rate.

Discounted cash flow ("DCF") method
Under the DCF method, a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life, including terminal value. This involves the projection of a series of cash flows and the application of an appropriate market-derived discount rate to establish the present value of the income stream.

Direct sale comparison method
Under the direct sale comparison method, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the consolidated entity is the price per square metre.

Net market rent
Net market rent is the estimated amount for which a property or space within a property could lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In addition, an allowance for recoveries of lease outgoings from tenants is made on a pro-rata basis (where applicable).

Capitalisation rate
The rate at which net market income is capitalised to determine the value of a property. The rate is determined by reference to market evidence and independent external valuations received.

Terminal yield
The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of a given period when carrying out a discounted cash flow calculation. The rate is determined by reference to market evidence and independent external valuations received.

Discount rate
Rate used to discount the net cash flows generated from rental activities during the period of analysis. The rate is determined by reference to market evidence and independent external valuations received.

Price per square metre
Price per square metre is obtained based on recent transactions of similar properties around the vicinity. Appropriate adjustments are made between the comparables and the property to reflect the differences in size, tenure, location, condition and prevailing market conditions and all other relevant factors affecting its value.

(c) Valuation process

The local management team in each geographic location makes recommendations to the Property Review Committee and the directors of the Company for the results of the semi-annual property valuation review. All owner-occupied properties are subject to independent valuation at least every three (3) years unless there is an indication that the carrying amount of the property differs materially from the fair value at balance date. The aim of the valuation process is to ensure that properties held by the consolidated entity are compliant with applicable regulations and the consolidated entity's valuation policy for owner occupied properties.

Independent valuations are performed by external, professionally qualified valuers who hold a recognised, relevant professional qualification and have specialised expertise in the properties valued. The balance of the properties are reviewed internally by the Property Review Committee and the directors of the Company, resulting in internal valuations where necessary.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Sensitivity information

Key unobservable inputs	Impact on fair value for significant increase in input	Impact on fair value for significant decrease in input
Net market rent	Increase	Decrease
Capitalisation rate	Decrease	Increase
Terminal yield	Decrease	Increase
Discount rate	Decrease	Increase
Price per square metre	Increase	Decrease

The net market rent of a property and the capitalisation rate are key inputs of the income capitalisation valuation method. The income capitalisation valuation method incorporates a direct interrelationship between the net market rent of a property and its capitalisation rate. This methodology involves assessing the total net market income generated by the property and capitalising this in perpetuity to derive a capital value. Significant increases (or decreases) in rental returns and rent growth per annum in isolation would result in a significantly higher (or lower) fair value of the properties. There is an inverse relationship between the capitalisation rate and the fair value of properties. Significant increases (or decreases) in the capitalisation rate in isolation would result in a significantly lower (or higher) fair value of the properties.

The discount rate and terminal yield are key inputs of the discounted cash flow method. The discounted cash flow method incorporates a direct interrelationship between the discount rate and the terminal yield as the discount rate applied will determine the rate in which the terminal value is discounted to present value. Significant increases (or decreases) in the discount rate in isolation would result in a significantly lower (or higher) fair value. Similarly, significant increases (or decreases) in the terminal yield in isolation would result in a significantly lower (or higher) fair value. In general, an increase in the discount rate and a decrease in the terminal yield could potentially offset the impact on the fair value of the properties.

(e) Highest and best use

For all owner occupied property that is measured at fair value, the current use of the property is considered the highest and best use.

15. INVESTMENT PROPERTIES

(a) Reconciliation

	New Zealand		Australia				TOTAL	
	Retail $000	Warehouse $000	Retail $000	Warehouse $000	Office $000	Property for development $000	June 2017 $000	June 2016 $000
Opening balance	1,333	2,435	1,825,404	152,286	35,500	29,337	**2,046,295**	1,935,936
Additions	-	-	113,472	1,701	-	16	**115,189**	65,536
Transfers from property, plant and equipment	-	-	-	-	-	-	**-**	2,346
Change in class of property	-	-	147	(147)	-	-	**-**	-
Fair value adjustments*	-	-	98,503	8,879	-	-	**107,382**	48,358
Disposals	-	-	(1,077)	-	-	(26,000)	**(27,077)**	(6,174)
Depreciation for the year	(29)	(2)	-	-	-	-	**(31)**	(28)
Net foreign currency differences	(2)	(2)	-	-	-	-	**(4)**	321
Closing balance	**1,302**	**2,431**	**2,036,449**	**162,719**	**35,500**	**3,353**	**2,241,754**	**2,046,295**

* Fair value adjustments totalling $107.38 million in aggregate for the year ended 30 June 2017 are included in other income (2016: $48.36 million).

15. INVESTMENT PROPERTIES (CONTINUED)

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy	Fair value June 2017 $000	Valuation technique	Key unobservable inputs	Range of unobservable inputs
Retail	Level 3	2,037,751	Income capitalisation	Net market rent per sqm p.a.	$68 - $277 per sqm p.a.
				Capitalisation rate	6.8% - 10.0%
			Discounted cash flow	Terminal yield	6.0% - 10.0%
				Discount rate	6.8% - 10.5%
			Direct sale comparison	Price per sqm of lettable area	$88 - $2,765 per sqm
Warehouse	Level 3	165,150	Income capitalisation	Net market rent per sqm p.a.	$68 - $144 per sqm p.a.
				Capitalisation rate	7.5% - 10.0%
			Discounted cash flow	Terminal yield	7.8% - 10.0%
				Discount rate	8.5% -11.0%
			Direct sale comparison	Price per sqm of lettable area	$580 - $1,881 per sqm
Office	Level 3	35,500	Income capitalisation	Net market rent per sqm p.a.	$158 - $391 per sqm p.a.
				Capitalisation rate	7.2% - 7.8%
			Discounted cash flow	Terminal yield	6.3% - 7.8%
				Discount rate	6.3% - 8.3%
			Direct sale comparison	Price per sqm of lettable area	$2,151 - $5,216 per sqm
Property for development	Level 3	3,353	Direct sale comparison	Price per sqm of lettable area	$147 - $180 per sqm
Total		**2,241,754**			

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 a Harvey Norman®, Domayne® and Joyce Mayne® franchisee. A franchisee occupies properties pursuant to a licence, terminable upon reasonable notice. The fair value in respect of each investment property has been calculated primarily 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 the franchisee and other tenants
- adaptive reuse of buildings
- non-reliance on turnover rent
- the specific circumstances of the property not included in any of the above points

The income capitalisation method of valuation was primarily used for the valuation of all Retail, Warehouse and Office properties in Australia and the investment properties in New Zealand. A discounted cash flow valuation or a direct sale comparison valuation was undertaken, excluding property for development in Australia, as a secondary method. There were no material differences between the income capitalisation method result, the discounted cash flow method result and the direct sale comparison method result. The direct sale comparison method was used for all properties classified as property for development.

The descriptions and definitions relating to valuation techniques and key unobservable inputs used in determining the fair value of investment properties are the same as those for owner-occupied properties detailed in Note 14(b).

(c) Valuation process

All investment properties are subject to a semi-annual review to fair market value at each reporting period by the Property Review Committee, subject to review and final determination by the directors of the Company. The aim of the valuation process is to ensure that investment properties are held at fair value and the consolidated entity is compliant with applicable regulations and the consolidated entity's investment property valuation policy.

At each reporting period, at least one-sixth of the portfolio is independently valued by external valuers with the remaining five-sixths of the portfolio reviewed for fair value by Directors. The whole portfolio is independently valued every three years. The independent valuations are performed by external, professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the properties valued. The balance of the property portfolio is reviewed internally by the Property Review Committee and the directors of the Company, which may result in internal valuations where necessary.

15. INVESTMENT PROPERTIES (CONTINUED)

(c) Valuation process (continued)

The selection of sites to be independently valued is based on a pre-determined, fixed schedule that is generally geographically representative of the entire portfolio, where possible. If the results of any of the independently valued sites during the period give rise to indicators of potential fair value issues or inconsistencies with the broader property portfolio, then the revaluation review is extended to include those other potentially affected sites. For those similarly affected sites, a director's valuation is prepared for review by the Property Review Committee. In addition, the consolidated entity gives consideration to issues that may cause other sites to have varied significantly from the previously recorded fair value. For sites where variations exist, a director's valuation is performed and adjustment made to the value accordingly.

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 for further review by management. The twenty-nine (29) sites had generally 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.

Additionally, the Property Review Committee undertakes a revaluation review of investment properties under construction that are greater than 75% complete. The methodology to value a completed investment property also applies to the investment property under construction. The fair value of the investment property under construction is determined under the income capitalisation valuation method by estimating the fair value of the property at completion date less the remaining costs to complete and allowances for associated risk. As a secondary method, a discounted cash flow valuation is undertaken. The Property Review Committee also performs a valuation for any property less than 75% complete where there is an indication of a substantial change in the risks or benefits to warrant an earlier assessment. In general, direct sale comparison method of valuation is used for properties for future development.

(d) Sensitivity information

Refer to Note 14(d) for the sensitivity information provided in respect of owner-occupied properties.

(e) Rent and outgoings received and operating expenses of investment properties

Included in rent and outgoings received from franchisees and rent and outgoings received from other tenants other than franchisees as disclosed in Note 3 is rent and outgoings received from investment properties of $202.45 million for the year ended 30 June 2017 (2016: $196.67 million). Operating expenses, including rates and taxes and repairs and maintenance, recognised in the income statement in relation to investment properties amounted $43.75 million for the year ended 30 June 2017 (2016: $40.94 million).

16. INTANGIBLE ASSETS (NON-CURRENT)

	CONSOLIDATED	
	June 2017 $000	June 2016 $000
Computer software (summary)		
- At cost	**181,188**	170,560
- Accumulated amortisation and impairment	**(109,834)**	(93,748)
Net computer software	**71,354**	76,812
Computer Software (net of accumulated amortisation and impairment) (a):		
Opening balance	**76,812**	79,607
Additions	**11,578**	14,969
Disposals	**(54)**	(245)
Impairment	**-**	(1,883)
Amortisation	**(16,758)**	(15,820)
Net foreign currency differences arising from foreign operations	**(224)**	184
Net book value	**71,354**	76,812
Net licence property	**3,549**	4,108
Other intangible assets	**334**	272
Net intangible assets (non-current)	**75,237**	81,192

(a) Computer Software

Computer software assets are carried at cost less accumulated amortisation and accumulated impairment losses. The intangible assets have been assessed as having a finite life and is amortised using the straight-line method over a period of no greater than nine and a half (9.5) years. If impairment indicators are present, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

	CONSOLIDATED June 2017 $000	June 2016 $000
17. TRADE AND OTHER PAYABLES (CURRENT)		
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)

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

(a) Bank Overdraft

Of the total bank overdraft of $37.34 million as at 30 June 2017:

- a total of $37.23 million relates to a bank overdraft due by Harvey Norman Trading (Ireland) Limited to Bank of Ireland (“BOI”) (the “BOI Overdraft Facility”). Australia and New Zealand Banking Group Limited (“ANZ”) has provided an Indemnity/Guarantee/Stand-by Letter of Credit Facility in favour of BOI in support of the BOI Overdraft Facility, at the request of the Company (“ANZ-BOI Facility”). The ANZ-BOI Facility is further secured by the Syndicated Facility Agreement described in Note 18(c).
- a total of $0.11 million relates to a bank overdraft facility with AmBank (M) Berhad in Malaysia which is subject to periodic review. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.

(b) Commercial Bills Payable

The commercial bills payable form part of facilities granted by ANZ. The payment of each commercial bill is secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 18(c)), and subject to annual review by ANZ. Each commercial bill has a tenure not exceeding 180 days but is repayable on demand by ANZ, upon the occurrence of any event of default or Relevant Event (as defined in Note 18(c)) under the Syndicated Facility Agreement, or after any annual review date.

(c) 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.

18. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT) (CONTINUED)

(c) Syndicated Facility Agreement (continued)

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.

(d) 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.

(e) Directors and Other Related Parties

Interest is payable at a rate equivalent to the 30 day bank bill swap reference rate (BBSY) plus a margin. The total interest rate paid is at all times lower than the consolidated entity’s weighted average cost of debt. The loans are unsecured and repayable at call.

(f) Defaults and Breaches

During the current and prior years, there were no defaults or breaches on any of the interest-bearing loans and borrowings disclosed in Notes 18 and 21.

19. OTHER LIABILITIES (CURRENT)

	CONSOLIDATED June 2017 $000	CONSOLIDATED 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

	June 2017 $000	June 2016 $000
Current:		
Employee entitlements (Note 29)	**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
Non-Current:		
Employee entitlements (Note 29)	**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

20. PROVISIONS (CONTINUED)

CONSOLIDATED	Make Good Provision $000	Deferred Lease Expenses $000	Onerous Lease Costs $000	Total $000
Opening balance	5,543	5,960	596	12,099
Arising during the year	280	971	643	1,894
Utilised	(352)	(1,744)	(710)	(2,806)
Exchange rate variance	(386)	4	-	(382)
Closing balance	5,085	5,191	529	10,805
Current 2017	792	1,200	529	2,521
Non-current 2017	4,293	3,991	-	8,284
Total provisions 2017	5,085	5,191	529	10,805
Current 2016	1,684	1,243	596	3,523
Non-current 2016	3,859	4,717	-	8,576
Total provisions 2016	5,543	5,960	596	12,099

Make good provision
In accordance with certain lease agreements, the consolidated entity is obligated to restore certain leased premises to a specified condition at the end of the lease term. The make good provision represents the expected costs to be incurred in restoring the leased premises to the condition specified in the lease.

Deferred lease expenses
Deferred lease expenses represent the present value of the future lease payments that the consolidated entity is presently obligated to make under non-cancellable operating lease agreements to enable the even recognition of lease payments as an expense on a straight-line basis over the lease term.

Onerous lease costs
The provision for onerous lease costs represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements. This obligation may be reduced by the revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable.

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

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

(a) Defaults and Breaches
During the current and prior years, there were no defaults or breaches on any of the interest-bearing loans and borrowings disclosed in Notes 18 and 21.

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000

22. FINANCING FACILITIES AVAILABLE

At balance date, the following financing facilities had been negotiated and were available:

	June 2017 $000	June 2016 $000
Total facilities:		
- Bank overdraft	**44,449**	44,260
- Other borrowings	**114,866**	130,461
- Commercial bank bills	**9,750**	9,750
- Syndicated Facility Agreement	**610,000**	610,000
Total Available Facilities	**779,065**	794,471
Facilities used at reporting date:		
- Bank overdraft	**37,342**	36,243
- Other borrowings (current)	**87,576**	102,110
- Commercial bank bills (current)	**9,750**	9,750
- Syndicated Facility Agreement (current)	**200,000**	260,000
- Syndicated Facility Agreement (non-current)	**330,000**	200,000
Total Used Facilities	**664,668**	608,103
Facilities unused at reporting date:		
- Bank overdraft	**7,107**	8,017
- Other borrowings	**27,290**	28,351
- Syndicated Facility Agreement	**80,000**	150,000
Total Unused Facilities	**114,397**	186,368

Refer to Note 18 Interest-Bearing Loans and Borrowings (Current) and Note 21 Interest-Bearing Loans and Borrowings (Non-Current) for details regarding the security provided by the consolidated entity over each of the financing facilities disclosed above.

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

	June 2017 Number	June 2016 Number
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.

	June 2017 Number	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

Ordinary Shares – Terms and Conditions

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in any surplus on winding up in proportion to the number of and amounts paid up on shares held. Each ordinary share entitles the holder to one vote, either in person or by proxy, at a meeting of the Company.

25. 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.

26. RETAINED PROFITS AND DIVIDENDS

	CONSOLIDATED 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
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

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

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

(iii) 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

27. 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

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 in Australia	**(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 liabilities	**72,238**	12,287
Income tax payable	**(170)**	7,904
Net cash from operating activities	**425,140**	437,691

29. EMPLOYEE BENEFITS

	CONSOLIDATED June 2017 Number	CONSOLIDATED June 2016 Number
The number of full-time equivalent employees employed as at 30 June were:	**5,200**	5,158

	June 2017 $000	June 2016 $000
The aggregate employee benefit liability was comprised of:		
Accrued wages, salaries and on-costs	**17,132**	12,877
Provisions (Current – Note 20)	**31,513**	25,174
Provisions (Non-current – Note 20)	**4,768**	6,134
Total employee benefit provisions	**53,413**	44,185

The consolidated entity makes contributions to complying superannuation funds for the purpose of provision of superannuation benefits for eligible employees of the consolidated entity. The amount of contribution in respect of each eligible employee is not less than the prescribed minimum level of superannuation support in respect of that eligible employee. The complying superannuation funds are independent and not administered by the consolidated entity.

Share Options

Harvey Norman Holdings Limited
At balance date, the following options over unissued ordinary shares were outstanding and vested (or able to be exercised) by, or for the benefit of, directors of Harvey Norman Holdings Limited:

Grant Date	Expiry Date	Exercise Price	Number of Options Outstanding 2017	Number of Options Outstanding 2016	Number of Options Vested 2017	Number of Options Vested 2016
29/12/2012	30/06/2018	$1.83	**-**	-	**1,134,000**	1,701,000
			-	-	**1,134,000**	1,701,000

Refer to Tables 3 and 4 of this report on pages 50 and 51 for further information.

Performance Rights

Harvey Norman Holdings Limited
At balance date, the following performance rights over unissued ordinary shares were outstanding and vested (or able to be exercised) by, or for the benefit of, directors of Harvey Norman Holdings Limited:

Grant Date	Expiry Date	Exercise Price	Number of Performance Rights Outstanding 2017	Number of Performance Rights Outstanding 2016	Number of Performance Rights Vested 2017	Number of Performance Rights Vested 2016
30/11/2015	30/06/2021	-	**400,000**	400,000	**-**	-
28/11/2016	30/06/2022	-	**400,000**	-	**-**	-
			800,000	400,000	**-**	-

Refer to Tables 5 and 6 of this report on pages 52 and 53 for further information.

30. REMUNERATION OF AUDITORS

	CONSOLIDATED June 2017 $	CONSOLIDATED June 2016 $
Amounts received or due and receivable by Ernst & Young for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	**1,955,946**	1,709,834
- tax services in relation to the entity and any other entity in the consolidated entity	**205,823**	191,160
- other services in relation to the entity and any other entity in the consolidated entity	**71,756**	116,123
Total received or due and receivable by Ernst & Young	**2,233,525**	2,017,117

31. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Directors	Title	Senior Executives	Title
Gerald Harvey	Executive Chairman	**Martin Anderson**	General Manager – Advertising
Kay Lesley Page	Executive Director and Chief Executive Officer	**Thomas James Scott**	General Manager – Property
John Evyn Slack-Smith	Executive Director and Chief Operating Officer	**Geoff Van Der Vegt (resigned 31 May 2017)**	General Manager – Technology & Entertainment
David Matthew Ackery	Executive Director	**Gordon Ian Dingwall**	Chief Information Officer
Chris Mentis	Executive Director, Chief Financial Officer and Company Secretary	**Haydon Ian Myers**	General Manager – Home Appliances
Christopher Herbert Brown OAM	Non-Executive Director	**Robert Nelson**	General Manager – Audio Visual
Michael John Harvey	Non-Executive Director		
Kenneth William Gunderson-Briggs	Non-Executive Director (Independent)		
Graham Charles Paton AM	Non-Executive Director (Independent)		

(b) Compensation of Key Management Personnel

The total remuneration paid or payable to Key Management Personnel of the consolidated entity was as follows:

	CONSOLIDATED	
	June 2017 $	June 2016 $
Short-term	**11,500,990**	10,865,503
Post employment	**262,382**	253,208
Long-term (performance cash incentives)	**1,762,854**	1,857,926
Long-term (share-based payments)	**562,619**	185,094
Other – long service leave accrual	**90,268**	96,278
Other – termination benefits	**11,292**	-
	14,190,405	13,258,009

Refer to Tables 1 and 2 of this report on pages 48 and 49 for further information.

32. RELATED PARTY TRANSACTIONS

(a) Ultimate Controlling Entity

The ultimate controlling entity of the consolidated entity is Harvey Norman Holdings Limited, a company incorporated in Australia.

(b) Transactions with Other Related Parties

(i)	Several controlled entities of Harvey Norman Holdings Limited operate loan accounts with other related parties, mainly consisting of joint ventures and the other joint venture partner of the joint ventures. Refer to Notes 7 and 12. The amount of receivables from related parties at balance date was:	**130,283,866**	121,570,008
(ii)	The consolidated entity has a payable to other related parties at arm's length terms and conditions. The amount owing to other related parties at balance date was:	**14,036,072**	5,931,711

Refer to information provided in Section 14. Other Transactions and Balances with KMP and their Related Parties in this report on pages 55 and 56 for further information.

33. COMMITMENTS

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
(a) Capital expenditure contracted but not provided is payable as follows:		
Not later than one year	**109,254**	27,657
Later than one year but not later than five years	**1,356**	-
Total capital expenditure commitments	**110,610**	27,657

The consolidated entity had contractual obligations to purchase property, plant and equipment and investment properties of $110.61 million (2016: $27.66 million). The contractual obligations are mainly for acquisition of new properties, development of new franchised complexes and the refurbishment of existing franchised complexes in Australia. There was only one contractual obligation relating to joint venture entities for the year ended 30 June 2017 amounting to $4.55 million (2016: nil).

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
(b) Lease expenditure commitments – the consolidated entity as lessee:		
(i) *Operating lease expenditure contracted for is payable as follows:*		
Not later than one year	**147,862**	140,915
Later than one year but not later than five years	**360,923**	322,981
Later than five years	**134,812**	129,705
Total operating lease liabilities	**643,597**	593,601

Operating leases are entered into as a means of acquiring access to retail property and warehouse facilities. Rental payments are adjusted annually in line with rental agreements.

(ii) Geographic representation of operating lease expenditure:

30 June 2017	Australia $000	New Zealand $000	Singapore and Malaysia $000	Ireland and Northern Ireland $000	Slovenia and Croatia $000	Total $000
Not later than one year	88,656	13,030	26,930	17,373	1,873	**147,862**
Later than one year but not later than five years	211,973	34,271	50,713	58,342	5,624	**360,923**
Later than five years	70,285	9,362	217	54,704	244	**134,812**
Total operating lease liabilities	**370,914**	**56,663**	**77,860**	**130,419**	**7,741**	**643,597**

30 June 2016	Australia $000	New Zealand $000	Singapore and Malaysia $000	Ireland and Northern Ireland $000	Slovenia and Croatia $000	Total $000
Not later than one year	86,939	11,472	22,982	17,660	1,862	140,915
Later than one year but not later than five years	185,334	31,136	38,032	61,888	6,591	322,981
Later than five years	50,544	11,723	-	67,383	55	129,705
Total operating lease liabilities	**322,817**	**54,331**	**61,014**	**146,931**	**8,508**	**593,601**

Several lease agreements contain provisions that permit the tenant to exit, or break, the lease prior to the lease expiry date, subject to the adherence of the strict terms and conditions stipulated in the lease agreement that gives a tenant the right to terminate the agreement at an earlier date. The operating lease expenditure commitments disclosed in the tables above have been calculated up to exit or break dates.

33. COMMITMENTS (CONTINUED)

(c) Lease commitments – the consolidated entity as lessor:

	CONSOLIDATED June 2017 $000	CONSOLIDATED June 2016 $000
Future minimum amounts receivable under non-cancellable operating leases are as follows:		
Not later than one year	**82,982**	80,340
Later than one year but not later than five years	**153,998**	140,599
Later than five years	**33,159**	27,935
Minimum lease receivable	**270,139**	248,874

The consolidated entity has entered into commercial leases in respect of its property portfolio and motor vehicles. All leases in the consolidated entity's portfolio include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(d) Finance lease commitments – the consolidated entity as lessee:

	CONSOLIDATED 2017 Minimum Payments $000	2017 Present value of payments $000	2016 Minimum Payments $000	2016 Present value of payments $000
Not later than one year	**1,595**	**1,327**	447	364
Later than one year but not later than five years	**4,204**	**3,858**	1,195	1,042
Total minimum lease payments	**5,799**	**5,185**	1,642	1,406
Less: amounts representing finance charges	**(614)**	**-**	(236)	-
Present value of minimum lease payments	**5,185**	**5,185**	1,406	1,406

34. CONTINGENT LIABILITIES

As at 30 June 2017, the consolidated entity does not have any contingent liabilities. The contingent liability as at 30 June 2016 of $10.30 million related to guarantee for the performance of a joint venture entity which had entered into a loan facility with other parties.

35. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

The consolidated entity's principal financial liabilities, other than derivatives, comprise of trade and other payables and loans and borrowings. The consolidated entity's principal financial assets, other than derivatives, include trade and other receivables, shares held for trading and available for sale investments.

The consolidated entity manages its exposure to key financial risks, such as interest rate and currency risk in accordance with the consolidated entity's financial risk management policy, as outlined in the Treasury Policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The consolidated entity enters into derivative transactions, principally forward currency contracts. The purpose is to manage the currency risks arising from the consolidated entity's operations and its sources of finance.

The main risks arising from the consolidated entity's financial assets and financial liabilities are:
- foreign currency risk
- interest rate risk
- equity price risk
- credit risk; and
- liquidity risk

The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include:
- monitoring levels of exposure to interest rate and foreign exchange risk;
- monitoring assessments of market forecasts for interest rate, foreign exchange;
- ageing analyses and monitoring of specific credit allowances to manage credit risk; and
- monitoring liquidity risk through the development of future rolling cash flow forecasts.

The Board reviews and endorses policies for managing each of these risks as summarised below:
- the setting of limits for trading in derivatives; and
- hedging cover of foreign currency risk, credit allowances, and future cash flow forecast projections.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which the consolidated entity are exposed are discussed below.

(i) Foreign Currency Risk Management

Foreign currency risk refers to the risk that the value of financial instruments, recognised asset or liability will fluctuate due to changes in foreign currency rates. The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The consolidated entity's foreign currency exchange risk arises primarily from:

- receivables or payables denominated in foreign currencies; and
- firm commitments or highly probable forecast transactions for payments settled in foreign currencies.

The consolidated entity is exposed to foreign exchange risk from various currency exposures, primarily with respect to:

- United States dollars;
- New Zealand dollars;
- Euro;
- British pound;
- Singapore dollars;
- Malaysian ringgit; and
- Croatian kuna

The consolidated entity minimises its exposure to foreign currency risk by initially seeking contracts effectively denominated in the consolidated entity's functional currency where possible and economically favourable to do so. Foreign exchange risk that arises from firm commitments or highly probable transactions is managed principally through the use of forward currency contracts. The consolidated entity hedges a proportion of these transactions in each currency in accordance with the Treasury Policy.

	CONSOLIDATED	
	June 2017 $000	June 2016 $000
Financial assets		
Cash and cash equivalents	**17,686**	12,463
Trade and other receivables	**2,579**	729
Derivatives receivable	**25**	111
	20,290	13,303
Financial liabilities		
Trade and other payables	**20,409**	20,482
Interest-bearing loans and borrowings	**10,731**	10,375
Derivatives payable	**68**	325
	31,208	31,182
Net exposure	**(10,918)**	(17,879)

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(i) Foreign Currency Risk Management (continued)

The following sensitivity analysis is calculated based on the foreign currency risk exposures that are not denominated in the functional currency of the relevant subsidiary at balance date. At 30 June 2017, had the various currencies moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit increase/(decrease)		Other comprehensive income increase/(decrease)	
	June 2017 $000	June 2016 $000	**June 2017 $000**	June 2016 $000
Consolidated				
Australian subsidiaries				
AUD/EURO + 5% (2016: + 5%)	**(10)**	3	**(76)**	(92)
AUD/EURO - 5% (2016: - 10%)	**11**	(7)	**84**	214
AUD/USD + 5% (2016: + 5%)	**1**	(2)	**(22)**	(18)
AUD/USD - 5% (2016: - 10%)	**(1)**	6	**24**	43
Slovenia and Ireland subsidiaries				
EURO/USD + 5% (2016: + 5%)	**(146)**	7	**-**	-
EURO/USD - 5% (2016: - 5%)	**161**	(7)	**-**	-
EURO/GBP + 5% (2016: +5%)	**1**	(14)	**-**	-
EURO/GBP - 5% (2016: - 15%)	**(1)**	51	**-**	-
Croatia subsidiaries				
HRK/EURO + 5% (2016: + 5%)	**595**	556	**-**	-
HRK/EURO - 5% (2016: - 5%)	**(658)**	(615)	**-**	-
HRK/USD + 5% (2016: + 5%)	**(1)**	1	**-**	-
HRK/USD - 5% (2016: - 10%)	**1**	(2)	**-**	-
Singapore and Malaysia subsidiaries				
SGD/USD + 5% (2016: + 10%)	**5**	5	**-**	-
SGD/USD - 5% (2016: - 5%)	**(5)**	(3)	**-**	-
SGD/EURO + 5% (2016: + 5%)	**4**	(101)	**-**	-
SGD/EURO - 5% (2016: - 10%)	**(5)**	236	**-**	-
SGD/MYR + 5% (2016: + 5%)	**(283)**	25	**-**	-
SGD/MYR - 5% (2016: - 10%)	**313**	(59)	**-**	-
SGD/AUD + 5% (2016: + 5%)	**2**	8	**-**	-
SGD/AUD - 5% (2016: - 5%)	**(2)**	(9)	**-**	-
New Zealand subsidiaries/branches				
NZD/EURO + 5% (2016: + 5%)	**(3)**	(8)	**-**	-
NZD/EURO - 5% (2016: - 10%)	**4**	18	**-**	-
NZD/USD + 5% (2016: + 5%)	**(1)**	-	**-**	-
NZD/USD - 5% (2016: - 10%)	**1**	(1)	**-**	-

The sensitivity increases and decreases in exchange rates have been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a 2-year historical data basis and market expectations for potential future movement. The sensitivities of post tax profit and other comprehensive income in 2017 are comparable to 2016.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)
(b) Market Risk (continued)

(ii) Interest Rate Risk Management

Interest rate risk refers to the risk that movements in variable interest rates will affect financial performance by increasing interest expenses or reducing interest income.

Interest rate risk arises from financial assets and liabilities that are subject to floating interest rates. The consolidated entity's exposure to market interest rates relates primarily to:
- Cash and cash equivalents;
- Non-trade debts receivable from related entities and unrelated entities;
- Bank overdraft;
- Non-trade amounts owing to directors and other related parties;
- Syndicated Facility;
- Commercial bills; and
- Other short-term borrowings

The consolidated entity manages the interest rate exposure by adjusting the ratio of fixed interest debt to variable interest debt to a desired level based on current market conditions. Where the actual interest rate profile on the physical debt profile differs substantially from the desired target, the consolidated entity uses interest rate swap contracts to adjust towards the target net debt profile. Under the interest rate swap contracts, the consolidated entity agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

30 June 2017	Principal subject to floating interest rate $000	Fixed interest rate maturing in: 1 year or less $000	Over 1 to 5 years $000	More than 5 years $000	Non-interest bearing $000	Total $000	Average interest rate: Floating	Fixed
Financial assets								
Cash	59,593	3,242	-	-	17,389	80,224	0.01% - 3.70%	0.01%
Consumer finance loans	-	-	-	-	2,948	2,948	-	-
Finance lease receivables	-	926	884	-	4,622	6,432	-	10.50% - 12.50%
Receivables from franchisees	-	-	-	-	535,448	535,448	-	-
Trade receivables	-	-	-	-	82,166	82,166	-	-
Other financial assets	-	-	-	-	59,267	59,267	-	-
Non-trade debts receivables & loans	43,433	3,389	14,497	4,938	78,175	144,432	3.92%-5.07%	7.75% - 12.00%
	103,026	7,557	15,381	4,938	780,015	910,917		
Financial liabilities								
Syndicated Facility and other short-term borrowings	617,576	-	-	-	-	617,576	0.53% - 5.78%	-
Trade creditors	-	-	-	-	238,628	238,628	-	-
Other loans	50,377	-	-	-	211	50,588	2.47% - 3.02%	-
Bank overdraft	37,342	-	-	-	-	37,342	1.70% - 6.50%	-
Bills payable	9,750	-	-	-	-	9,750	1.67% - 1.90%	-
Finance lease liabilities	-	1,327	3,858	-	-	5,185	-	5.92% - 9.50%
Other financial liabilities	-	-	-	-	68	68	-	-
	715,045	1,327	3,858	-	238,907	959,137		

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(ii) Interest Rate Risk Management (continued)

30 June 2016	Principal subject to floating interest rate $000	Fixed interest rate maturing in: 1 year or less $000	Over 1 to 5 years $000	More than 5 years $000	Non-interest bearing $000	Total $000	Average interest rate: Floating	Fixed
Financial assets								
Cash	95,314	32,105	-	-	12,455	139,874	0.01% - 2.75%	0.01% - 3.00%
Consumer finance loans	-	9	1	-	2,669	2,679	-	9.00%
Finance lease receivables	-	945	1,207	-	8,278	10,430	-	10.50% - 12.50%
Receivables from franchisees	-	-	-	-	942,934	942,934	-	-
Trade receivables	-	-	-	-	107,235	107,235	-	-
Other financial assets	-	-	-	-	44,955	44,955	-	-
Non-trade debts receivables & loans	45,286	16,021	3,979	4,070	75,383	144,739	4.14% - 5.30%	7.00% - 12.00%
	140,600	49,080	5,187	4,070	1,193,909	1,392,846		
Financial liabilities								
Borrowings	550,641	11,469	-	-	-	562,110	1.14% - 3.97%	1.00% - 1.13%
Trade creditors	-	-	-	-	746,489	746,489	-	-
Other loans	44,066	-	-	-	177	44,243	2.89% - 3.65%	-
Bank overdraft	36,243	-	-	-	-	36,243	1.70% - 6.65%	-
Bills payable	9,750	-	-	-	-	9,750	1.90% - 2.15%	-
Finance lease liabilities	-	364	1,042	-	-	1,406	-	5.92% - 9.50%
Other financial liabilities	-	-	-	-	325	325	-	-
	640,700	11,833	1,042	-	746,991	1,400,566		

Sensitivity analysis

The following sensitivity is based on interest rate risk exposures in existence at balance date.

A sensitivity of 50 basis points increase and 50 basis points decrease has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market Risk (continued)

(ii) Interest Rate Risk Management (continued)

At 30 June 2017, if interest rates had moved, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	CONSOLIDATED			
	Post tax profit Increase/(decrease)		Other comprehensive income Increase/(decrease)	
	June 2017 $000	June 2016 $000	**June 2017 $000**	June 2016 $000
If there was 50 (2016: 50) basis points higher in interest rates with all other variables held constant	**(2,267)**	(1,865)	**-**	-
If there was 50 (2016: 50) basis points lower in interest rates with all other variables held constant	**2,267**	1,865	**-**	-

The movements in post tax profit are due to higher/lower interest costs from variable rate debt and cash balances.

The movements in post tax profit in 2017 are more sensitive than the movements in 2016 because of an increase in financial liabilities that are subject to variable interest rates.

(iii) Equity Price Risk Management

The consolidated entity is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The exposure to the risk of a general decline in equity market values is not hedged as the consolidated entity believes such a strategy is not cost effective. The fair value of the equity investments publicly traded on the ASX was $36.81 million as at 30 June 2017 (2016: $26.71 million). The fair value of the equity investments publicly traded on the NZX was $19.65 million as at 30 June 2017 (2016: $15.62 million).

As at 30 June 2017, if equity prices had been 10% higher/lower while all other variables are held constant, post tax profit and other comprehensive income would have been affected as follows:

	CONSOLIDATED			
	Post tax profit Increase/(decrease)		Other comprehensive income Increase/(decrease)	
	June 2017 $000	June 2016 $000	**June 2017 $000**	June 2016 $000
If there was 10% (2016: 10%) increase movement in equity prices with all other variables held constant	**2,606**	1,901	**1,965**	1,562
If there was 10% (2016: 10%) decrease movement in equity prices with all other variables held constant	**(2,606)**	(1,901)	**(1,965)**	(1,562)

A sensitivity of 10% has been selected as this is considered reasonable given the current level of equity prices, the volatility observed on a historic basis and market expectations for future movement.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit Risk

Credit risk refers to the loss that the consolidated entity would incur if a debtor or other counterparty fails to perform under its contractual obligations.

Credit risk arises from the financial assets of the consolidated entity, which comprise receivables from franchisees, trade and non-trade debts receivables, consumer finance loans and finance lease receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these financial assets.

The consolidated entity's policies to limit its exposure to credit risks are as follows:

- The Franchisor constantly monitors and evaluates the financial position of each franchisee;
- Conducting appropriate due diligence on counterparties before entering into an arrangement with them. It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored; and
- For finance lease receivables or non-trade debts receivable from related parties and other unrelated parties, the consolidated entity obtains collateral with a value equal or in excess of the counterparties' obligation to the consolidated entity.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of debtors in various countries and industries. In addition, receivable balances are monitored on an ongoing basis.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The table below represents the financial assets of the consolidated entity by geographic location displaying the concentration of credit risk for each location as at balance date:

	CONSOLIDATED	
	June 2017 $000	June 2016 $000
Location of credit risk		
Australia	**667,695**	1,107,655
New Zealand	**29,369**	36,825
Singapore and Malaysia	**14,215**	18,892
Slovenia and Croatia	**5,232**	4,337
Ireland and Northern Ireland	**2,952**	3,245
Total	**719,463**	1,170,954

(d) Liquidity Risk

Liquidity risk includes the risk that, as a result of the consolidated entity's operational liquidity requirements:

- the consolidated entity will not have sufficient funds to settle a transaction on the due date;
- the consolidated entity will be forced to sell financial assets at a value which is less than what they are worth; or
- the consolidated entity may be unable to settle or recover a financial asset at all.

To help reduce these risks, the consolidated entity:

- has readily accessible standby facilities and other funding arrangements in place; and
- maintains instruments that are tradeable in highly liquid markets.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The Board reviews this exposure on a monthly basis from a projected 12-month cash flow forecast, listing of banking facilities, explanations of variances from the prior month reports and current funding positions of the overseas controlled entities provided by finance personnel.

The following table details the consolidated entity's remaining contractual maturity for its financial assets and financial liabilities. The financial assets have been disclosed based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The financial liabilities have been disclosed based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the consolidated entity can be required to pay.

Year ended 30 June 2017 CONSOLIDATED	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Non derivative financial assets					
Cash and cash equivalents	80,224	-	-	-	80,224
Receivables from franchisees	535,448	-	-	-	535,448
Trade and other receivables	109,358	5,501	81,767	5,742	202,368
Other financial assets	29,166	-	-	30,076	59,242
Derivative financial assets					
Forward currency contracts	25	-	-	-	25
Total financial assets	754,221	5,501	81,767	35,818	877,307
Non derivative financial liabilities					
Trade and other payables	238,628	-	-	-	238,628
Interest bearing loans and borrowings	401,409	246,994	93,869	-	742,272
Derivative financial liabilities					
Forward currency contracts	68	-	-	-	68
Total financial liabilities	640,105	246,994	93,869	-	980,968
Net maturity	114,116	(241,493)	(12,102)	35,818	(103,661)

Year ended 30 June 2016 CONSOLIDATED	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Non derivative financial assets					
Cash and cash equivalents	139,874	-	-	-	139,874
Receivables from franchisees	942,934	-	-	-	942,934
Trade and other receivables	157,986	5,659	38,588	41,948	244,181
Other financial assets	26,204	-	-	18,751	44,955
Total financial assets	1,266,998	5,659	38,588	60,699	1,371,944
Non derivative financial liabilities					
Trade and other payables	746,489	-	-	-	746,489
Interest bearing loans and borrowings	464,921	202,951	867	-	668,739
Derivative financial liabilities					
Forward currency contracts	325	-	-	-	325
Total financial liabilities	1,211,735	202,951	867	-	1,415,553
Net maturity	55,263	(197,292)	37,721	60,699	(43,609)

For detailed information on financing facilities available as at 30 June 2017 refer to Note 22.

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair Value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities are determined as follows:

- The carrying amounts of cash and cash equivalents, receivables from franchisees, trade and other receivables, other financial assets, trade and other payables and interest-bearing loans and borrowings are reasonable approximations of fair value.
- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- The consolidated entity enters into derivative financial instruments with various counterparties, particularly financial institutions with investment grade credit ratings. Forward currency contracts are valued using valuation techniques which employs the use of market observable inputs.

The consolidated entity uses various methods in estimating the fair value of financial instruments. The methods comprise:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

Year ended 30 June 2017 CONSOLIDATED	Quoted market price (Level 1) $000	Valuation technique – market observable inputs (Level 2) $000	Valuation technique – non market observable inputs (Level 3) $000	Total $000
Financial Assets				
Listed investments	56,455	-	-	**56,455**
Forward currency contracts	-	25	-	**25**
Total Financial Assets	56,455	25	-	**56,480**
Financial Liabilities				
Forward currency contracts	-	68	-	68
Total Financial Liabilities	-	68	-	68

Year ended 30 June 2016 CONSOLIDATED	Quoted market price (Level 1) $000	Valuation technique – market observable inputs (Level 2) $000	Valuation technique – non market observable inputs (Level 3) $000	Total $000
Financial Assets				
Listed investments	42,328	-	-	**42,328**
Total Financial Assets	42,328	-	-	**42,328**
Financial Liabilities				
Forward currency contracts	-	325	-	**325**
Total Financial Liabilities	-	325	-	**325**

35. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair Value of Financial Assets and Financial Liabilities (continued)

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices and are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Forward currency contracts are measured using quoted forward exchange rates. These instruments are included in level 2. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

(f) Capital Risk Management Policy

When managing capital, the objective is to create long-term sustainable value for shareholders and avoid adverse short-term decision making, whilst maintaining optimal returns to shareholders and benefits to other stakeholders. The aim is to maintain a capital structure utilising the lowest cost of capital available to the entity.

The consolidated entity is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the consolidated entity may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in Note 18 and 21, cash and cash equivalents disclosed in Note 28(a) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 24, 25 and 26 respectively. None of the consolidated entity's entities are subject to externally imposed capital requirements.

Capital management is monitored through the debt to equity ratio (borrowings / total equity). The target for the consolidated entity's debt to equity ratio is a tolerance level of up to 50%. The debt to equity ratios at 30 June 2017 and 2016 were as follows:

	CONSOLIDATED	
	June 2017 $000	June 2016 $000
Borrowings (a)	**720,509**	654,077
Less: Cash and cash equivalents	**(80,224)**	(139,874)
Net Debt (c)	**640,285**	514,203
Total equity (b)	**2,834,957**	2,710,724
Debt to equity ratio [(a)/(b)]	**25.42%**	24.13%
Net debt to equity ratio [(c)/(b)]	**22.59%**	18.97%

(a) Borrowings for the purpose of calculating the debt to equity ratio consists of:
- Bank overdraft;
- Other short-term borrowings;
- Syndicated facility agreement (current and non-current);
- Commercial bills payable;
- Lease liabilities (current and non-current);
- Derivatives payable; and
- Non trade amounts owing to directors, related parties and unrelated parties.

(b) For the purpose of calculating the debt to equity ratio, total equity excludes the negative acquisition reserve of $22.05 million (2016: $22.05 million).

36. DERIVATIVES FINANCIAL INSTRUMENTS

Hedging Instruments

The following table details the derivative hedging instruments as at balance date. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

	CONSOLIDATED	
	June 2017 $000	June 2016 $000
Current Assets		
Forward currency contracts – held for trading	**25**	-
Current liabilities		
Forward currency contracts – held for trading	**40**	280
Forward currency contracts – cash flow hedges	**28**	45

(a) Forward currency contracts – held for trading

The consolidated entity has entered into forward currency contracts which are economic hedges but do not satisfy the requirements of hedge accounting.

			CONSOLIDATED			
			2017		2016	
Currency	**Average Exchange Rate 2017**	2016	**Buy $000**	**Sell $000**	**Buy $000**	**Sell $000**
Euro (0-12 months)	**67.64**	64.51	**5,610**	**-**	7,306	-
US Dollar (0-12 months)	**76.03**	73.02	**3,628**	**-**	950	-
Total			**9,238**	**-**	8,256	-

These contracts are fair valued by comparing the contracted rate to the market rates at balance date. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value losses on forward currency contracts during the year were $0.01 million for the consolidated entity (2016: $0.28 million).

(b) Forward currency contracts – cash flow hedges

The consolidated entity purchases inventories from various overseas countries. As such, the consolidated entity is exposed to foreign exchange risk from various currency exposures, primarily with respect to:

- United States dollars; and
- Euro.

In order to protect against exchange rate movements and to manage the inventory costing process, the consolidated entity has entered into forward currency contracts to purchase US dollars and Euro. These contracts are hedging highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made. The following table details the forward currency contracts outstanding as at reporting date:

			CONSOLIDATED			
			2017		2016	
Currency	**Average Exchange Rate 2017**	2016	**Buy $000**	**Sell $000**	Buy $000	Sell $000
Euro (0-12 months)	**66.93**	66.01	**2,271**	**-**	2,742	-
US Dollar (0-12 months)	**75.11**	73.53	**666**	**-**	544	-
Total			**2,937**	**-**	3,286	-

36. DERIVATIVES FINANCIAL INSTRUMENTS (CONTINUED)

(b) Forward currency contracts – cash flow hedges (continued)

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast inventory purchases and firm committed invoice payments for inventory purchases. During the year the hedges were 100% effective (2016: 100% effective), therefore the gain or loss on the contracts attributable to the hedged risk is taken directly to equity. When the inventory is delivered the amount recognised in equity is adjusted to the inventory account in the statement of financial position.

Movement in the forward currency contract cash flow hedge reserve:

	CONSOLIDATED	
	June 2017 $000	June 2016 $000
	Increase/(Decrease)	
Opening balance	**(32)**	25
Transferred to inventory	**32**	(25)
Charged to other comprehensive income	**(20)**	(32)
Closing balance	**(20)**	(32)

37. 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

Name and Principal Activities	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.

(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.

38. CONTROLLED ENTITIES AND UNIT TRUSTS
Shares held by Harvey Norman Holdings Limited

The following companies are 100% owned by Harvey Norman Holdings Limited and incorporated in Australia unless marked otherwise. The financial year of all controlled entities are the same as that of the Parent Company.

A.C.N. 098 004 570 Pty Limited
Aloku Pty Limited
Anwarah Pty Limited
Arisit Pty Limited[1, 2]
Arlenu Pty Limited
Armidale Holdings Pty Limited
Arpayo Pty Limited
Australian Business Skills Centre Pty Limited[13]
Balwondu Pty Limited
Barrayork Pty Limited
Becto Pty Limited
Bellevue Hill Pty Limited
Bencoolen Properties Pte Limited [5,10]
Bestest Pty Limited
Bossee Pty Limited
Bradiz Pty Limited
Braxpine Pty Limited
Byron Bay Facilities Pty Limited[14]
Byron Bay Management Pty Limited[15]
Caesar Mosaics Pty Limited
Calardu Albany Pty Limited
Calardu Albury Pty Limited
Calardu Alexandria DM Pty Limited
Calardu Alexandria WH Pty Limited
Calardu Alice Springs Pty Limited
Calardu Armadale WA Pty Limited
Calardu Armidale Pty Limited
Calardu Auburn Pty Limited
Calardu Ballarat Pty Limited
Calardu Ballina No. 1 Pty Limited
Calardu Ballina Pty Limited
Calardu Bathurst Pty Limited
Calardu Beaufort Street Pty Limited
Calardu Belrose DM Pty Limited
Calardu Bendigo Pty Ltd[3]
Calardu Berri (SA) Pty Limited
Calardu Berrimah Pty Limited
Calardu Berrimah WH Pty Limited[16]
Calardu Broadmeadow Pty Limited
Calardu Broadmeadows VIC Pty Limited
Calardu Browns Plains No. 1 Pty Limited
Calardu Browns Plains Pty Limited
Calardu Bunbury (WA) Pty Limited
Calardu Bundaberg Pty Limited
Calardu Bundaberg WH Pty Limited
Calardu Bundall Pty Limited
Calardu Burnie Pty Limited
Calardu Cairns Pty Limited
Calardu Cambridge Pty Limited
Calardu Campbelltown Pty Limited
Calardu Cannington Pty Limited
Calardu Caringbah (Taren Point) Pty Limited
Calardu Caringbah Pty Limited
Calardu Chatswood Pty Limited
Calardu Crows Nest Pty Limited
Calardu Cubitt Pty Limited
Calardu Darwin Pty Limited
Calardu Devonport Pty Limited
Calardu Dubbo Pty Limited
Calardu Emerald Pty Limited
Calardu Frankston Pty Limited
Calardu Frankston WH Pty Limited
Calardu Fyshwick DM Pty Limited
Calardu Gepps Cross Pty Limited
Calardu Gladstone Pty Limited
Calardu Gordon Pty Limited
Calardu Guildford Pty Limited
Calardu Gympie Pty Limited
Calardu Hervey Bay Pty Limited
Calardu Hobart Pty Limited
Calardu Hoppers Crossing Pty Limited
Calardu Horsham Pty Limited
Calardu Innisfail Pty Limited
Calardu Ipswich Pty Limited
Calardu Jandakot Pty Limited
Calardu Joondalup Pty Limited
Calardu Kalgoorlie Oswald St Pty Limited
Calardu Kalgoorlie Pty Limited
Calardu Karana Downs Pty Limited
Calardu Karratha Pty Limited
Calardu Kawana Waters Pty Limited
Calardu Kemblawarra Pty Limited
Calardu Kingaroy Pty Limited
Calardu Kotara Pty Limited
Calardu Launceston Pty Limited
Calardu Lismore Pty Limited
Calardu Loganholme Pty Limited
Calardu Macgregor Pty Ltd[3]
Calardu Mackay No. 1 Pty Limited
Calardu Mackay No. 2 Pty Limited
Calardu Maitland Pty Limited
Calardu Malaga Pty Limited
Calardu Mandurah Pty Limited
Calardu Maribyrnong Pty Limited
Calardu Marion Pty Limited
Calardu Maroochydore Pty Limited
Calardu Maroochydore Warehouse Pty Limited
Calardu Marsden Park Pty Limited
Calardu Maryborough Pty Limited
Calardu Melville Pty Limited
Calardu Mentone Pty Limited
Calardu Midland Pty Limited
Calardu Milton Pty Limited
Calardu Morayfield Pty Limited
Calardu Morwell Pty Limited
Calardu Moss Vale Pty Limited
Calardu Mount Isa Pty Limited
Calardu Mt Gambier Pty Limited
Calardu Mudgee Pty Limited
Calardu Munno Para Pty Limited
Calardu Noarlunga Pty Limited
Calardu Noble Park WH Pty Limited
Calardu Noosa Pty Limited
Calardu North Ryde No. 1 Pty Limited
Calardu North Ryde Pty Limited
Calardu Northbridge Pty Limited
Calardu Nowra Pty Limited
Calardu Penrith Pty Limited
Calardu Perth City West Pty Limited
Calardu Port Macquarie Pty Limited
Calardu Preston Pty Limited
Calardu Pty Limited
Calardu Queensland Pty Limited
Calardu Raine Square Pty Limited
Calardu Richmond Pty Limited
Calardu Rockhampton Pty Limited
Calardu Rockingham Pty Limited
Calardu Roselands Pty Limited
Calardu Rothwell Pty Limited
Calardu Rutherford Pty Limited
Calardu Rutherford Warehouse Pty Limited
Calardu Sale Pty Limited
Calardu Silverwater Pty Limited
Calardu South Australia Pty Limited
Calardu Springvale Pty Limited
Calardu Surry Hills Pty Limited
Calardu Swan Hill Pty Limited
Calardu Sylvania Pty Limited
Calardu Taree Pty Limited
Calardu Taren Point Pty Limited
Calardu Thebarton Pty Limited
Calardu Toorak Pty Limited
Calardu Toowoomba WH Pty Limited
Calardu Townsville Pty Limited
Calardu Tweed Heads Pty Limited
Calardu Tweed Heads Traders Way Pty Limited
Calardu Vicfurn Pty Limited
Calardu Victoria Pty Limited
Calardu Wangaratta Pty Ltd[3]
Calardu Warrawong (Homestarters) Pty Limited
Calardu Warrawong Pty Limited
Calardu Warrnambool Pty Limited
Calardu Warwick Pty Limited
Calardu West Gosford Pty Limited
Calardu Whyalla Pty Limited
Calardu Wivenhoe Pty Limited
Calardu Wodonga Pty Limited
Cannonel Recovery Pty Limited
Carlando Pty Limited
Cascade Consolidated Sdn. Bhd.[7,17]
Charmela Pty Limited
Clambruno Pty Limited
Consolidated Design Group Pty Ltd
Contemporary Design Group Pty Limited [1,2]
CP Aspley Pty Limited
CP Belmont Pty Limited
CP Bendigo Pty Limited
CP Braybrook Pty Limited
CP Bundaberg Leasing Pty Limited
CP Bundaberg Pty Limited
CP Burleigh Waters Pty Limited
CP Coburg Pty Limited
CP Commercial Division Pty Limited
CP Corporate VIC Pty Limited
CP Dandenong Pty Limited
CP Joondalup Pty Limited
CP Loganholme Pty Limited
CP Macgregor Pty Limited
CP Mackay Pty Limited
CP Malvern Pty Limited
CP Mandurah Pty Limited
CP Maroochydoore Pty Limited
CP Maryborough Leasing Pty Limited
CP Maryborough Pty Limited
CP Midland Pty Limited
CP Moonah Pty Limited
CP Moorabbin Pty Limited
CP Morayfield Pty Limited
CP Mornington Pty Limited
CP Mt Druitt Leasing Pty Limited
CP Mt Druitt Pty Limited
CP O'Connor Pty Limited
CP Online Pty Limited
CP Osborne Park CL Pty Limited
CP Osborne Park Pty Limited
CP Richmond Pty Limited
CP Ringwood Pty Limited
CP Thomastown Pty Limited
CP Victoria Park Pty Limited
CP Welshpool DC Pty Limited
Cropp Pty Limited
D.M. Alexandria Franchisor Pty Limited
D.M. Alexandria Leasing Pty Limited
D.M. Alexandria Licencing Pty Limited
D.M. Auburn Franchisor Pty Limited
D.M. Auburn Leasing Pty Limited
D.M. Auburn Licencing Pty Limited
D.M. Belrose Franchisor Pty Limited
D.M. Belrose Leasing Pty Limited
D.M. Bundall Franchisor Pty Limited
D.M. Bundall Leasing Pty Limited
D.M. Castle Hill Franchisor Pty Limited
D.M. Castle Hill Leasing Pty Limited
D.M. Fyshwick Franchisor Pty Limited
D.M. Fyshwick Leasing Pty Limited
D.M. Kotara Franchisor Pty Limited
D.M. Kotara Leasing Pty Limited
D.M. Leicht Franchisor Pty Limited
D.M. Liverpool Franchisor Pty Limited
D.M. Liverpool Leasing Pty Limited
D.M. Marion Franchisor Pty Ltd[3]
D.M. Marion Leasing Pty Ltd[3]
D.M. Maroochydore Franchisor Pty Limited
D.M. Maroochydore Leasing Pty Limited
D.M. North Ryde Franchisor Pty Limited
D.M. North Ryde Leasing Pty Limited
D.M. Obsorne Park Leasing Pty Ltd[3]
D.M. Osborne Park Franchisor Pty Ltd[3]

38. CONTROLLED ENTITIES AND UNIT TRUSTS (CONTINUED)
Shares held by Harvey Norman Holdings Limited

D.M. Penrith Franchisor Pty Limited
D.M. Penrith Leasing Pty Limited
D.M. QVH Franchisor Pty Limited
D.M. QVH Leasing Pty Limited
D.M. Springvale Franchisor Pty Limited
D.M. Springvale Leasing Pty Limited
D.M. Warrawong Franchisor Pty Limited
D.M. Warrawong Leasing Pty Limited
D.M. West Gosford Franchisor Pty Ltd
D.M. West Gosford Leasing Pty Ltd
Daldere Pty Limited
Dandolena Pty Limited
Derni Pty Limited[1,2]
Divonda Pty Limited
DM Online Franchisor Pty Limited
DM Online Leasing Pty Limited
Domain Holdings Pty Limited
Domayne Furnishing Pty Limited
Domayne Holdings Limited[4]
Domayne Online.com Pty Limited
Domayne P.E.M. Pty Limited
Domayne Plant & Equipment Pty Limited
Domayne Pty Limited
Dubbo JV Pty Limited
Durslee Pty Limited
Eastern Audio Pte Ltd[5,17]
E-Creation Sdn. Bhd.[7,17]
Edbrook Everton Park Pty Limited
Edbrook Pty Limited
Elitetrax Marketing Sdn Bhd[7,18]
Energy Incentive Team Pty Limited
Farane Pty Limited
Flormonda Pty Limited
Ganoru Pty Limited
Generic Publications Pty Limited
Gestco Greensborough Pty Limited
Gestco Pty Limited
Glo Light Pty Limited[12]
H.N. Adelaide CK Franchisor Pty Limited
H.N. Adelaide CK Leasing Pty Limited
H.N. Albany Creek Franchisor Pty Limited
H.N. Albany Creek Leasing Pty Limited
H.N. Albany Franchisor Pty Limited
H.N. Albany Leasing Pty Limited
H.N. Albury Franchisor Pty Limited
H.N. Albury Leasing Pty Limited
H.N. Alexandria Franchisor Pty Limited
H.N. Alexandria Leasing Pty Limited
H.N. Alice Springs Franchisor Pty Limited
H.N. Alice Springs Leasing Pty Limited
H.N. Ararat Franchisor Pty Limited
H.N. Ararat Leasing Pty Limited
H.N. Armadale WA Franchisor Pty Limited
H.N. Armadale WA Leasing Pty Limited
H.N. Armidale Franchisor Pty Limited
H.N. Armidale Leasing Pty Limited
H.N. Aspley Franchisor Pty Limited
H.N. Aspley Leasing Pty Limited
H.N. Atherton Franchisor Pty Limited
H.N. Atherton Leasing Pty Limited
H.N. Auburn Franchisor Pty Limited
H.N. Auburn Leasing Pty Limited
H.N. Ayr Franchisor Pty Limited
H.N. Ayr Leasing Pty Limited
H.N. Bairnsdale Franchisor Pty Limited
H.N. Bairnsdale Leasing Pty Limited
H.N. Balgowlah Franchisor Pty Limited
H.N. Balgowlah Leasing Pty Limited
H.N. Ballarat Franchisor Pty Limited
H.N. Ballarat Leasing Pty Limited
H.N. Ballina Franchisor Pty Limited
H.N. Ballina Leasing Pty Limited
H.N. Batemans Bay Franchisor Pty Limited
H.N. Batemans Bay Leasing Pty Limited
H.N. Bathurst Franchisor Pty Limited
H.N. Bathurst Leasing Pty Limited
H.N. Belmont Franchisor Pty Limited
H.N. Belmont Leasing Pty Limited
H.N. Belmont North Franchisor Pty Limited
H.N. Belmont North Leasing Pty Limited
H.N. Bendigo Franchisor Pty Limited
H.N. Bendigo Leasing Pty Limited
H.N. Bernoth Franchisor Pty Limited
H.N. Bernoth Leasing Pty Limited
H.N. Bernoth Plant & Equipment Pty Limited
H.N. Blacktown Franchisor Pty Limited
H.N. Blacktown Leasing Pty Limited
H.N. Bondi Junction Franchisor Pty Limited
H.N. Bondi Junction Leasing Pty Limited
H.N. Braybrook Franchisor Pty Limited
H.N. Braybrook Leasing Pty Limited
H.N. Broadmeadow (VIC) Franchisor Pty Limited
H.N. Broadmeadow (VIC) Leasing Pty Limited
H.N. Broadway (Sydney) Franchisor Pty Limited
H.N. Broadway (Sydney) Leasing Pty Limited
H.N. Broadway on the Mall Franchisor Pty Limited
H.N. Broadway on the Mall Leasing Pty Limited
H.N. Broken Hill Franchisor Pty Limited
H.N. Broken Hill Leasing Pty Limited
H.N. Brooklyn Franchisor Pty Limited
H.N. Brooklyn Leasing Pty Limited
H.N. Broome Franchisor Pty Ltd[3]
H.N. Broome Leasing Pty Ltd[3]
H.N. Browns Plains Franchisor Pty Limited
H.N. Browns Plains Leasing Pty Limited
H.N. Bunbury Franchisor Pty Limited
H.N. Bunbury Leasing Pty Limited
H.N. Bundaberg Franchisor Pty Limited
H.N. Bundaberg Leasing Pty Limited
H.N. Bundall Franchisor Pty Limited
H.N. Bundall Leasing Pty Limited
H.N. Burleigh Heads Franchisor Pty Limited
H.N. Burleigh Heads Leasing Pty Limited
H.N. Burleigh Waters Franchisor Pty Limited
H.N. Burleigh Waters Leasing Pty Limited
H.N. Busselton Franchisor Pty Limited
H.N. Busselton Leasing Pty Limited
H.N. Cairns Franchisor Pty Limited
H.N. Cairns Leasing Pty Limited
H.N. Cambridge Park Franchisor Pty Limited
H.N. Cambridge Park Leasing Pty Limited
H.N. Campbelltown Franchisor Pty Limited
H.N. Campbelltown Leasing Pty Limited
H.N. Cannington W.A. Franchisor Pty Limited
H.N. Cannington W.A. Leasing Pty Limited
H.N. Canonvale Franchisor Pty Limited
H.N. Canonvale Leasing Pty Limited
H.N. Capalaba Franchisor Pty Limited
H.N. Capalaba Leasing Pty Limited
H.N. Cards Pty Limited
H.N. Carindale Franchisor Pty Limited
H.N. Carindale Leasing Pty Limited
H.N. Caringbah Franchisor Pty Limited
H.N. Caringbah Leasing Pty Limited
H.N. Castle Hill Franchisor Pty Limited
H.N. Castle Hill Leasing Pty Limited
H.N. Chadstone Franchisor Pty Limited
H.N. Chadstone Leasing Pty Limited
H.N. Chatswood Franchisor Pty Limited
H.N. Chatswood Leasing Pty Limited
H.N. Chirnside Park Franchisor Pty Limited
H.N. Chirnside Park Leasing Pty Limited
H.N. City Cross Franchisor Pty Limited
H.N. City Cross Leasing Pty Limited
H.N. City West Franchisor Pty Limited
H.N. City West Leasing Pty Limited
H.N. Cleveland Franchisor Pty Limited
H.N. Cleveland Leasing Pty Limited
H.N. Cobar Franchisor Pty Limited
H.N. Cobar Leasing Pty Limited
H.N. Coburg Franchisor Pty Limited
H.N. Coburg Leasing Pty Limited
H.N. Coffs Harbour Franchisor Pty Limited
H.N. Coffs Harbour Leasing Pty Limited
H.N. Coorparoo Franchisor Pty Limited
H.N. Coorparoo Leasing Pty Limited
H.N. Cranbourne Franchisor Pty Limited
H.N. Cranbourne Leasing Pty Limited
H.N. Dalby Franchisor Pty Limited
H.N. Dalby Leasing Pty Limited
H.N. Dandenong Franchisor Pty Limited
H.N. Dandenong Leasing Pty Limited
H.N. Darwin Franchisor Pty Limited
H.N. Darwin Leasing Pty Limited
H.N. Deniliquin Franchisor Pty Limited
H.N. Deniliquin Leasing Pty Limited
H.N. Dubbo Franchisor Pty Limited
H.N. Dubbo Leasing Pty Limited
H.N. Edgewater Franchisor Pty Limited
H.N. Edgewater Leasing Pty Limited
H.N. Education Franchisor Pty Limited
H.N. Education Leasing Pty Limited
H.N. Emerald Franchisor Pty Limited
H.N. Emerald Leasing Pty Limited
H.N. Energy IP Licensing Pty Limited
H.N. Enfield Franchisor Pty Limited
H.N. Enfield Leasing Pty Limited
H.N. Everton Park Franchisor Pty Limited
H.N. Everton Park Leasing Pty Limited
H.N. Forster Franchisor Pty Ltd[3]
H.N. Forster Leasing Pty Ltd[3]
H.N. Fortitude Valley Franchisor Pty Limited
H.N. Fortitude Valley Leasing Pty Limited
H.N. Frankston Franchisor Pty Limited
H.N. Frankston Leasing Pty Limited
H.N. Fremantle Franchisor Pty Limited
H.N. Fremantle Leasing Pty Limited
H.N. Fyshwick Franchisor Pty Limited
H.N. Fyshwick Leasing Pty Limited
H.N. Geelong Franchisor Pty Limited
H.N. Geelong Leasing Pty Limited
H.N. Gepps Cross Franchisor Pty Limited
H.N. Gepps Cross Leasing Pty Limited
H.N. Geraldton Leasing Pty Limited
H.N. Geraldton WA Franchisor Pty Limited
H.N. Gladstone Franchisor Pty Limited
H.N. Gladstone Leasing Pty Limited
H.N. Gordon Franchisor Pty Limited
H.N. Gordon Leasing Pty Limited
H.N. Gosford Leasing Pty Limited
H.N. Goulburn Franchisor Pty Limited
H.N. Goulburn Leasing Pty Limited
H.N. Grafton Franchisor Pty Limited
H.N. Grafton Leasing Pty Limited
H.N. Great Eastern Highway Franchisor Pty Limited
H.N. Great Eastern Highway Leasing Pty Limited
H.N. Greensborough Franchisor Pty Limited
H.N. Greensborough Leasing Pty Limited
H.N. Griffith Franchisor Pty Limited
H.N. Griffith Leasing Pty Limited
H.N. Gunnedah Franchisor Pty Limited
H.N. Gunnedah Leasing Pty Limited
H.N. Guthrie Street Franchisor Pty Limited
H.N. Guthrie Street Leasing Pty Limited
H.N. Gympie Franchisor Pty Limited
H.N. Gympie Leasing Pty Limited
H.N. Hamilton Franchisor Pty Limited
H.N. Hamilton Leasing Pty Limited
H.N. Hervey Bay Franchisor Pty Limited
H.N. Hervey Bay Leasing Pty Limited
H.N. Hoppers Crossing Franchisor Pty Limited
H.N. Hoppers Crossing Leasing Pty Limited
H.N. Horsham Franchisor Pty Limited
H.N. Horsham Leasing Pty Limited
H.N. Hyperdome Franchisor Pty Limited
H.N. Hyperdome Leasing Pty Limited
H.N. Indooroopilly Franchisor Pty Limited
H.N. Indooroopilly Leasing Pty Limited
H.N. Innisfail Franchisor Pty Limited
H.N. Innisfail Leasing Pty Limited
H.N. Inverell Franchisor Pty Limited

38. CONTROLLED ENTITIES AND UNIT TRUSTS (CONTINUED)
Shares held by Harvey Norman Holdings Limited

H.N. Inverell Leasing Pty Limited
H.N. Ipswich Franchisor Pty Limited
H.N. Ipswich Leasing Pty Limited
H.N. Joondalup Franchisor Pty Limited
H.N. Joondalup Leasing Pty Limited
H.N. Kalgoorlie Franchisor Pty Limited
H.N. Kalgoorlie Leasing Pty Limited
H.N. Karratha Franchisor Pty Limited
H.N. Karratha Leasing Pty Limited
H.N. Kawana Waters Franchisor Pty Limited
H.N. Kawana Waters Leasing Pty Limited
H.N. Kingaroy Franchisor Pty Limited
H.N. Kingaroy Leasing Pty Limited
H.N. Knox Towerpoint Franchisor Pty Limited
H.N. Knox Towerpoint Leasing Pty Limited
H.N. Lake Haven Franchisor Pty Limited
H.N. Lake Haven Leasing Pty Limited
H.N. Leichhardt Franchisor Pty Limited
H.N. Leichhardt Leasing Pty Limited
H.N. Lismore Franchisor Pty Limited
H.N. Lismore Leasing Pty Limited
H.N. Lithgow Franchisor Pty Limited
H.N. Lithgow Leasing Pty Limited
H.N. Liverpool Franchisor Pty Limited
H.N. Liverpool Leasing Pty Limited
H.N. Loganholme Franchisor Pty Limited
H.N. Loganholme Leasing Pty Limited
H.N. Loughran Contracting Pty Limited
H.N. Mac 1 Leasing Pty Limited
H.N. Mac 1 Pty Limited
H.N. Macgregor Franchisor Pty Limited
H.N. Macgregor Leasing Pty Limited
H.N. Mackay Franchisor Pty Limited
H.N. Mackay Leasing Pty Limited
H.N. Maddington Franchisor Pty Limited
H.N. Maddington Leasing Pty Limited
H.N. Maitland Franchisor Pty Limited
H.N. Maitland Leasing Pty Limited
H.N. Malaga Franchisor Pty Limited
H.N. Malaga Leasing Pty Limited
H.N. Mandurah Franchisor Pty Limited
H.N. Mandurah Leasing Pty Limited
H.N. Maribyrnong Franchisor Pty Limited
H.N. Maribyrnong Leasing Pty Limited
H.N. Marion Franchisor Pty Limited
H.N. Marion Leasing Pty Limited
H.N. Maroochydore CP Franchisor Pty Limited
H.N. Maroochydore CP Leasing Pty Limited
H.N. Maroochydore Franchisor Pty Limited
H.N. Maroochydore Leasing Pty Limited
H.N. Martin Place Sydney Franchisor Pty Limited
H.N. Martin Place Sydney Leasing Pty Limited
H.N. Mentone Franchisor Pty Limited
H.N. Mentone Leasing Pty Limited
H.N. Midland Franchisor Pty Limited
H.N. Midland Leasing Pty Limited
H.N. Mildura Franchisor Pty Limited
H.N. Mildura Leasing Pty Limited
H.N. Mile End Franchisor Pty Limited
H.N. Mile End Leasing Pty Limited
H.N. Moe Franchisor Pty Limited
H.N. Moe Leasing Pty Limited
H.N. Moonah Franchisor Pty Limited
H.N. Moonah Leasing Pty Limited
H.N. Moorabbin Franchisor Pty Limited
H.N. Moorabbin Leasing Pty Limited
H.N. Moorabbin SC Franchisor Pty Limited
H.N. Moorabbin SC Leasing Pty Limited
H.N. Moore Park Franchisor Pty Limited
H.N. Moore Park Leasing Pty Limited
H.N. Morayfield Franchisor Pty Limited
H.N. Morayfield Leasing Pty Limited
H.N. Moree Franchisor Pty Limited
H.N. Moree Leasing Pty Limited
H.N. Morley Franchisor Pty Limited
H.N. Morley Leasing Pty Limited
H.N. Mornington Franchisor Pty Limited
H.N. Mornington Leasing Pty Limited
H.N. Morwell Franchisor Pty Limited
H.N. Morwell Leasing Pty Limited
H.N. Moss Vale Franchisor Pty Limited
H.N. Moss Vale Leasing Pty Limited
H.N. Mt Barker Franchisor Pty Limited
H.N. Mt Barker Leasing Pty Limited
H.N. Mt Gambier Franchisor Pty Limited
H.N. Mt Gambier Leasing Pty Limited
H.N. Mt Gravatt Franchisor Pty Limited
H.N. Mt Gravatt Leasing Pty Limited
H.N. Mt Isa Franchisor Pty Limited
H.N. Mt Isa Leasing Pty Limited
H.N. Mudgee Franchisor Lty Limited
H.N. Mudgee Leasing Pty Limited
H.N. Munno Para Franchisor Pty Limited
H.N. Munno Para Leasing Pty Limited
H.N. Muswellbrook Franchisor Pty Limited
H.N. Muswellbrook Leasing Pty Limited
H.N. Narre Warren Franchisor Pty Limited
H.N. Narre Warren Leasing Pty Limited
H.N. Newcastle Franchisor Pty Limited
H.N. Newcastle Leasing Pty Limited
H.N. Newcastle West Franchisor Pty Limited
H.N. Newcastle West Leasing Pty Limited
H.N. Noarlunga Franchisor Pty Limited
H.N. Noarlunga Leasing Pty Limited
H.N. Noosa Franchisor Pty Limited
H.N. Noosa Leasing Pty Limited
H.N. Norwest Franchisor Pty Limited
H.N. Norwest Leasing Pty Limited
H.N. Nowra Franchisor Pty Limited
H.N. Nowra Leasing Pty Limited
H.N. Nunawading Franchisor Pty Limited
H.N. Nunawading Leasing Pty Limited
H.N. O'Connor Franchisor Pty Limited
H.N. O'Connor Leasing Pty Limited
H.N. Oakleigh CK Franchisor Pty Limited
H.N. Oakleigh CK Leasing Pty Limited
H.N. Orange Franchisor Pty Limited
H.N. Orange Leasing Pty Limited
H.N. Osborne Park Franchisor Pty Limited
H.N. Osborne Park Leasing Pty Limited
H.N. Oxley Franchisor Pty Limited
H.N. Oxley Leasing Pty Limited
H.N. Pacific Fair Franchisor Pty Limited
H.N. Pacific Fair Leasing Pty Limited
H.N. Parkes Franchisor Pty Limited
H.N. Parkes Leasing Pty Limited
H.N. Penrith Franchisor Pty Limited
H.N. Penrith Leasing Pty Limited
H.N. Peppermint Grove Franchisor Pty Limited
H.N. Peppermint Grove Leasing Pty Limited
H.N. Port Hedland Franchisor Pty Limited
H.N. Port Hedland Leasing Pty Limited
H.N. Port Kennedy Franchisor Pty Limited
H.N. Port Kennedy Leasing Pty Limited
H.N. Port Lincoln Franchisor Pty Limited
H.N. Port Lincoln Leasing Pty Limited
H.N. Port Macquarie Franchisor Pty Limited
H.N. Port Macquarie Leasing Pty Limited
H.N. Preston Franchisor Pty Limited
H.N. Preston Leasing Pty Limited
H.N. Richmond Franchisor Pty Limited
H.N. Richmond Leasing Pty Limited
H.N. Ringwood Franchisor Pty Limited
H.N. Ringwood Leasing Pty Limited
H.N. Riverwood Franchisor Pty Limited
H.N. Riverwood Leasing Pty Limited
H.N. Rockhampton Franchisor Pty Limited
H.N. Rockhampton Leasing Pty Limited
H.N. Rothwell Franchisor Pty Limited
H.N. Rothwell Leasing Pty Limited
H.N. Salamander Bay Franchisor Pty Limited
H.N. Salamander Bay Leasing Pty Limited
H.N. Sale Franchisor Pty Limited
H.N. Sale Leasing Pty Limited
H.N. Shepparton Franchisor Pty Limited
H.N. Shepparton Leasing Pty Limited
H.N. South Tweed Franchisor Pty Limited
H.N. South Tweed Leasing Pty Limited
H.N. Southland Franchisor Pty Limited
H.N. Southland Leasing Pty Limited
H.N. Springvale Franchisor Pty Limited
H.N. Springvale Leasing Pty Limited
H.N. Sunshine Franchisor Pty Limited
H.N. Sunshine Leasing Pty Limited
H.N. Swan Hill Franchisor Pty Limited
H.N. Swan Hill Leasing Pty Limited
H.N. Tamworth Franchisor Pty Limited
H.N. Tamworth Leasing Pty Limited
H.N. Taree Franchisor Pty Limited
H.N. Taree Leasing Pty Limited
H.N. Thomastown Franchisor Pty Limited
H.N. Thomastown Leasing Pty Limited
H.N. Toowoomba Franchisor Pty Limited
H.N. Toowoomba Leasing Pty Limited
H.N. Townsville Franchisor Pty Limited
H.N. Townsville Leasing Pty Limited
H.N. Traralgon Franchisor Pty Limited
H.N. Traralgon Leasing Pty Limited
H.N. Tura Beach Franchisor Pty Limited
H.N. Tura Beach Leasing Pty Limited
H.N. Vic/Tas Commercial Project Franchisor Pty Limited
H.N. Vic/Tas Commercial Project Leasing Pty Limited
H.N. Victoria Park Franchisor Pty Limited
H.N. Victoria Park Leasing Pty Limited
H.N. Wagga Franchisor Pty Limited
H.N. Wagga Leasing Pty Limited
H.N. Wangaratta Franchisor Pty Limited
H.N. Wangaratta Leasing Pty Limited
H.N. Warragul Franchisor Pty Limited
H.N. Warragul Leasing Pty Limited
H.N. Warrawong Franchisor Pty Limited
H.N. Warrawong Leasing Pty Limited
H.N. Warrnambool Franchisor Pty Limited
H.N. Warrnambool Leasing Pty Limited
H.N. Warwick (WA) Franchisor Pty Limited
H.N. Warwick (WA) Leasing Pty Limited
H.N. Warwick Franchisor Pty Limited
H.N. Warwick Leasing Pty Limited
H.N. Watergardens Franchisor Pty Limited
H.N. Watergardens Leasing Pty Limited
H.N. Waurn Ponds Franchisor Pty Limited
H.N. Waurn Ponds Leasing Pty Limited
H.N. West Gosford Franchisor Pty Limited
H.N. West Wyalong Franchisor Pty Limited
H.N. West Wyalong Leasing Pty Limited
H.N. Whyalla Franchisor Pty Limited
H.N. Whyalla Leasing Pty Limited
H.N. Wiley Park Franchisor Pty Limited
H.N. Wiley Park Leasing Pty Limited
H.N. Windsor Franchisor Pty Limited
H.N. Windsor Leasing Pty Limited
H.N. Woden Franchisor Pty Limited
H.N. Woden Leasing Pty Limited
H.N. Wonthaggi Franchisor Pty Limited
H.N. Wonthaggi Leasing Pty Limited
H.N. Woodville Franchisor Pty Limited
H.N. Woodville Leasing Pty Limited
H.N. Young Franchisor Pty Limited
H.N. Young Leasing Pty Limited
Hardly Normal Discounts Pty Limited
Hardly Normal Limited[4]
Hardly Normal Pty Limited
Harvey Cellars Pty Limited
Harvey Liquor Pty Limited
Harvey Norman (ACT) Pty Limited
Harvey Norman (N.S.W.) Pty Limited
Harvey Norman (QLD) Pty Limited
Harvey Norman 2007 Management Pty Limited
Harvey Norman Big Buys Pty Limited
Harvey Norman Burnie Franchisor Pty Limited
Harvey Norman Burnie Leasing Pty Limited

38. CONTROLLED ENTITIES AND UNIT TRUSTS (CONTINUED)
Shares held by Harvey Norman Holdings Limited

Harvey Norman CEI d.o.o.[6]
Harvey Norman Commercial Your Solution Provider Pty Ltd
Harvey Norman Contracting Pty Limited
Harvey Norman Corporate Air Pty Limited
Harvey Norman CP Pty Limited
Harvey Norman Devonport Franchisor Pty Limited
Harvey Norman Devonport Leasing Pty Limited
Harvey Norman Education and Training Pty Limited
Harvey Norman Europe d.o.o[6]
Harvey Norman Export Pty Limited
Harvey Norman Fitouts Pty Limited
Harvey Norman Furnishing Pty Limited
Harvey Norman Gamezone Pty Limited
Harvey Norman Glenorchy Franchisor Pty Limited
Harvey Norman Glenorchy Leasing Pty Limited
Harvey Norman Global Pty Limited
Harvey Norman Hobart Franchisor Pty Limited
Harvey Norman Hobart Leasing Pty Limited
Harvey Norman Holdings (Ireland) Limited[9]
Harvey Norman Home Cellars Pty Limited
Harvey Norman Home Loans Pty Limited
Harvey Norman Home Starters Pty Limited
Harvey Norman Homemaker Centre Pty Limited
Harvey Norman Launceston Franchisor Pty Limited
Harvey Norman Launceston Leasing Pty Limited
Harvey Norman Leasing (Blanchardstown) Limited[9]
Harvey Norman Leasing (Carrickmines) Limited[9]
Harvey Norman Leasing (Castlebar) Limited[9]
Harvey Norman Leasing (Cork) Limited[9]
Harvey Norman Leasing (Drogheda) Limited[9]
Harvey Norman Leasing (Dublin) Limited[9]
Harvey Norman Leasing (Dundalk) Limited[9]
Harvey Norman Leasing (Eastgate) Limited[9]
Harvey Norman Leasing (Limerick) Limited[9]
Harvey Norman Leasing (Mullingar) Limited[9]
Harvey Norman Leasing (N.Z.) Limited[4]
Harvey Norman Leasing (Naas) Limited[9]
Harvey Norman Leasing (NI) Limited[9]
Harvey Norman Leasing (Rathfarnham) Limited[9]
Harvey Norman Leasing (Tralee) Limited[9]
Harvey Norman Leasing (Waterford) Limited[9]
Harvey Norman Leasing Pty Limited
Harvey Norman Limited[4]
Harvey Norman Loughran Plant & Equipment Pty Limited
Harvey Norman Mortgage Service Pty Limited
Harvey Norman Net. Works Pty Limited
Harvey Norman OFIS Pty Limited
Harvey Norman Online.com Pty Limited
Harvey Norman Ossia (Asia) Pte Limited[5,10,11]
Harvey Norman P.E.M. Pty Limited
Harvey Norman Plant and Equipment Pty Limited
Harvey Norman Properties (N.Z.) Limited[4]
Harvey Norman Rental Pty Limited
Harvey Norman Retailing Pty Limited
Harvey Norman Rosney Franchisor Pty Limited
Harvey Norman Rosney Leasing Pty Limited
Harvey Norman Security Pty Limited
Harvey Norman Shopfitting Pty Limited
Harvey Norman Singapore Pte Limited[5,10]
Harvey Norman Stores (N.Z.) Pty Limited[1,2]
Harvey Norman Stores Pty Limited
Harvey Norman Superlink Pty Limited
Harvey Norman Tasmania Pty Limited
Harvey Norman Technology Pty Limited
Harvey Norman The Bedding Specialists Pty Limited
Harvey Norman The Computer Specialists Pty Limited
Harvey Norman The Electrical Specialists Pty Limited
Harvey Norman The Furniture Specialists Pty Limited
Harvey Norman Trading (Ireland) Limited[9]
Harvey Norman Trading d.o.o.[6]
Harvey Norman Ulverstone Franchisor Pty Limited
Harvey Norman Ulverstone Leasing Pty Limited
Harvey Norman Victoria Pty Limited
Harvey Norman Zagreb d.o.o.[8]
Havrex Pty Limited
HN Allens Road Leasing Limited[4]
HN Blenheim Leasing Limited[4]
HN Botany Leasing Limited[4]
HN Byron No. 2 Pty Limited
HN Byron No. 3 Pty Limited
HN Commercial Leasing Limited[4]
HN Coomboona Pty Limited
HN Downing Street Leasing Limited[4]
HN Edmonton Road Leasing Limited[4]
HN Hamilton Central Leasing Limited[4]
HN Harris Road Leasing Limited[4]
HN Henderson Leasing Limited[4]
HN Hornby Leasing Limited[4]
HN Licensing Pty Limited
HN Lincoln Centre Leasing Limited[4]
HN Maleme Street Leasing Limited[4]
HN Manukau Leasing Limited[4]
HN Mowbray Street Leasing Limited[4]
HN Mt Roskill Leasing Limited[4]
HN Napier Leasing Limited[4]
HN Online Franchisor Pty Limited
HN Online Leasing Pty Limited
HN Paraparaumu Leasing Limited[4]
HN QCV Benaraby No.1 Pty Limited
HN QCV Benaraby Pty Limited
HN QCV Blackwater Land Pty Limited
HN QCV Bottle Tree Pty Limited
HN QCV Concepts Pty Limited
HN QCV Fairview Pty Limited
HN QCV Injune Pty Limited
HN QCV LOR Pty Limited
HN QCV Pty Limited
HN QCV Sarina Land Pty Limited
HN QCV Sarina Pty Limited
HN QCV Toowoomba Land Pty Limited
HN QCV Toowoomba Pty Limited
HN Queenstown Leasing Limited[4]
HN Rangitikei Street Leasing Limited[4]
HN Tauranga Commercial Leasing Limited[4]
HN Tauranga Leasing Limited[4]
HN Tory Street Leasing Limited[4]
HN Tower Junction Leasing Limited[4]
HN Westgate Leasing Limited[4]
HN Whakatane Leasing Limited[4]
HN Wingate Leasing Limited[4]
HN Woolston Leasing Limited[4]
HN Zagreb Investment Pty Limited
HNL Pty Limited
HNM Galaxy Pty Limited
Hodberg Pty Limited
Hodvale Pty Limited
Home Mart Furniture Pty Limited
Home Mart Pty Limited
Hoxco Pty Limited
J.M. Albury Franchisor Pty Limited
J.M. Albury Leasing Pty Limited
J.M. Alexandria Franchisor Pty Limited
J.M. Alexandria Leasing Pty Limited
J.M. Auburn Franchisor Pty Limited
J.M. Ballina Franchisor Pty Limited
J.M. Ballina Leasing Pty Limited
J.M. Bennetts Green Franchisor Pty Limited
J.M. Bennetts Green Leasing Pty Limited
J.M. Campbelltown Franchisor Pty Limited
J.M. Campbelltown Leasing Pty Limited
J.M. Caringbah Franchisor Pty Limited
J.M. Caringbah Leasing Pty Limited
J.M. Chancellor Park Franchisor Pty Limited
J.M. Chancellor Park Leasing Pty Limited
J.M. Contracting Services Pty Limited
J.M. Dubbo Franchisor Pty Limited
J.M. Dubbo Leasing Pty Limited
J.M. Home Cellars Pty Limited
J.M. Leasing Pty Limited
J.M. Mackay Franchisor Pty Limited
J.M. Mackay Leasing Pty Limited
J.M. Maitland Franchisor Pty Limited
J.M. Maitland Leasing Pty Limited
J.M. Maroochydore Franchisor Pty Limited
J.M. Maroochydore Leasing Pty Limited
J.M. Marrickville Franchisor Pty Limited
J.M. Marrickville Leasing Pty Limited
J.M. McGraths Hill Franchisor Pty Limited
J.M. McGraths Hill Leasing Pty Limited
J.M. Morayfield Franchisor Pty Limited
J.M. Morayfield Leasing Pty Limited
J.M. Mudgee Franchisor Pty Limited
J.M. Mudgee Leasing Pty Limited
J.M. Muswellbrook Franchisor Pty Limited
J.M. Muswellbrook Leasing Pty Limited
J.M. Newcastle Franchisor Pty Limited
J.M. Nowra Franchisor Pty Limited
J.M. Nowra Leasing Pty Limited
J.M. Plant & Equipment Hire Pty Limited
J.M. Rockhampton Franchisor Pty Limited
J.M. Rockhampton Leasing Pty Limited
J.M. Share Investment Pty Limited
J.M. Toukley Franchisor Pty Limited
J.M. Toukley Leasing Pty Limited
J.M. Townsville Franchisor Pty Limited
J.M. Townsville Leasing Pty Limited
J.M. Wagga Wagga Franchisor Pty Limited
J.M. Wagga Wagga Leasing Pty Limited
J.M. Wallsend Franchisor Pty Limited
J.M. Wallsend Leasing Pty Limited
J.M. Warners Bay Franchisor Pty Limited
J.M. Warners Bay Leasing Pty Limited
J.M. Warrawong Franchisor Pty Limited
J.M. Warrawong Leasing Pty Limited
J.M. West Gosford Franchisor Pty Limited
J.M. West Gosford Leasing Pty Limited
J.M. Young Franchisor Pty Limited
J.M. Young Leasing Pty Limited
Jartoso Pty Limited
JM Online Franchisor Pty Limited
JM Online Leasing Pty Limited
Jondarlo Pty Limited
Joyce Mayne Furnishing Pty Limited
Joyce Mayne Kotara Leasing Pty Limited
Joyce Mayne Liverpool Leasing Pty Limited
Joyce Mayne Penrith Pty Limited
Joyce Mayne Shopping Complex Pty Limited
Kalinya Development Pty Limited
Kambaldu Pty Limited
Kita Pty Limited
Kitchen Point Pty Limited
Koodero Pty Limited
Korinti Pty Limited
Lamino Pty Limited
Lesandu Adelaide City Pty Limited
Lesandu Adelaide CK Pty Limited
Lesandu Albany Pty Limited
Lesandu Albury Pty Limited
Lesandu Alexandria (JM) Pty Limited
Lesandu Alexandria DM Pty Limited
Lesandu Alexandria Pty Limited
Lesandu Alice Springs Pty Limited
Lesandu Ararat Pty Limited
Lesandu Aspley Pty Limited
Lesandu Atherton Pty Limited
Lesandu Auburn Stone Pty Limited
Lesandu Ayr Pty Limited
Lesandu Bairnsdale Pty Limited
Lesandu Balgowlah Pty Limited
Lesandu Ballina JM Pty Limited
Lesandu Batemans Bay Pty Limited
Lesandu Bathurst Pty Limited
Lesandu Bella Vista Pty Limited
Lesandu Belmont Pty Limited
Lesandu Belrose DM Pty Limited
Lesandu Benalla Pty Limited
Lesandu Bennetts Green JM Pty Limited
Lesandu Bentleigh Pty Limited
Lesandu Berrimah Pty Limited
Lesandu Blacktown Pty Limited
Lesandu Bondi Junction Pty Limited

38. CONTROLLED ENTITIES AND UNIT TRUSTS (CONTINUED)
Shares held by Harvey Norman Holdings Limited

Lesandu Brisbane City Pty Limited
Lesandu Brisbane Pty Limited
Lesandu Broadbeach Pty Limited
Lesandu Broadway Pty Limited
Lesandu Broken Hill Pty Limited
Lesandu Brooklyn Pty Limited
Lesandu Broome Pty Ltd[3]
Lesandu Browns Plains No. 1 Pty Limited
Lesandu Browns Plains Pty Limited
Lesandu Burleigh Heads Flooring Pty Limited
Lesandu Busselton Pty Limited
Lesandu Cambridge Pty Limited
Lesandu Canberra Pty Limited
Lesandu Cannington Pty Limited
Lesandu Cannonvale Pty Limited
Lesandu Capalaba Pty Limited
Lesandu Carindale Pty Limited
Lesandu Castle Hill DM Pty Limited
Lesandu Castle Hill Pty Limited
Lesandu Cessnock (JM) Pty Limited
Lesandu Chadstone Pty Limited
Lesandu Charmhaven Pty Limited
Lesandu Chatswood Express Pty Limited
Lesandu Chatswood Pty Limited
Lesandu Cheltenham Pty Limited
Lesandu Chirnside Park Pty Limited
Lesandu Cleveland Pty Limited
Lesandu Cobar Pty Limited
Lesandu Coffs Harbour Pty Limited
Lesandu Coorparoo Pty Limited
Lesandu CP Aspley Pty Limited
Lesandu CP Bayswater Pty Limited
Lesandu CP Belmont Pty Limited
Lesandu CP Bendigo Pty Limited
Lesandu CP Braybrook Pty Limited
Lesandu CP Bundaberg Pty Limited
Lesandu CP Bundaberg WH 2 Pty Limited
Lesandu CP Bundaberg WH Pty Limited
Lesandu CP Burleigh Waters Pty Limited
Lesandu CP Coburg Pty Limited
Lesandu CP Dandenong Pty Limited
Lesandu CP Joondalup Pty Limited
Lesandu CP Loganholme Pty Limited
Lesandu CP Macgregor Pty Limited
Lesandu CP Macgregor WH Pty Limited
Lesandu CP Mackay Pty Limited
Lesandu CP Malvern Pty Limited
Lesandu CP Malvern WH Pty Limited
Lesandu CP Mandurah Pty Limited
Lesandu CP Maroochydoore Pty Limited
Lesandu CP Maroochydoore WH Pty Limited
Lesandu CP Maryborough Pty Limited
Lesandu CP Midland Pty Limited
Lesandu CP Moonah Pty Limited
Lesandu CP Moorabbin Pty Limited
Lesandu CP Morayfield Pty Limited
Lesandu CP Mornington Pty Limited
Lesandu CP Mt Druitt Pty Limited
Lesandu CP O'Connor Pty Limited
Lesandu CP Osborne Park CL Pty Limited
Lesandu CP Osborne Park Pty Limited
Lesandu CP Osborne Park WH Pty Limited
Lesandu CP Richmond CL Pty Limited
Lesandu CP Richmond Pty Limited
Lesandu CP Richmond WH Pty Limited
Lesandu CP Ringwood CL Pty Limited
Lesandu CP Ringwood Home Pty Limited
Lesandu CP Ringwood Pty Limited
Lesandu CP Ringwood WH Pty Limited
Lesandu CP Thomastown Pty Limited
Lesandu CP Victoria Park Pty Limited
Lesandu CP Welshpool WH Pty Limited
Lesandu Cranbourne Pty Limited
Lesandu Dalby Pty Limited
Lesandu Dandenong Pty Limited
Lesandu Deniliquin Pty Limited
Lesandu Dubbo JM Pty Limited
Lesandu Dubbo Pty Limited
Lesandu Eden Pty Limited
Lesandu Engadine Pty Limited
Lesandu Erina Flooring Pty Limited
Lesandu Forster Pty Limited
Lesandu Fremantle No 2 Pty Limited
Lesandu Fremantle Pty Limited
Lesandu Fyshwick Pty Limited
Lesandu Gaven Pty Limited
Lesandu Gepps Cross Pty Limited
Lesandu Gladstone Pty Limited
Lesandu Gordon Pty Limited
Lesandu Goulburn Pty Limited
Lesandu Grafton Pty Limited
Lesandu Greensborough Pty Limited
Lesandu Griffith Pty Limited
Lesandu Gunnedah Pty Limited
Lesandu Hamilton (VIC) Pty Limited
Lesandu Hamilton Pty Limited
Lesandu Hervey Bay Pty Limited
Lesandu HN Pty Limited
Lesandu Horsham Pty Limited
Lesandu Indooroopilly Pty Limited
Lesandu Ingham Pty Limited
Lesandu Innisfail Pty Limited
Lesandu Inverell Pty Limited
Lesandu Ipswich Pty Limited
Lesandu Jandakot Pty Limited
Lesandu Joondalup Pty Limited
Lesandu Kalgoorlie Pty Limited
Lesandu Karratha Pty Limited
Lesandu Kewdale Pty Limited
Lesandu Knox Towerpoint Pty Limited
Lesandu Kotara DM Pty Limited
Lesandu Launceston Pty Limited
Lesandu Leichhardt M Pty Limited
Lesandu Light Street DM Pty Limited
Lesandu Lismore Pty Limited
Lesandu Lithgow Pty Limited
Lesandu Loganholme Pty Limited
Lesandu Mackay Pty Limited
Lesandu Maddington Pty Limited
Lesandu Maitland JM Pty Limited
Lesandu Maitland Pty Limited
Lesandu Malaga Pty Limited
Lesandu Mandurah Pty Limited
Lesandu Marion Pty Limited
Lesandu Maroochydoore JM Pty Limited
Lesandu Maroochydore Flooring Pty Limited
Lesandu McGraths Hill (JM) Pty Limited
Lesandu Melbourne City DM Pty Limited
Lesandu Mentone Pty Limited
Lesandu Midland Pty Limited
Lesandu Mile End Pty Limited
Lesandu Mitchell Pty Limited
Lesandu Moe Pty Limited
Lesandu Moorabbin Pty Limited
Lesandu Moore Park Pty Limited
Lesandu Moree Pty Limited
Lesandu Morley Pty Limited
Lesandu Mornington Pty Limited
Lesandu Morwell WH Pty Limited
Lesandu Moss Vale Pty Limited
Lesandu Mt Barker Pty Limited
Lesandu Mt Gravatt Pty Limited
Lesandu Mt Isa Pty Limited
Lesandu Munno Para Pty Limited
Lesandu Murray Bridge Pty Limited
Lesandu Muswellbrook JM Pty Limited
Lesandu Muswellbrook Pty Limited
Lesandu Narrabri Pty Limited
Lesandu Narre Warren Pty Limited
Lesandu Newcastle West Pty Limited
Lesandu Noarlunga Pty Limited
Lesandu Noosa Pty Limited
Lesandu North Ryde DM Pty Limited
Lesandu Notting Hill Pty Limited
Lesandu Nowra Pty Limited
Lesandu Oakleigh CK Pty Limited
Lesandu O'Connor Pty Limited
Lesandu Orange Pty Limited
Lesandu Osborne Park Pty Limited
Lesandu Oxley Pty Limited
Lesandu Penrith DM Pty Limited
Lesandu Penrith Pty Limited
Lesandu Peppermint Grove Pty Limited
Lesandu Perth City West Pty Limited
Lesandu Port Lincoln Pty Limited
Lesandu Port Macquarie Pty Limited
Lesandu Pty Limited
Lesandu Raymond Terrace Pty Limited
Lesandu Richlands Pty Limited
Lesandu Richmond (VIC) Pty Limited
Lesandu Riverwood Pty Limited
Lesandu Rockhampton Pty Limited
Lesandu Rothwell Pty Limited
Lesandu S.A. Pty Limited
Lesandu Salamander Bay Pty Limited
Lesandu Sale Pty Limited
Lesandu Shepparton Pty Limited
Lesandu Silverwater Pty Limited
Lesandu Sippy Downs JM Pty Limited
Lesandu Southport Pty Limited
Lesandu Stanmore Pty Limited
Lesandu Sunshine Pty Limited
Lesandu Swan Hill Pty Limited
Lesandu Sydenham Pty Limited
Lesandu Sydney City SS Pty Limited
Lesandu Tamworth Pty Limited
Lesandu Taree Home Mart Pty Limited
Lesandu Taree Pty Limited
Lesandu Taren Point Pty Limited
Lesandu Tasmania Pty Limited
Lesandu Temora Pty Limited
Lesandu Thomastown Pty Limited
Lesandu Toukley Pty Limited
Lesandu Townsville Pty Limited
Lesandu Tura Beach Pty Limited
Lesandu Tweed Heads Flooring Pty Limited
Lesandu Tweed Heads Pty Limited
Lesandu Underwood Pty Limited
Lesandu WA Furniture Pty Limited
Lesandu WA Pty Limited
Lesandu Wagga Wagga JM Pty Limited
Lesandu Wagga Wagga Pty Limited
Lesandu Wallsend JM Pty Limited
Lesandu Wangaratta Pty Limited
Lesandu Warana JM Pty Limited
Lesandu Warana Pty Limited
Lesandu Warners Bay JM Pty Limited
Lesandu Warragul Pty Limited
Lesandu Warrawong Pty Limited
Lesandu Warwick (WA) Pty Limited
Lesandu Warwick Pty Limited
Lesandu Waurn Ponds Pty Limited
Lesandu West Gosford DM Pty Limited
Lesandu West Gosford JM Pty Limited
Lesandu West Wyalong Pty Limited
Lesandu Wiley Park Pty Limited
Lesandu Windsor Pty Limited
Lesandu Wollongong Pty Limited
Lesandu Wonthaggi Pty Limited
Lesandu Woodville Pty Limited
Lesandu Young JM Pty Limited
Lexeri Pty Limited
Lightcorp Pty Limited
Lighting Venture Pty Limited[12]
Lodare Pty Limited
Loreste Pty Limited
Malvis Pty Limited
Manutu Pty Limited
Maradoni Pty Limited
Marinski Pty Limited
Mega Flooring Depot Pty Limited

38. CONTROLLED ENTITIES AND UNIT TRUSTS (CONTINUED)
Shares held by Harvey Norman Holdings Limited

Misstar Pty Limited
Murray Street Development Pty Limited
Mymasterpiece Pty Limited
Nedcroft Pty Limited
Network Consumer Finance (Ireland) Limited[9]
Network Consumer Finance (N.Z.) Limited[4]
Network Consumer Finance Pty Limited
Nomadale Pty Limited
Norman Ross Limited[4]
Norman Ross Pty Limited
Oldmist Pty Limited
Osraidi Pty Limited
P & E Crows Nest Pty Limited
P & E Homewest Pty Limited
P & E Leichhardt Pty Limited
P & E Maddington Pty Limited
P & E Shopfitters Pty Limited
Packcom Pty Limited
PEM Corporate Pty Limited
Pertama Holdings Pte Limited[5,10,11]
Pertama Mechandising Pte Ltd[5,17]
Plezero Pty Limited
Poliform Pty Limited
R.Reynolds Nominees Pty Limited
Recline A Way Franchisor Pty Limited
RH Online Pty Limited
Rosieway Pty Limited
Sarsha Pty Limited[1,2]
Setto Pty Limited
Shakespir Pty Limited
Solaro Pty Limited
Space Furniture Pte Limited[5,10]
Space Furniture Pty Limited
Spacepol Pty Limited
Steamstyle Venture Pty Limited
Stonetess Pty Limited
Stores (NZ) Limited[4]
Stores Securitisation (NZ) Limited[4]
Stores Securitisation Pty Limited
Strathloro Pty Limited
Stupendous Pty Limited
Superguard Pty Limited
Swaneto Pty Limited
Swanpark Pty Limited
Tatroko Pty Limited
Tessera Stones & Tiles Australia Pty Limited
Tessera Stones & Tiles Pty Limited
The Byron At Byron Pty Limited
Tisira Pty Limited
Valecomp Recovery Pty Limited
Ventama Pty Limited
Wadins Pty Limited
Wanalti Pty Limited
Warungi Pty Limited
Waytango Pty Limited
Webzone Pty Limited
Wytharra Pty Limited
Yoogalu Pty Limited[1,2]
Zabella Pty Limited
Zavarte Pty Limited
Zirdano Pty Limited
Zirdanu Pty Limited

Shareholdings in companies listed in Note 38 are consistent with prior year unless otherwise stated below:

Note:	
1	Company is a member of the "Closed Group".
2	Company is relieved under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 described in Note 39.
3	Company incorporated during the year.
4	Company incorporated in New Zealand.
5	Company incorporated in Singapore.
6	Company incorporated in Slovenia.
7	Company incorporated in Malaysia
8	Company incorporated in Croatia.
9	Company incorporated in Ireland.
10	Harvey Norman Singapore Pte Limited owns 100% of the shares in Bencoolen Properties Pte Limited, 60% of the shares in Harvey Norman Ossia (Asia) Pte Limited, 100% of the shares in Space Furniture Pte Limited, and 50.62% of the shares in Pertama Holdings Pte Limited.
11	Harvey Norman Ossia (Asia) Pte Limited holds 49.38% of the shares in Pertama Holdings Pte Limited.
12	Lighting Venture Pty Limited holds 65% of shares in Glolight Pty Limited.
13	Yoogalu Pty Ltd holds 50.5% of the shares in Australian Business Skills Centre Pty Limited.
14	HN Byron No 3 Pty Limited holds 50% of the shares in Byron Bay Facilities Pty Limited.
15	Yoogalu Pty Ltd holds 50% of the shares in Byron Bay Management Pty Limited.
16	Former name was Calardu Jandakot No 1 Pty Ltd.
17	Shares held by Pertama Holdings Pte Limited.
18	Shares held by Cascade Consolidated Sdn.Bhd.

38. CONTROLLED ENTITIES AND UNIT TRUSTS (CONTINUED)
Units in Unit Trusts held by Harvey Norman Holdings Limited

A.C.N. 098 004 570 No. 2 Trust
Calardu A.C.T. No. 2 Trust
Calardu ACT No. 3 Trust*
Calardu ACT Trust
Calardu Adderley Street Trust
Calardu Albany Trust
Calardu Albury Trust
Calardu Alexandria DM Trust
Calardu Alexandria WH Trust
Calardu Alice Springs No. 1 Trust
Calardu Alice Springs Trust
Calardu Armadale WA Trust
Calardu Armidale Trust
Calardu Aspley Trust
Calardu Auburn No. 1 Trust
Calardu Auburn No. 2 Trust
Calardu Auburn No. 4 Trust
Calardu Auburn No. 5 Trust
Calardu Auburn No. 6 Trust
Calardu Auburn No. 7 Trust
Calardu Auburn No. 8 Trust
Calardu Auburn No. 9 Trust
Calardu Ballarat Trust
Calardu Ballina No. 1 Trust
Calardu Ballina Trust
Calardu Bathurst Trust
Calardu Beaufort Street Trust
Calardu Bellevue Hill Trust
Calardu Bendigo Trust*
Calardu Bennetts Green Trust
Calardu Bennetts Green Warehouse Trust
Calardu Berri Trust
Calardu Berrimah Trust
Calardu Berrimah WH Trust**
Calardu Broadmeadow No. 1 Trust
Calardu Broadmeadows VIC Trust
Calardu Brookvale Trust
Calardu Browns Plains No. 1 Trust
Calardu Browns Plains Trust
Calardu Bunbury Trust
Calardu Bundaberg No. 1 Trust
Calardu Bundaberg Trust
Calardu Bundaberg WH Trust
Calardu Bundall Trust
Calardu Burnie Trust
Calardu Cairns Trust
Calardu Cambridge Trust
Calardu Campbelltown Trust
Calardu Cannington Trust
Calardu Caringbah (Taren Point) Trust
Calardu Caringbah Trust
Calardu Crows Nest Trust
Calardu Devonport Trust
Calardu Dubbo Trust
Calardu Emerald Trust
Calardu Frankston Trust
Calardu Frankston WH Trust
Calardu Fyshwick DM Trust
Calardu Gepps Cross No 2 Trust
Calardu Gepps Cross Trust
Calardu Gladstone Trust
Calardu Gympie Trust
Calardu Hervey Bay Trust
Calardu Hobart Trust
Calardu Hoppers Crossing Trust
Calardu Horsham Trust
Calardu Ipswich Trust
Calardu Jandakot Trust
Calardu Joondalup Trust
Calardu Kalgoorlie Oswald St Trust
Calardu Kalgoorlie Trust
Calardu Karratha Trust
Calardu Kingaroy Trust
Calardu Kotara Trust
Calardu Launceston Trust
Calardu Lismore Trust
Calardu Loganholme Trust
Calardu Mackay Trust
Calardu Maitland Trust
Calardu Malaga Trust
Calardu Mandurah Trust
Calardu Maribyrnong Trust
Calardu Marion Trust
Calardu Maroochydore Trust
Calardu Maroochydore Warehouse Trust
Calardu Melville Trust
Calardu Mentone Trust
Calardu Midland Trust
Calardu Morayfield Trust
Calardu Moree Trust
Calardu Morwell Trust
Calardu Moss Vale Trust
Calardu Mt. Gambier Trust
Calardu Mudgee Trust
Calardu Munno Para Trust
Calardu No. 1 Trust
Calardu No. 2 Trust
Calardu No. 3 Trust
Calardu Noarlunga Trust
Calardu Noble Park WH Trust
Calardu Noosa Trust
Calardu North Ryde No. 1 Trust
Calardu North Ryde No. 2 Trust
Calardu North Ryde No. 3 Trust
Calardu North Ryde Trust
Calardu Nowra Trust
Calardu Oxley Trust
Calardu Penrith No 2 Trust*
Calardu Penrith No. 1 Trust
Calardu Penrith Trust
Calardu Perth City West Trust
Calardu Port Macquarie Trust
Calardu Preston Trust
Calardu Raine Square Trust
Calardu Richmond Trust
Calardu Rockhampton No. 2 Trust
Calardu Rockhampton Trust
Calardu Rockingham Trust
Calardu Rosebery Trust
Calardu Roselands Trust
Calardu Rothwell Trust
Calardu Rutherford Trust
Calardu Rutherford Warehouse Trust
Calardu Sale Trust
Calardu Silverwater Trust
Calardu Springvale Trust
Calardu Stapylton Trust
Calardu Surry Hills Trust
Calardu Swan Hill Trust
Calardu Taree Trust
Calardu Taren Point Trust
Calardu Thomastown Trust
Calardu Toowoomba No. 1 Trust
Calardu Toowoomba No. 2 Trust
Calardu Toowoomba Trust
Calardu Toowoomba WH Trust
Calardu Townsville Trust
Calardu Tweed Heads No. 1 Trust
Calardu Tweed Heads Traders Way Trust
Calardu Tweed Heads Trust
Calardu Vicfurn Trust
Calardu Wangaratta Trust*
Calardu Warrawong (Homestarters) No. 1 Trust
Calardu Warrawong (Homestarters) Trust
Calardu Warrawong No. 1 Trust
Calardu Warrawong No. 2 Trust
Calardu Warrawong Trust
Calardu Warrnambool Trust
Calardu Warwick Trust
Calardu West Gosford No. 1 Trust
Calardu West Gosford Trust
Calardu Whyalla Trust
Calardu Wodonga Trust
Harvey Norman Discounts No. 1 Trust
Harvey Norman No. 1 Trust
HN QCV Blackwater Land Trust
HN QCV Sarina Land Trust
HNM Galaxy Unit Trust
Lamino Investments No. 1 Trust
Lamino Investments No. 2 Trust
Lamino Investments No. 3 Trust
Lamino Investments No. 4 Trust
Lamino Investments No. 5 Trust
Lamino Investments No. 6 Trust
Oslek Developments Trust
The Calardu Trust

Note:	
*	These trusts were established during the year.
**	Former name was Calardu Jandakot No 1 Trust. Name was changed in December 2016.

39. DEED OF CROSS GUARANTEE

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to certain controlled entities of Harvey Norman Holdings Limited from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports. These controlled entities have entered into a Deed of Cross Guarantee with Harvey Norman Holdings Limited ("Closed Group"). The effect of this Deed of Cross Guarantee is that Harvey Norman Holdings Limited has guaranteed to pay any deficiency in the event of winding up a controlled entity within the Closed Group or if the controlled entity does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities within the Closed Group have also given a similar guarantee in the event that Harvey Norman Holdings Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

The parties to the Deed of Cross Guarantee include Harvey Norman Holdings Limited and the following controlled entities:

- Arisit Pty Limited
- Contemporary Design Group Pty Limited
- Derni Pty Limited
- Harvey Norman Stores (N.Z.) Pty Limited
- Sarsha Pty Limited
- Yoogalu Pty Limited

The Statement of Financial Position and Income Statement for the Harvey Norman Holdings Limited Closed Group are as follows:

Statement of Financial Position

	2017 $000	2016 $000
Current Assets		
Cash and cash equivalents	**39,703**	109,838
Trade and other receivables	**602,819**	1,031,166
Other financial assets	**29,166**	26,204
Inventories	**164,381**	160,970
Intangible assets	**455**	448
Other assets	**16,355**	16,614
Total current assets	**852,879**	1,345,240
Non-Current Assets		
Trade and other receivables	**1,861,481**	1,810,692
Other financial assets	**150,440**	143,305
Property, plant and equipment	**12,177**	9,623
Intangible assets	**67,450**	72,034
Total non-current assets	**2,091,548**	2,035,654
Total Assets	**2,944,427**	3,380,894
Current Liabilities		
Trade and other payables	**84,975**	581,802
Interest-bearing loans and borrowings	**265,245**	335,125
Income tax payable	**39,680**	31,580
Provisions	**26,701**	14,719
Other liabilities	**8,840**	1,875
Total current liabilities	**425,441**	965,101
Non-Current Liabilities		
Interest-bearing loans and borrowings	**330,272**	200,000
Provisions	**4,409**	11,513
Deferred income tax liabilities	**74,386**	71,189
Other liabilities	**3,242**	4,555
Total non-current liabilities	**412,309**	287,257
Total Liabilities	**837,750**	1,252,358
NET ASSETS	**2,106,677**	2,128,536
Equity		
Contributed equity	**386,309**	385,296
Reserves	**11,365**	10,436
Retained profits	**1,709,003**	1,732,804
TOTAL EQUITY	**2,106,677**	2,128,536

39. DEED OF CROSS GUARANTEE (CONTINUED)

Income Statement	CLOSED GROUP 2017 $000	CLOSED GROUP 2016 $000
Profit before income tax	**408,001**	352,750
Income tax	**(86,840)**	(72,454)
Profit after tax	**321,161**	280,296

Retained Earnings

	2017 $000	2016 $000
Retained earnings at the beginning of the year	**1,732,804**	1,719,390
Profit after tax from continuing operations	**321,161**	280,296
Dividends provided for or paid	**(344,962)**	(266,882)
Retained earnings at the end of the year	**1,709,003**	1,732,804

40. PARENT ENTITY FINANCIAL INFORMATION

Statement of Financial Position	PARENT ENTITY 2017 $000	PARENT ENTITY 2016 $000
Current assets	**36**	42
Non-current assets	**2,224,829**	2,220,836
Total assets	**2,224,865**	2,220,878
Current liabilities	**37,231**	35,233
Non-current liabilities	**78,166**	75,152
Total liabilities	**115,397**	110,385
Contributed equity	**386,309**	385,296
Retained profits	**1,723,159**	1,725,197
Total Equity	**2,109,468**	2,110,493

Income Statement

	2017 $000	2016 $000
Profit for the Year	**342,924**	283,951
Total Comprehensive Income	**342,924**	283,951

Guarantees
The Parent Company is party to a Deed of Cross Guarantee (“Deed”) with the following controlled entities:

- Arisit Pty Limited
- Contemporary Design Group Pty Limited
- Derni Pty Limited
- Harvey Norman Stores (N.Z.) Pty Limited
- Sarsha Pty Limited
- Yoogalu Pty Limited

The effect of this Deed is that the Parent Company has guaranteed to pay any deficiency in the event of winding up one of the above controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The above controlled entities have also given a similar guarantee in the event that the Parent Company is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

Contingent Liabilities
At 30 June 2017, the Parent Company had guaranteed the performance of one controlled entity which has entered into operating lease commitments and financing facilities with external parties totalling $145.23 million (2016: $164.70 million).

41. 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.

In accordance with a resolution of the directors of Harvey Norman Holdings Limited, we state that:

In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

(c) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 38 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.

G. HARVEY
Executive Chairman
Sydney
29 September 2017

K.L. PAGE
Executive Director / Chief Executive Officer
Sydney
29 September 2017

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Independent Auditor's Report to the Members of Harvey Norman Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Harvey Norman Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2017 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Assessment of control for the purposes of consolidation

Why significant

The Group operates a franchise business model in Australia. There is significant judgement involved in the Group's determination as to whether it has control over the franchisees and therefore should consolidate their results.

During the financial year a number of external stakeholders, including shareholders have expressed interest in the assessment the Group has made with respect to the accounting treatment adopted for its franchise model. Given the judgement involved and interest referred to above, the Directors reassessed the basis for their conclusion that franchisees are not controlled in the current year and have continued to conclude they are not controlled and hence not consolidated.

Given the importance of this conclusion to the presentation of the financial statements this was considered to be a key audit matter.

Note 1(d) and Note 1(e)(ii)(a) describes the accounting policies in relation to the basis of consolidation and control assessment considerations.

How our audit addressed the key audit matter

Our audit procedures included the following:

- Assessed the judgements and conclusions reached by the Directors.
- In conjunction with our International Financial Reporting Standards specialists, we considered the application of Australian Accounting Standard AASB10 *Consolidated Financial Statements*, in particular the criteria relating to control, in the context of the franchise agreements and how these arrangements operate in practice. In particular the following areas were considered:
  - termination rights available to the Group;
  - Financial assistance provided to franchisees; and
  - Inventory purchasing arrangements available to franchisees.
- Enquired of the Directors and their external lawyers as to whether any changes were made during the year to the standard franchise agreements used by the Group, or the way in which the franchisees and the Group interact in practice.
- Confirmed the results of these discussions by reviewing current agreements between franchisees and the Group.
- Considered any changes that may impact the control assessment made by the Directors.
- Considered the legal application of current franchise agreements with the Group's external lawyers, involving our legal specialists where determined appropriate.
- Met with a sample of franchisees to confirm our understanding of how the current franchise agreements operate in practice.
- Considered matters raised by external stakeholders relevant to the AASB10 criteria related to control.

2. **Recoverability of Receivables from Franchisees**

Why significant	How our audit addressed the key audit matter
Receivables from franchisees are significant to the Group, representing 12.8% of total assets at 30 June 2017. Note 7(a) and Note 7(b) describes the nature of the balances receivable from franchisees, while Note 1(x) outlines the accounting policy in relation to loans and receivables. The assessment of the recoverability of franchisee receivables was a key audit matter given the value of the balance and the judgements exercised by the Group in making this assessment.	Our audit procedures included: ▶ Evaluated the Group's processes and controls relating to recovering receivables from franchisees. ▶ Considered the Group's assessment of the recoverability of receivables from individual franchisees. ▶ We selected a sample of franchisee loan receivables and obtained confirmation from the franchisees that they acknowledge the amounts owing at year end. ▶ We reviewed a sample of General Security Deeds between the franchisees and the Group that provides the Group with security over the assets of franchisees. ▶ We considered the value of assets provided as security by each of the franchisees against each franchisee receivable balance. ▶ For a sample of receivables from franchisees, we tested the controls used by the Group to confirm the existence and value of the assets provided as security, being predominately retail inventory, by each franchisee. ▶ Enquired of management and considered any evidence arising post year end of adverse performance of the franchisees, which could impact the recoverability of receivables from franchisees. ▶ We considered the adequacy of the disclosures included in Note 7(a), Note 7(b) and Note 1 to the financial statements.

3. Valuation of investment properties and owner-occupied properties

Why significant	How our audit addressed the key audit matter
Investment properties and owner occupied properties (properties) represent 53.5% of the total assets as at 30 June 2017. Investment properties are carried at fair value with changes in fair value recognised in the income statement. Note 1(vii) and Note 15 of the financial report, describes the basis upon which fair value has been determined. Owner-occupied properties, represented as Land and Buildings, are carried at fair value, with changes in fair value being recognised in equity. Note 1(v) and Note 14 of the financial report, describes the basis upon which fair value has been determined. The Group engages independent external valuation specialists to conduct valuations of each property at least once every three years. Directors' valuations are performed where the Group identifies a material change in the fair value of properties not selected for external valuation may have occurred during the year. The valuation of properties was considered a key audit matter given: ▶ the value of the properties relative to total assets of the Group; ▶ the judgement exercised by the Group in selecting the sample of properties subject to internal valuations during the period; ▶ judgements exercised by both independent valuation specialists and the Directors in determining fair value; and ▶ by their nature, the use of Directors' valuations.	Our audit procedures included the following: ▶ We assessed the Group's accounting policies with respect to investment properties and owner-occupied properties for compliance with the relevant Australian Accounting Standards. ▶ We assessed whether we could rely on the work of those responsible for the Directors' valuations and the work of the independent valuation specialists by considering their competence, objectivity and independence. ▶ With reference to available market data, we developed expectations as to the change in the value of investment and owner occupied properties based on property grade and geographical locations and compared these to the actual changes arising from the valuations. ▶ We selected a sample of the property valuations performed by both independent valuation specialists and the Directors and assessed the reasonableness of the key assumptions (as disclosed in Note 14 and Note 15) used in the valuations with reference to relevant comparable market evidence. This work included the involvement of Ernst & Young real estate valuation specialists in its execution. ▶ We considered the adequacy of the disclosures included in Note 1, Note 14 and Note 15 of the financial report.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 33 to 56 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Harvey Norman Holdings Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
29 September 2017

DISTRIBUTION OF SHAREHOLDINGS AS AT 27 SEPTEMBER 2017

Size of Holding	Ordinary Shareholders
1 – 1,000	5,201
1,001 – 5,000	6,821
5,001 – 10,000	1,931
10,001 – 100,000	1,686
100,001 and over	145
	15,784
Number of Shareholders with less than a marketable parcel	609

VOTING RIGHTS

All ordinary shares issued by Harvey Norman Holdings Limited carry one vote per share.

TWENTY LARGEST SHAREHOLDERS AS AT 27 SEPTEMBER 2017

Number of Ordinary Shares	Shareholder	Percentage of Ordinary Shares
338,889,449	Mr. Gerald Harvey	30.43%
183,323,726	Mr. Christopher Herbert Brown	16.46%
155,051,606	HSBC Custody Nominees Limited	13.92%
94,704,417	Citicorp Nominees Pty Limited	8.50%
64,784,660	J P Morgan Nominees Australia Limited	5.82%
52,262,874	Ms. Margaret Lynette Harvey	4.69%
40,035,322	BNP Paribas Nominees Pty Limited, BNP Paribas Noms Pty Limited & BNP Paribas Noms (NZ) Limited	3.60%
35,006,550	National Nominees Limited	3.14%
17,896,300	Enbeear Pty Limited	1.61%
17,507,642	Ms. Kay Lesley Page	1.57%
5,213,182	Argo Investments Limited	0.47%
3,054,115	RBC Investor Services	0.27%
2,974,897	Mr. Michael Harvey	0.27%
1,887,127	Omnilab Media Investments Pty Limited	0.17%
1,774,828	Bond Street Custodians Limited	0.16%
1,335,097	Powerwrap Limited	0.12%
1,246,102	AMP Life Limited	0.11%
1,223,049	Mr. Arthur Brew	0.11%
1,150,000	Glenn Hargraves Investments	0.10%
950,000	Peter & Lyndy White	0.09%
1,020,270,943		**91.62%**

AUSTRALIAN CAPITAL TERRITORY

FYSHWICK
Cnr Barrier & Ipswich Streets
Fyshwick 2609
Phone: (02) 6283 1200

NEW SOUTH WALES (SYDNEY SUBURBAN)

ALEXANDRIA
494 - 504 Gardeners Road
Alexandria 2015
Phone: (02) 9693 0666

AUBURN
250 Parramatta Road
Auburn 2144
Phone: (02) 9202 4888

AUBURN RENOVATIONS
250 Parramatta Road
Auburn 2144
Phone: (02) 9202 4888

BALGOWLAH
176 - 190 Condamine Street
Balgowlah 2093
Phone: (02) 9949 0100

BLACKTOWN
Unit C5
Cnr Blacktown
& Bungarribee Roads
Blacktown 2148
Phone: (02) 9831 2155

BONDI
Shop 5016,
Westfield Shopping Centre
500 Oxford Street
Bondi Junction 2022
Phone: (02) 8305 8800

BROADWAY
Shop 119
Broadway Shopping Centre
Bay Street
Broadway 2007
Phone: (02) 9219 5200

CAMPBELLTOWN
22A Blaxland Road
Campbelltown 2560
Phone: (02) 4621 5200

CARINGBAH
41 – 49 Willarong Road
Caringbah 2229
Phone: (02) 9589 8800

CASTLE HILL
Shop 31 Level 1 North Bldg
Home Hub Castle Hill
18 Victoria Avenue
Castle Hill 2154
Phone: (02) 9840 8800

GORDON
802 - 808 Pacific Highway
Gordon 2072
Phone: (02) 9496 9200

LIVERPOOL
Liverpool Mega Centre
2-18 Orange Grove Road
Liverpool 2170
Phone: (02) 9600 3333

McGRATHS HILL
Unit 6A
264 – 272 Windsor Road
McGraths Hill 2756
Phone: (02) 4587 6800

MOORE PARK
Level 2, North SupaCenta
Cnr South Dowling Street
& Dacey Avenue
Moore Park 2021
Phone: (02) 9662 9888

PENRITH
Cr Mulgoa Rd & Wolseley St
Penrith 2750
Phone: (02) 4737 5111

WILEY PARK
1018 Canterbury Road
Wiley Park 2195
Phone: (02) 9740 1100

WILEY PARK (Hardware)
1155 Canterbury Road
Punchbowl 2196
Phone: (02) 9784 4400

NEW SOUTH WALES (COUNTRY)

ALBURY
Unit 7/94 Borella Road
East Albury 2640
Phone: (02) 6023 0800

ARMIDALE
Shop 8, Girraween Centre
Queen Elizabeth Drive
Armidale 2350
Phone: (02) 6771 0800

BALLINA
26 Boeing Avenue
Ballina 2478
Phone: (02) 6620 5300

BATEMANS BAY
9 Flora Crescent
Bateman's Bay 2536
Phone: (02) 4412 3200

BATHURST
2 Ashworth Drive
Kelso 2795
Phone: (02) 6332 8800

BROADMEADOW
(HOMESTARTERS)
35 - 43 Lambton Road
Broadmeadow 2292
Phone: (02) 4962 1770

BROKEN HILL
329-331 Blende Street
Broken Hill 2880
Phone: (08) 8088 2266

COBAR
27 Marshall Street
Cobar 2835
Phone: (02) 6836 6400

COFFS HARBOUR
252 Pacific Highway
Coffs Harbour 2450
Phone: (02) 6653 0300

DENILIQUIN
Cnr. Hardinge & Harfleur
Streets Deniliquin 2710
Phone: (03) 5881 5499

DUBBO
223 Cobra Street
Dubbo 2830
Phone: (02) 6826 8800

FORSTER
29 Breese Parade
Forster 2428
Phone: (02) 6554 5700

GOSFORD (ERINA)
Harvey Norman Shopping Complex
Karalta Lane
Erina 2250
Phone: (02) 4365 9500

GOULBURN
180 - 186 Auburn Street
Goulburn 2580
Phone: (02) 4824 3000

GRAFTON
125 Prince Street
Grafton 2460
Phone: (02) 6640 1500

GRIFFITH
Cnr Jondaryn &
Willandra Avenues
Griffith 2680
Phone: (02) 6961 0300

GUNNEDAH
82 Conadilly Street
Gunnedah 2380
Phone: (02) 6741 7900

INVERELL
50 Evans Streets
Inverell 2360
Phone: (02) 6720 0700

LAKE HAVEN
59 – 83 Pacific Highway
Lakehaven 2263
Phone: (02) 4394 6000

LISMORE
17 Zadoc Street
Lismore 2480
Phone: (02) 6623 1400

NEW SOUTH WALES (COUNTRY) (CONTINUED)

LITHGOW
175 Main Street
Lithgow 2790
Phone: (02) 6354 5400

MACLEAN
211 River Street
Maclean 2463
Phone: (02) 6603 5100

MAITLAND
Unit 1/366 New England Highway
Rutherford 2320
Phone: (02) 4932 2800

MOREE
103 Balo Street
Moree 2400
Phone: (02) 6751 2400

MOSS VALE
137 – 157 Lackey Road
Moss Vale 2577
Phone: (02) 4869 6400

MUDGEE
33 Sydney Road
Mudgee 2850
Phone: (02) 6372 8800

MUSWELLBROOK
19 Rutherford Road
Muswellbrook 2333
Phone: (02) 6541 6800

NEWCASTLE
(BENNETTS GREEN)
7 Abdon Close
Bennetts Green 2290
Phone: (02) 4944 5000

NOWRA
193 Princes Highway
South Nowra 2541
Phone: (02) 4421 1300

ORANGE
Unit 1, Orange Grove
Homemaker Centre
Cnr Mitchell Highway & Lone Pine
Avenue Orange 2800
Phone: (02) 6393 2222

PARKES
Shop 1, Saleyards Road
Parkes 2870
Phone: (02) 6862 8900

PORT MACQUARIE
160/174 Hastings River Dr
Port Macquarie 2444
Phone: (02) 6580 0000

SALAMANDER BAY
270 Sandy Point Road
Salamander Bay 2317
Phone: (02) 4919 3100

TAMWORTH
43 The Ringers Road
Tamworth 2340
Phone: (02) 6765 1100

TAREE
9 Mill Close
Taree 2430
Phone: (02) 6552 8000

TEMORA
102 Hoskins Street
Temora 2666
Phone: (02) 6980 1700

TURA BEACH
Shop 11, 1 Tura Beach Drive
Tura Beach 2548
Phone: (02) 6497 4100

TWEED HEADS
Harvey Norman Complex
29 - 41 Greenway Drive
Tweed Heads South 2486
Phone: (07) 5524 0111

WAGGA WAGGA
Homebase Centre
7 - 23 Hammond Avenue
Wagga Wagga 2650
Phone: (02) 6933 7000

WARRAWONG
Cnr King Street &
Shellharbour Road
Warrawong 2502
Phone: (02) 4223 8800

WEST WYALONG
114 Main Street
West Wyalong 2671
Phone: (02) 6970 1700

YOUNG
326 Boorowa Street
Young 2594
Phone: (02) 6384 1400

NORTHERN TERRITORY

ALICE SPRINGS
1 Colson Street
Alice Springs 0870
Phone: (08) 8950 4000

DARWIN
644 Stuart Highway
Berrimah 0828
Phone: (08) 8922 4111

QUEENSLAND (BRISBANE SUBURBAN)

ASPLEY
1411 - 1419 Gympie Road
Aspley 4034
Phone: (07) 3834 1100

BROWNS PLAINS
18 Commerce Drive
Browns Plains 4118
Phone: (07) 3380 0600

CAPALABA
Shop 32 - 33 Capalaba Centre
38-62 Moreton Bay Road
Capalaba 4157
Phone: (07) 3362 6200

CARINDALE
Homemaker Centre
Cnr Carindale Street and
Old Cleveland Road
Carindale 4152
Phone: (07) 3398 0600

CLEVELAND
Shop 1A, 42 Shore Street West
Cleveland 4163
Phone: (07) 3488 8900

EVERTON PARK
429 Southpine Road
Everton Park 4053
Phone: (07) 3550 4444

LOGANHOLME
3878 - 3892 Pacific Highway
Loganholme 4129
Phone: (07) 3440 9200

MACGREGOR
555 Kessels Road
Macgregor 4109
Phone: (07) 3849 9500

MT GRAVATT
2049 Logan Street
Upper Mt Gravatt 4122
Phone: (07) 3347 7000

OXLEY
2098 Ipswich Road
Oxley 4075
Phone: (07) 3332 1100

QUEENSLAND (COUNTRY)

ATHERTON
57 Tolga Road
Atherton 4883
Phone: (07) 4091 0900

AYR
101 Queens Street
Ayr 4807
Phone: (07) 4783 3188

BOOVAL
214 Brisbane Road
Booval 4304
Phone: (07) 3280 7400

BUNDABERG
125 Takalvan Street
Bundaberg 4670
Phone: (07) 4154 5000

BUNDALL
29 - 45 Ashmore Road
Bundall 4217
Phone: (07) 5584 3111

BURLEIGH WATERS
1 Santa Maria Crt
Burleigh Waters 4220
Phone: (07) 5586 2000

CAIRNS
101 Spence Street
Portsmith 4870
Phone: (07) 4050 0300

CANNONVALE
Shop B2, Whitsunday Centre
8 Galbraith Drive
Cannonvale 4802
Phone: (07) 4969 8800

DALBY
49 Patrick Street
Dalby 4405
Phone: (07) 4672 4444

EMERALD
21 Ballard Street
Emerald 4720
Phone: (07) 4986 8100

GLADSTONE
Shop 1B Centro Centre
220 Dawson Highway
Gladstone 4680
Phone: (07) 4971 5000

GYMPIE
35-37 Edwin Campion Drive
Monkland 4570
Phone: (07) 5480 1500

HERVEY BAY
33-45 Maryborough Road
Hervey Bay 4655
Phone: (07) 4120 1100

INGHAM
Shop 3
57 Herbert Street
Ingham 4850
Phone: (07) 4776 3188

INNISFAIL
52/57 Ernest Street
Innisfail 4860
Phone: (07) 4063 5200

KINGAROY
18 - 20 Rogers Drive
Kingaroy 4610
Phone: (07) 4160 0400

MACKAY
Cnr Bruce Highway &
Heath's Road
Glenella 4740
Phone: (07) 4951 8800

MAROOCHYDORE
Shop 5, Pacific Highway
Sunshine Homemaker Centre
Maroochydore 4558
Phone: (07) 5452 7144

MARYBOROUGH
72 - 74 Bazaar Street
Maryborough 4650
Phone: (07) 4120 2100

MORAYFIELD
245 Morayfield Road
Morayfield 4506
Phone: (07) 5428 8000

MT ISA
121 Marian Street
Mt Isa 4825
Phone: (07) 4745 0100

NOOSA
7 - 9 Gibson Road
Noosaville 4566
Phone: (07) 5473 1911

ROCKHAMPTON
407 Yaamba Road
North Rockhampton 4701
Phone: (07) 4923 5000

ROTHWELL
Unit 1
439 - 443 Anzac Avenue
Rothwell 4022
Phone: (07) 3897 8800

TOOWOOMBA
910 - 932 Ruthven Street
Toowoomba 4350
Phone: (07) 4636 7300

TOWNSVILLE
103 - 142 Duckworth Street
Garbutt 4814
Phone: (07) 4775 8800

WARWICK
Cnr Victoria St & Palmerin Sts
Warwick 4370
Phone: (07) 4666 9000

TASMANIA

BURNIE
43-45 Marine Terrace
Burnie 7320
Phone: (03) 6436 8800

CAMBRIDGE PARK
Unit B11
66 - 68 Kennedy Drive
Cambridge Park 7170
Phone: (03) 6248 3300

DEVONPORT
2 Friend Street
Devonport 7310
Phone: (03) 6420 7600

HOBART CITY
171 Murray Street
Hobart 7000
Phone: (03) 6230 1100

LAUNCESTON
Cnr William and Charles Streets
Launceston 7250
Phone: (03) 6337 9400

MOONAH
191 - 197 Main Road
Moonah 7009
Phone: (03) 6277 7777

SOUTH AUSTRALIA (ADELAIDE SUBURBAN)

CITY CROSS
Shop L1 31 - 33 Rundle Mall
Adelaide 5000
Phone: (08) 8168 8800

GEPPS CROSS
Unit 1, 760 Main North Road
Gepps Cross 5094
Phone: (08) 8342 8888

MARION
822 - 826 Marion Road
Marion 5043
Phone: (08) 8375 7777

MILE END COMMERCIAL
20 William Street
Mile End 5031
Phone: (08) 8150 8000

MT BARKER
6 Dutton Road
Adelaide Hills Homemaker
Centre
Mt Barker 5251
Phone: (08) 8393 0800

MUNNO PARA
Lot 2005, 600 Main North Road
Smithfield 5114
Phone: (08) 8254 0700

NOARLUNGA
3/2 Seaman Drive
Noarlunga 5168
Phone: (08) 8329 5400

WOODVILLE
853 - 867 Port Road
Woodville 5011
Phone: (08) 8406 0100

SOUTH AUSTRALIA (COUNTRY)

MT GAMBIER
Cnr Kennedy Avenue &
Jubilee Highway East
Mt Gambier 5290
Phone: (08) 8724 6800

PORT LINCOLN
Cnr St Andrews Terrace and
Kooyanga Ave
Port Lincoln 5606
Phone: (08) 8683 7700

WHYALLA
Cnr Delprat Terrace and
The Boulevarde
Whyalla 5600
Phone: (08) 8645 6100

VICTORIA (MELBOURNE SUBURBAN)

BROADMEADOWS
1185 - 1197 Pascoe Vale Rd
Broadmeadows 3047
Phone: (03) 9621 2800

CHADSTONE
699 Warrigal Road
Chadstone 3148
Phone: (03) 9567 6666

CHIRNSIDE PARK
286 Maroondah Highway
Chirnside Park 3116
Phone: (03) 9722 4400

COBURG
Shop 8, 64 - 74 Gaffney St
Coburg 3058
Phone: (03) 9240 2500

DANDENONG
141 - 165 Frankston -
Dandenong Road
Dandenong 3175
Phone: (03) 8791 3333

FOUNTAIN GATE
Fountain Gate S/Centre
Overland Drive
Narre Warren 3805
Phone: (03) 8796 6777

HOPPERS CROSSING
Unit 1, 201 - 219 Old
Geelong Road
Hoppers Crossing 3029
Phone: (03) 8734 0000

KNOX
Shop 3105, Knox Centre
425 Burwood Highway
Wantirna South 3152
Phone: (03) 9881 3700

MARIBYRNONG (Highpoint)
169 Rosamond Road
Maribyrnong 3032
Phone: (03) 9304 7000

MOORABBIN
420 South Road
Moorabbin 3189
Phone: (03) 9555 1222

NUNAWADING
396-408 Whitehorse Road
Nunawading 3131
Phone: (03) 9837 1200

PRESTON
121 Bell Street
Preston 3072
Phone: (03) 9269 3300

RICHMOND
479 Bridge Street
Richmond 3131
Phone: (03) 8416 4100

SPRINGVALE
26/917 Princes Highway
Springvale 3171
Phone: (03) 9518 8500

SUNSHINE
484 Ballarat Road
Sunshine 3020
Phone: (03) 9334 6000

THOMASTOWN
308-320 Settlement Road
Thomastown 3074
Phone: (03) 9463 4777

VIC / TAS COMMERCIAL
951 Nepean Highway
Bentleigh 3204
Phone: (03) 8530 6300

WATERGARDENS
450 Melton Highway
Taylors Lakes 3038
Phone: (03) 9449 6300

VICTORIA (COUNTRY)

ARARAT
47-49 Vincent Street
Ararat 3377
Phone: (03) 5352 9199

BAIRNSDALE
294 Main Road
Bairnsdale 3875
Phone: (03) 5153 9700

BALLARAT
Cnr Howitt & Gillies Street
Wendouree 3355
Phone: (03) 5332 5100

BENDIGO
Cnr High & Ferness Streets
Kangaroo Flat 3555
Phone: (03) 5447 6000

FRANKSTON
87 Cranbourne Road
Frankston 3199
Phone: (03) 8796 0600

GEELONG
420 Princes Highway
Corio 3214
Phone: (03) 5272 9900

HAMILTON
Shop 10 Hamilton Central
Plaza 148 Gray Street
Hamilton 3300
Phone: (03) 5551 3500

HORSHAM
148 Firebrace Street
Horsham 3400
Phone: (03) 5381 5000

MILDURA
Cnr Fifteenth Street &
Etiwanda Ave
Mildura 3500
Phone: (03) 5051 2200

MOE
19 Moore Street
Moe 3825
Phone: (03) 5127 9500

MORNINGTON
Building C3
Peninsula Centre
Bungower Road
Mornington 3931
Phone: (03) 5970 2500

MORWELL
232 Commercial Road
Morwell 3840
Phone: (03) 5120 0200

SALE
363 - 373 Raymond Street
Sale 3850
Phone: (03) 5149 5100

SHEPPARTON
8025 Goulburn Valley Hwy
Shepparton 3630
Phone: (03) 5820 2900

SWAN HILL
68 Nyah Road
Swan Hill 3585
Phone: (03) 5032 0500

TRARALGON
Cnr Princes Hwy & Liddiard Rds
Traralgon 3844
Phone: (03) 5175 6700

WANGARATTA
8 - 12 Murphy Street
Wangaratta 3677
Phone: (03) 5723 8800

WARRAGUL
33 Victoria Street
Warragul 3820
Phone: (03) 5623 9000

WARRNAMBOOL
84 Raglan Parade
Warrnambool 3280
Phone: (03) 5564 7700

WAURN PONDS
33 Princes Highway
Waurn Ponds 3216
Phone: (03) 5240 6200

WONTHAGGI
37 McKenzie Street
Wonthaggi 3995
Phone: (03) 5672 0800

WESTERN AUSTRALIA (PERTH SUBURBAN)

ARMADALE
10 Prospect Road
Armadale 6112
Phone: (08) 9498 4400

CANNINGTON
1363 Albany Highway
Cannington 6107
Phone: (08) 9311 1100

CITY WEST
25 Sutherland Street
West Perth 6005
Phone: (08) 9215 8600

JOONDALUP
36 Clarke Crescent
Joondalup 6027
Phone: (08) 9301 3311

MALAGA
27 Kent Way
Malaga 6090
Phone: (08) 9270 6300

MIDLAND
Cnr Clayton and Lloyd Sts
Midland 6056
Phone: (08) 9374 8600

O'CONNOR
133 Garling Street (Cnr Stock Road)
O'Connor 6163
Phone: (08) 9337 0888

OSBORNE PARK
469 - 475 Scarborough Beach Road
Osborne Park 6017
Phone: (08) 9441 1100

PORT KENNEDY
400-402 Saltaire Way
Port Kennedy 6168
Phone: (08) 9524 0111

WESTERN AUSTRALIA (COUNTRY)

ALBANY
Unit 1 / 5 Brookes Garden Blvd
Albany 6330
Phone: (08) 9892 6800

BUNBURY
Cnr Sandridge and
Denning Road
East Bunbury 6230
Phone: (08) 9721 4811

BUSSELTON
24 - 26 Bussell Highway
Busselton 6280
Phone: (08) 9781 0700

BROOME
2 Haynes Street
Broome 6725
Phone: (08) 9195 3600

GERALDTON (Furniture & Bedding &)
38 Chapman Road
Geraldton 6530
Phone: (08) 9964 0111

GERALDTON (Computers)
16 Anzac Terrace
Geraldton 6530
Phone: (08) 9964 0111

KALGOORLIE
29 Davidson Street
Kalgoorlie 6430
Phone: (08) 9093 5500

KARRATHA
Unit 5, Lot 3818
Balmoral Road
Karratha 6174
Phone: (08) 9144 1589

MANDURAH
9 Gordon Road
Cnr Mandurah Terrace
Mandurah 6210
Phone: (08) 9582 5800

PORT HEDLAND
Boulevarde Shopping Centre
Anderson Street
Port Hedland 6721
Phone: (08) 9173 8000

DOMAYNE

ALEXANDRIA
84 O'Riordan Street
Alexandria 2015
Phone: (02) 8339 7000

AUBURN
103 - 123 Parramatta Road
Auburn 2144
Phone: (02) 9648 5411

BELROSE
GO1 4 - 6 Niangala Close
Belrose 2085
Phone: (02) 9479 8800

BUNDALL
29 - 45 Ashmore Road
Bundall 4217
Phone: (07) 5553 2100

CARINGBAH
212 Taren Point Road
Caringbah 2229
Phone: (02) 8536 5200

CASTLE HILL
16 Victoria Avenue
Castle Hill 2155
Phone: (02) 9846 8800

FORTITUDE VALLEY
Brisbane City Gate
Shop 1, 1058 Ann Street
Fortitude Valley 4006
Phone: (07) 3620 6600

FYSHWICK
80 Collie Street
Fyshwick 2604
Phone: (02) 6126 2500

GOSFORD
400 Manns Road
West Gosford 2250
Phone: (02) 4322 5555

KOTARA
18 Bradford Place
Kotara 2289
Phone: (02) 4941 3900

LIVERPOOL
Liverpool Mega Centre
2/18 Orange Grove Road
Liverpool 2170
Phone: (02) 8778 2222

MAITLAND
Unit 6
366 New England Highway
Rutherford 2320
Phone: (02) 4932 2300

MARION
919-929 Marion Road
Marion 5043
Phone: (08) 8198 2400

MAROOCHYDORE
Unit 14
11-55 Maroochy Boulevard
Maroochydore 4558
Phone: (07) 5425 1400

MELBOURNE QV
Cnr Swanston & Lonsdale Streets
Level 4
9-13 Upper Terrace QV
Melbourne 3000
Phone: (03) 8664 4300

NORTH RYDE
31 - 35 Epping Road
North Ryde 2113
Phone: (02) 9888 8888

PENRITH
1st Floor
Cnr Wolseley Street and
Mulgoa Road
Penrith 2750
Phone: (02) 4737 5000

SPRINGVALE
10/971 Princes Highway
Springvale 3171
Phone: (03) 9565 8200

WARRAWONG
119 - 121 King Street
Warrawong 2502
Phone: (02) 4255 1800

JOYCE MAYNE

CHANCELLOR PARK
Showroom 2
Chancellor Park Blvd
Sippy Downs 4556
Phone: (07) 5477 2200

MAROOCHYDOORE
Maroochydore Homemaker Ctr
11-55 Maroochy Blvd
Maroochydoore 4558
Phone: (07) 5475 1800

NOWRA
Cnr Central Ave &
Princes Highway
Nowra 2541
Phone: (02) 4448 0000

TOOWOOMBA
675 Ruthven Street
Toowoomba 4350
Phone: (07) 4613 7100

TOWNSVILLE
1/3 Woodman Ct
West End / Garbutt 4810
Phone: (07) 4759 9900

WARRAWONG
113 King Street
Warrawong 2502
Phone: (02) 4276 0000

NEW ZEALAND

ASHBURTON
Cnr West & Moore Streets
Ashburton
Phone: 0011 643 307 5000

BLENHEIM
19 - 21 Maxwell Road
Blenheim
Phone: 0011 643 520 9700

BOTANY DOWNS
500 Ti Rakau Drive
Botany Downs
Phone: 0011 649 272 5700

BOTANY ELECTRICAL OUTLET
Unit F, 451 Ti Rakau Drive
Botany
Phone: 0011 649 253 9200

CHRISTCHURCH
Cnr Moorhouse Ave
& Colombo Street
Christchurch
Phone: 0011 643 353 2440

DUNEDIN
Cnr MacLaggan
& Rattray Streets
Dunedin
Phone: 0011 643 471 6510

GISBORNE
51 Customshouse Street
Gisborne
Phone: 0011 646 869 2900

HAMILTON
10 - 16 The Boulevard
Te Rapa
Hamilton
Phone: 0011 647 850 7300

HAMILTON ELECTRICAL OUTLET
79 Tristam Street
Hamilton
Phone: 0011 647 848 2700

HASTINGS
303 St Aubyns Street East
Hastings
Phone: 0011 646 873 7150

HENDERSON
10 - 12 Ratanui Street
Henderson
Phone: 0011 649 835 5000

HORNBY
10-14 Chappie Place
Hornby Christchurch
Phone: 0011 643 344 8100

INVERCARGILL
245 Tay Street
Invercargill
Phone: 0011 643 219 9100

LINCOLN CENTRE
111 Lincoln Road
Henderson
Phone: 0011 649 621 1590

LOWER HUTT
28 Rutherford Street
Lower Hutt
Phone: 0011 644 894 8200

MANUKAU
Manukau SupaCenta
Ronwood Avenue Manukau City
Auckland
Phone: 0011 649 262 7050

MT MAUNGANUI
2 - 10 Owens Place
Mt Maunganui
Phone: 0011 647 572 7200

MT ROSKILL
167-169 Stoddard Road
Mt Roskill
Phone: 0011 649 621 1500

MT WELLINGTON
20 - 54 Mt Wellington Hwy
Mt Wellington Auckland
Phone: 0011 649 570 3440

NAPIER
Shop 5
20-60 Wellesley Road
Napier
Phone: 0011 646 833 9500

NELSON
69 Vincent Street
Nelson
Phone: 0011 643 539 5000

NEW PLYMOUTH
Cnr Smart & Devon Roads
New Plymouth
Phone: 0011 646 759 2900

NORTHWOOD
Unit 1 Radcliffe Road
Northwood
Christchurch
Phone: 0011 646 375 9800

PALMERSTON NORTH
361 - 371 Main Steet West
Palmerston North
Phone: 0011 646 350 0400

PARAPARAUMU
Coastlands S/Centre
State Highway 1
Paraparaumu
Phone: 0011 644 296 3100

PORIRUA
19 Parumoana Street
Porirua
Wellington
Phone: 0011 644 237 2600

PUKEKOHE
Pukekohe Mega Centre
182-196 Manukau Road
Pukekohe
Phone: 0011 649 237 3500

QUEENSTOWN
2A/12 Hawthorne Drive
Remarkables Park
Queenstown
Phone: 0011 643 901 0900

RANGITIKEI STREET
Unit C
210-248 Rangitikei Street
Palmerston North
Phone: 0011 646 935 3500

ROTORUA
35 Victoria Street
Rotorua
Phone: 0011 647 343 9800

TAURANGA
683-697 Cameron Road
Tauranga
Phone: 0011 647 557 9500

TIMARU
226 Evans Street
Timaru
Phone: 0011 643 687 7000

TOWER JUNCTION
Clarence Building
66 Clarence Street
Tower Junction
Christchurch
Phone: 0011 643 968 3600

WAIRAU PARK
10 Croftfield Lane
Wairau Park North
Glenfield
Phone: 0011 649 441 9750

WANGANUI
287 Victoria Avenue
Wangtanui
Phone: 0011 646 349 6000

WELLINGTON
77-87 Tory Street
Wellington
Phone: 0011 644 381 4250

WESTGATE
63 – 65 Maki Street
Westgate Lifestyle Centre
Westgate Auckland
Phone: 0011 649 822 8200

WHAKATANE
The Hub
State Highway 30
Whakatane
Phone: 0011 649 306 0600

WHANGAREI
5 Gumdigger Place
Whangarei
Phone: 0011 649 470 0300

IRELAND

BLANCHARDSTOWN
Unit 421 Blanchardstown
Retail Park Blanchardstown
Dublin 15
Phone: 0011 353 1 824 7400

CARRICKMINES
Unit 230 The Park
Carrickmines Dublin 18
Phone: 0011 353 1 824 7400

CASTLEBAR
Unit D - F
Castlebar Retail Park
Breaffy Road Castlebar
Phone: 0011 353 94 906 3900

CORK
Kinsale Road Ballycurreen
Cork, Dublin
Phone: 0011 353 21 425 0900

DROGHEDA
Units 8 - 11
Drogheda Retail Park
Donore Road Drogheda
Phone: 0011 353 41 987 8200

LIMERICK
Units 5 - 7
City East Retail Park
Ballysimon Road
Limerick Dublin
Phone: 0011 353 61 422 800

LITTLE ISLAND
Units 9 - 11
Eastgate Retail Park
Little Island Cork
Phone: 0011 353 21 500 1500

NAAS
Unit G - K
New Holl Retail Park
Naas Kildane
Phone: 0011 353 04 590 7700

RATHFARNHAM
Unit 7A-7C
Nutgrove Retail Park
Nutgrove Avenue
Rathfarnham Dublin 14
Phone: 0011 353 1 491 6300

SWORDS
Units 5 - 7
Airside Retail Park
Swords Road
Swords, Co Dublin
Phone: 0011 353 1 890 9900

TALLAGHT
Airton Retail Park
Corner Airton & Greenhills Road
Tallaght, Dublin
Phone: 0011 353 01 468 4500

TRALEE
Unit 8A
Manor West Retail Park
Tralee, Co Kerry
Phone: 0011 353 66 716 4900

WATERFORD
Units 5 - 8
Butlerstown Retail Park
Butlerstown Roundabout
Outer Ring Road
Co Waterford
Phone: 0011 353 5 131 9900

NORTHERN IRELAND

BOUCHER ROAD
Balmoral Plaza
24 Boucher Road
Belfast BT12 6HR
Phone: 0011 44 28 9038 9600

HOLYWOOD
Units A-D 306 Holywood Exchange
Airport Road W,
Holywood BT3 9DY
Phone: 0011 44 28 9039 5800

SLOVENIA

CELJE
Kidričeva ulica 26A
3000 Celje
Phone: 0011 386 3425 0050

KOPER
Ankaranska Cesta 3C
6000 Koper
Phone: 0011 386 5610 0102

LJUBLJANA
Letališka Cesta 3D
1000 Ljubljana
Phone: 0011 386 1585 5000

MARIBOR
Bohova 1
2311 Hoče
Phone: 0011 386 2300 4850

NOVO MESTO
Ljubljanska Cesta 95
8000 Novo Mesto
Phone: 0011 386 7309 9920

CROATIA

ZAGREB
Velimira Škorpika 34,
10000 Zagreb
Phone: 0011 385 1556 6200

SINGAPORE

BEDOK POINT
799 New Upper Changi Road
#B1-01/02 #B-16/2 and #B1-K1/K14
Singapore 467351
Phone: 0011 65 6446 7218

BUKIT PANJANG
1 Jelebu Road
#03-06/06A/06B/07A
Singapore 677743
Phone: 0011 65 6767 1500

DJITSUN MALL
5 Ang Mo Kio Central 2
#02-01/02
Singapore 569663
Phone: 0011 65 6554 5630

HOUGANG MALL
90 Hougang Avenue 10
#02-13 to 15
Singapore 538766
Phone: 0011 65 6488 2305

JURONG POINT
1 Jurong West Central 2
#03-34-39 Jurong Point
Shopping Centre
Singapore 648886
Phone: 0011 65 6795 2135

MILLENIA WALK
No. 9 Raffles Boulevard
#02-27 Millenia Walk
Singapore 039596
Phone: 0011 65 6311 9988

NORTHPOINT
Level 1 Atrium,
Northpoint Shopping Centre
Singapore 769098
Phone: 0011 65 6757 7695

ONE KM
11 Tanjong Katong Road
#02-41 to 44
Singapore 437157
Phone: 0011 65 6702 5220

SINGAPORE (CONTINUED)

PARKWAY
80 Marine Parade Road
#01/35/35A/36, #02-34/34A, 35/36,
Singapore 449269
Phone: 0011 65 6346 4705

SPORTS HUB
(Kallang Wave Mall)
1 Stadium Place
#02-09/10
Singapore 397628
Phone: 0011 65 6702 5171

SQUARE TWO
B1-06 to 75
10 Sinaran Drive
Singapore 307506
Phone: 0011 65 6397 6190

SUNTEC CITY
6 Temasek Boulevard
Suntec City Mall, East Atrium
Tower 3/4, #01-634/640
Singapore 038983
Phone: 0011 65 6332 2312

VIVACITY
750B Chai Chee Road
#01-01 to 06
Viva Business Park
Singapore 469002
Phone: 0011 65 6245 1516

WESTMALL
No. 1 Bt Batok Central Link
#03-06 to 09
Singapore 658713
Phone: 0011 65 6794 2812

MALAYSIA

AMPANG POINT
Lot S01, 2nd Floor
Jalan Mamanda 3,
68000 Ampang, Selangor
Phone: 0011 603 4260 1020

BUKIT TINGGI
Lot F 42 1st Floor
AEON Bukit Tinggi S/Centre
No. 1 Persiaran Batu Nilam 1/KS6
Bandar Bukit Tinggi 2
41200 Klang
Selangor Darul Ehsan
Phone: 0011 603 3326 2631

CITTA MALL
No 1 Jalan PJU 1A/48
PJU 1A, Ara Damansara
47301 Petaling Jaya
Phone: 0011 603 7846 1025

GURNEY PARAGON MALL
Lot 163D-4-02
Persiaran Gurney
10250 Penang
Phone: 0011 604 229 8886

IOI CITY MALL
LG-27B & 28 Lower Ground Floor
IOI Resort, Lebuh IRC
62502 Putrajaya
Sepang, Selangor
Phone: 0011 603 8957 7918

IKANO POWER CENTRE
Unit F3 1st Floor Ikano Ctr
No 2 Jalan PJU 7/2
Mutiara Damansara
47800 Petaling Jaya
Selangor Darul Ehsan
Phone: 0011 603 7718 5200

MID VALLEY
Lot S066, 2nd Floor (South Court)
Mid Valley Megamall
Lingkaran Syed Putra
59100 Kuala Lumpur
Phone: 0011 603 2282 2860

MONT KIARA
L2-07 & L2-08
No 1 Jalan Kiara
Mont Kiara
50480 Kuala Lumpur
Phone: 0011 603 6203 6380

NU SENTRAL
Unit L3-01, Nu Sentral Mall
No. 201, Jalan Tun Sambathan
50470 Kuala Lumpur
Phone: 0011 603 2260 7866

PAVILION
Lot 5.24.04 Level 5
Pavilion Kuala Lumpur
No. 168 Jalan Bukit Bintang
55100 Kuala Lumpur
Phone: 0011 603 2142 3735

PARADIGM MALL
Lot 1F-01 & 02, 1st Floor No.1
Jalan SS7/26A, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Phone: 0011 603 7887 3589

QUEENSBAY
Lot 2F-86 South Zone
Queensbay Mall
No 100 Persiaran Bayan Indah
11900 Bayan Lepas
Penang
Phone: 0011 604 630 8210

SETIA CITY MALL
L1-MM03 No. 7
Persiaran Setia Dagang
Bandar Setia Alam.
Seksyen U13
40170 Shah Alam,
Selangor Darul Ehsan
Phone: 0011 603 3345 6085

SUNWAY PYRAMID
LG2.140 Lower Ground Two
Sunway Pyramid S/Centre
No. 3 Jalan PJS 11/15
Selangor Darul Ehsan
Phone: 0011 603 5622 1300

SUNWAY VELOCITY
3-101 To 3-102 & 4-74 TO 4-102
3rd & 4th Floor
Sunway Velocity Mall
Lingkaran SV Sunway Velocity
55100 Kuala Lumpur Malaysia
Phone: 0011 603 9226 6002