Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

APPENDIX 4E | **YEAR END REPORT** | JUNE 2023

Australia
New Zealand
Singapore
Slovenia
Ireland
Northern Ireland
Malaysia
Croatia

Key dates

31 August 2023
Announcement of Profit for the Year Ended 30 June 2023 & Announcement of Final 2023 Dividend

16 October 2023
Record Date for Determining Entitlement to Final 2023 Dividend

13 November 2023
Payment of Final 2023 Dividend

29 November 2023 at 11 am
Annual General Meeting of Shareholders

29 February 2024
Announcement of Half-Year Profit to 31 December 2023 & Announcement of Interim 2024 Dividend

3 April 2024
Record Date for Determining Entitlement to Interim 2024 Dividend

1 May 2024
Payment of Interim 2024 Dividend

Company info

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 (EY)

Securities exchange listing
Shares in Harvey Norman Holdings Limited (HVN) are quoted on the Australian Securities Exchange Limited (ASX)

Solicitors
Brown Wright Stein

Company secretary
Mr. Chris Mentis

Contents

2023 Results

EBITDA

$1,130.71m

2023	**$1,130.71**
2022	$1,436.56
2021	$1,457.14
2020	$944.67
2019	$688.60

[$m]

↓ $305.85m from FY22
↑ $442.11m from FY19

4-YEAR CAGR **13.2%**

Reported PBT

$776.08m

2023	**$776.08**
2022	$1,140.44
2021	$1,182.53
2020	$661.29
2019	$574.56

[$m]

↓ $364.36m from FY22
↑ $201.52m from FY19

4-YEAR CAGR **7.8%**

Reported NPAT & NCI

$539.52m

2023	**$539.52**
2022	$811.53
2021	$841.41
2020	$480.54
2019	$402.32

[$m]

↓ $272.01m from FY22
↑ $137.20m from FY19

4-YEAR CAGR **7.6%**

Operating Cash Flows

$680.26m

2023	**$680.26**
2022	$597.30
2021	$543.87
2020	$1,056.96
2019	$372.85

[$m]

↑ $82.96m from FY22
↑ $307.41m from FY19

4-YEAR CAGR **16.2%**

Net Assets

$4.466bn

2023	**$4,466.49**
2022	$4,294.12
2021	$3,893.02
2020	$3,477.33
2019	$3,197.79

[$m]

↑ $172.37m from FY22
↑ $1,268.70m from FY19

4-YEAR CAGR **8.7%**

Total System Sales Revenue*

$9.193bn

2023	**$9,192.93**
2022	$9,557.59
2021	$9,720.71
2020	$8,457.53
2019	$7,891.08

[$m]

↓ $364.66m from FY22
↑ $1,301.84m from FY19

4-YEAR CAGR **3.9%**

*Comprised of Harvey Norman® overseas company-operated sales revenue and aggregated Harvey Norman®, Domayne® and Joyce Mayne® franchisee sales revenue in Australia. Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

Harvey Norman® & Greater Western Sydney

Harvey Norman® has been at home in Greater Western Sydney, for over 40 years, with the first Harvey Norman® franchised complex open at Parramatta Road, Auburn in October 1982. This complex continues to be the largest Harvey Norman® complex globally and is our Flagship Complex in Australia. Our global headquarters, situated at Homebush West, employs over 700 employees and manages our integrated retail, franchise and property system across 8 countries.

With a population of over 2.5 million Australians and the third largest economy in the country, a thriving Greater Western Sydney has and always will be fundamental to Australian prosperity. Harvey Norman® has a uniquely invested, local understanding of what it takes for this economic powerhouse to thrive – access to sustainable and convenient employment, education, health care services, community sport and recreational facilities.

Led by Executive Chairman, Gerry Harvey and CEO, Katie Page, Harvey Norman® has consistently contributed to the grassroots of Western Sydney for decades.

Since 2015, Harvey Norman® has created nearly 100 Western Sydney University scholarships. 83 have already graduated with another 11 to graduate by the end of 2024. The scholarship recipients have been prospective students, primarily women, who are overcoming significant disadvantage from backgrounds including indigenous, refugee, domestic violence, mental health, substance abuse, long term unemployed and financial hardship.

Investment in Greater Western Sydney sport has been a constant for decades. The long-established partnership between the NRL and Harvey Norman® has grown from the original State of Origin alliance in 1998 and NRL Premiership in 2002, through to the establishment and expansion of the women's game. From the Jillaroos, the Women's State of Origin in 2018, launch of the NRLW in 2018 and the uninterrupted support at the grassroots of the game for both boys and girls – volunteers and officials. Harvey Norman® has been in lockstep with the NRL's Greater Western Sydney heartland for close to 30 years.

As codes and sports seek to expand, Harvey Norman® works to ensure a local business and household name is there with the emerging club to build and maintain their fan base and participation. In 2015, Harvey Norman® was the first to partner with the GWS Auburn Giants – the AFL's first all-female Muslim team. From there, Harvey Norman® has been a mainstay of support, continuing to expand to now include the GWS AFLW in 2017 and GWS Giants in 2021. Harvey Norman® understands sporting clubs are hubs for engaged family life and community social engagement and the support is relied upon to enable clubs to benefit the broadest audience.

In FY24, Harvey Norman® will activate a new partnership with the Sydney Kings and Sydney Flames. Together, the focus will be on developing pathways for young female players and officials, growing the game in Greater Western Sydney and increasing participation and access to elite level basketball games in regional NSW. The aim is to elevate women's basketball, foster community engagement and expand pathways through training, education, employment, and mentorship.

2023 Results
for announcement to the market

EBITDA
$1.131 bn
↓ $305.85m or -21.3% from $1.437bn in FY22
↑ $442.11m or 64.2% from $688.60m in FY19
4-YEAR CAGR **13.2%**

EBITDA excluding AASB16 net impact and net property revaluations
$812.90 m
↓ $230.84m or -22.1% from $1.044bn in FY22
↑ $194.60m or 31.5% from $618.30m in FY19
4-YEAR CAGR **7.1%**

EBIT
$867.74 m
↓ $324.85m or -27.2% from $1.193bn in FY22
↑ $264.40m or 43.8% from $603.34m in FY19
4-YEAR CAGR **9.5%**

EBIT excluding AASB16 net impact and net property revaluations
$721.59 m
↓ $231.61m or -24.3% from $953.20m in FY22
↑ $188.56m or 35.4% from $533.04m in FY19
4-YEAR CAGR **7.9%**

REPORTED PBT
$776.08 m
↓ $364.36m or -31.9% from $1.140bn in FY22
↑ $201.52m or 35.1% from $574.56m in FY19
4-YEAR CAGR **7.8%**

PBT excluding AASB16 net impact and net property revaluations
$680.23 m
↓ $262.56m or -27.8% from $942.79m in FY22
↑ $175.98m or 34.9% from $504.26m in FY19
4-YEAR CAGR **7.8%**

REPORTED PROFIT AFTER TAX & NCI
$539.52 m
↓ $272.01m or -33.5% from $811.53m in FY22
↑ $137.20m or 34.1% from $402.32m in FY19
4-YEAR CAGR **7.6%**

PAT excluding AASB16 net impact and net property revaluations
$471.88 m
↓ $201.66m or -29.9% from $673.55m in FY22
↑ $118.80m or 33.6% from $353.09m in FY19
4-YEAR CAGR **7.5%**

TOTAL SYSTEM SALES REVENUE
$9.193 bn
Aggregated headline franchisee sales revenue* **$6.417bn**
Company-operated sales revenue **$2.776bn**

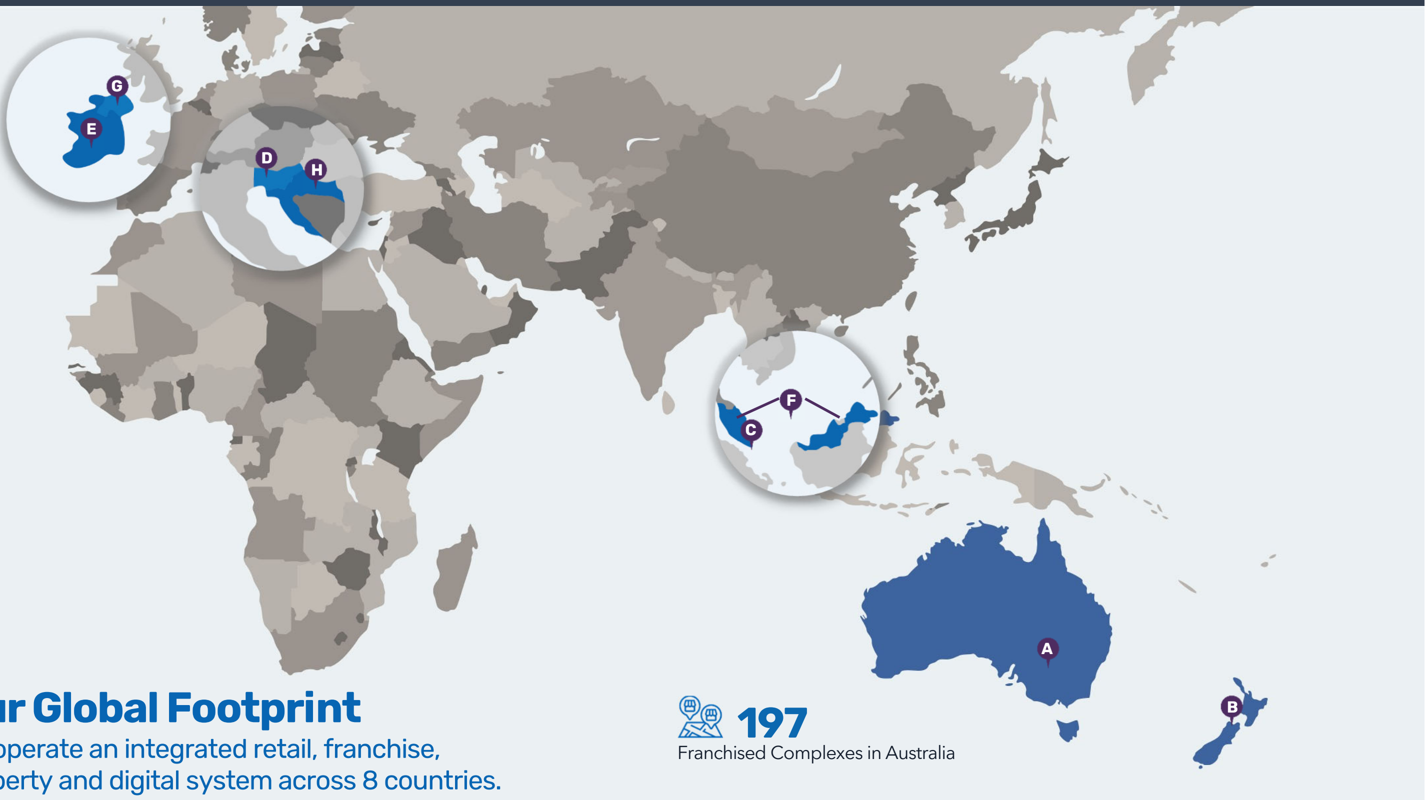
HNHL CONSOLIDATED REVENUE
$4.275 bn
Sales of products to customers **$2.776bn**
Revenue received from franchisees **$1.171bn**
Revenue and other income items **$327.99m**

*Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

NET ASSETS
$4.466 bn
↑ 4.0% from $4.29bn in June 22
↑ 39.7% from $3.198bn in June 19

BASIC EARNINGS PER SHARE
$43.30c
↓ from 65.13c in FY22
↑ from 34.70c in FY19

DIVIDENDS PER SHARE
(FULLY-FRANKED)
25.0c
↓ from 37.50c in FY22
↓ from 33.00c in FY19



Our Global Footprint

We operate an integrated retail, franchise, property and digital system across 8 countries.

197
Franchised Complexes in Australia

A Australia	B New Zealand	C Singapore	D Slovenia	E Ireland	F Malaysia	G Northern Ireland	H Croatia
197 franchised complexes	**45** stores	**12** stores	**5** stores	**16** stores	**28** stores	**2** stores	**3** stores

Australian Franchising Operations

- 197 franchised complexes in Australia comprising 555 independent franchisees
- FY23 Aggregated Franchisee Sales Revenue: $6.42 billion
- FY23 Franchising Operations PBT: $373.36 million

Overseas Company – Operated Retail

- 111 company-operated stores in 7 countries
- FY23 Overseas Company-Operated Revenue: $2.60 billion
- FY23 Overseas Retail PBT: $139.06 million
- Comprises 21% of PBT excluding revaluations [18% of Total PBT]

Strategic 'Large-format' Retail Property Portfolio

- 96 franchised complexes owned (49% of total)
- 470 diverse third-party tenants (large proportion ASX-listed)
- $3.44 billion Australian investment property portfolio (largest single owner in Australia)
- FY23 Property PBT: $271.66 million (including revaluations)
- 27 international owned retail property assets (24% of total)
- $596.65 million overseas owner-occupied and investment property portfolio

Investment in Technology, Digital Transformation and IT Infrastructure Assets

Online sales channel

Click & collect

Quick reserve

Store finder

Trak by Harvey Norman®

LiveChat

Chairman and CEO's Report

Dear Stakeholders,

Thank you for your continued support of our integrated retail, franchise, property and digital system across 8 countries. Globally, the Harvey Norman® brand remains strong and we look forward to increasing our footprint as we continue to open new stores overseas.

Amid progressively worsening macroeconomic conditions and cost of living pressures this year, our balance sheet remains strong with total assets of $7.67 billion, anchored by a $4 billion property portfolio. We have delivered a substantial 40% growth in net assets since the beginning of the pandemic, rising to $4.47 billion as at 30 June 2023.

Our profitability is well-above pre-pandemic levels growing by 35% from FY19 to $776.08 million in FY23, resulting in a CAGR of 7.8% over the past 4 years. We have seen a decline in profitability by 32% relative to FY22 due to lockdowns last year which curtailed operating expenses, followed by a period of significantly elevated sales due to pent-up demand.

Our prudent financial management has resulted in ample liquidity and a low net debt to equity ratio of 13.85%, providing us with the capacity to access additional liquidity as required. Our operating cash flows are strong at $680.26 million for FY23, delivering a cash conversion ratio of 97.4%. This was achieved by a significant improvement in working capital in 2H23 with operating cash flows growing by $308.05 million compared to 2H22, a cash conversion ratio of 108.4% in the 2nd half.

Technological advancement remains a key priority, as we continue to invest in initiatives to bolster our digital infrastructure and enhance customer loyalty. Our solid financial position continues to hold us in good stead to withstand the current challenges affecting discretionary retail.

We are confident in the quality of the Harvey Norman®, Domayne® and Joyce Mayne® brands and the solid market position of our Australian franchisees and overseas company-operated stores. We are committed to delivering stable returns and sustainable growth for our stakeholders and are well-placed to benefit from any upturn in trading conditions and any growth that may arise from the home renovation cycle, new home starts and net migration increases.

Profit before tax excluding the effects of AASB 16 *Leases* and net property revaluations for FY23 was $680.23 million, down by $262.56 million or –27.8% on FY22. When compared to FY19, the increase was $175.98 million or 34.9%, resulting in a 4-year CAGR of 7.8%.

Total revenues of $4.28 billion across all business segments moderated by $230.46 million or –5.1%, off a high base last year, but was up by $855.02 million or 25.0% on FY19, with a 4-year CAGR of 5.7%.

Revenues received from franchisees are down by $130.00 million or –10.0% on the back of a reduction in aggregated franchisee sales revenue by -4.9% to $6.42 billion in FY23. Company-operated sales revenue was down by $31.26 million or –1.1% and other income items were down by $69.20 million or –17.4% primarily due to a reduction in the net property revaluation increment by $94.93 million or –44.4%.

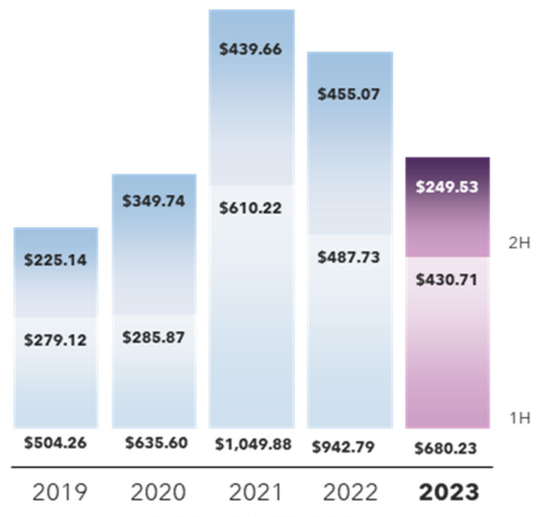
Operating expenses have normalised this year, rising by $121.74 million or 8.1%, after being abnormally low last year due to COVID restrictions. Total operating expenses of the consolidated entity as a percentage of total system sales revenue remain efficient at 17.68% for FY23, which is comparable to pre-pandemic levels.

Global marketing expenses in the 8 countries as a percentage of total system sales revenue for the brands was 4.3% for FY23, compared to the pre-pandemic level of 5.0% in FY19. Rising costs of borrowing and higher utilisation of the syndicated facility has driven up finance costs by $39.51 million or 75.8%.

Other expenses have increased by $49.59 million, primarily due to the cost of bonus gift cards as franchisees continue to strengthen customer loyalty. The consolidated entity assists each franchisee in this investment in order to protect, enhance and promote the brands to keep customers within the Harvey Norman®, Domayne® and Joyce Mayne® branded ecosystems. For the prior year, this expense was included in marketing expenses. In total, the cost of bonus gift cards has increased by $11.02 million from the previous year.

Harvey Norman® proudly supports the Australian Paralympic and Olympic Teams

Harvey Norman® has partnered with Hoops Capital, the owner of the Sydney Flames & Sydney Kings basketball teams



YEAR ENDED 30 JUNE

PBT excluding impact of AASB16 & property revaluations [$m]

PBT Return on Net Assets	**17.4%**
Profit After Tax & NCI	**$539.52m** ↓ $272.01m or -33.5% from FY22 ↑ $137.20m or +34.1% from FY19

PBT

Excluding net impact of AASB 16 and property revaluations

$680.23m

FY22	FY19	1H23 vs 1H22	2H23 vs 2H22
↓ -27.8% (down $262.56m)	↑ +34.9% (up $175.98m)	↓ -11.7% (down $57.02m)	↓ -45.2% (down $205.54m)

Operating Cash Flows

Substantial improvement in working capital to deliver strong operating cash flows

$680.26m

FY22	FY19	1H23 vs 1H22	2H23 vs 2H22
↑ +13.9% (up $82.96m)	↑ +82.5% (up $307.41m)	↓ -39.8% (down $225.09m)	↑ +989.4% (up $308.05m)

Strong Cash Conversion

97.4%

1H23	2H23
90.1%	108.4%

Total Assets

Very strong balance sheet underpinned by an appreciating, resilient tangible asset base

$7.67bn

FY22	FY19
↑ +5.9% (up $425.43m)	↑ +59.9% (up $2.87bn)

Solid working capital and a strong property portfolio are key competitive advantages that provides us with capacity to access additional capital as required. [4-year CAGR of 12.4%]

Net Assets

40% increase in net assets from pre-covid position in June 19. 4% increase since June 22.

$4.47bn

FY22	FY19
↑ +4.0% (up $172.37m)	↑ +39.7% (up $1.27bn)

Versatile & adaptable operating model and organic expansion in existing countries delivered a 40% growth in net assets since FY19. [4-year CAGR of 8.7%]

We continue on our journey to provide our stakeholders with sustainable growth through organic expansion of our global store network and continued investment in our key segments. We are on track to open 13 stores in FY24 and deliver on our expansion plan in Malaysia.

We thank our franchisees and our staff for their continued loyalty and commitment to our long-term vision and strategy. We value and appreciate the ongoing support and confidence of our shareholders in the leadership and future direction of our business.

GERRY HARVEY
Chairman
Sydney
31 August 2023

KAY LESLEY PAGE
Chief Executive Officer
Sydney
31 August 2023

Segment Analysis

An Integrated Retail, Franchise, Property and Digital System

The consolidated entity operates an integrated retail, franchise, property and digital system, comprising three main strategic pillars: 1. Franchise – 2. Retail – 3. Property complemented by a sustained investment in technology, digital transformation and IT infrastructure assets.

1 Franchising Operations Segment

4-year CAGR **10.7%**

REVENUE

$1.07bn

vs FY22	vs FY19
↓ -10.7% (down $127.50m)	↑ +27.1% (up $227.01m)

1H23 vs 1H22	2H23 vs 2H22
↓ -0.1% (down $0.85m)	↓ -21.2% (down $126.65m)

TOTAL EXPENSES

$692.31m

vs FY22	vs FY19
↑ +8.1% (up $52.16m)	↑ +17.3% (up $102.05m)

1H23 vs 1H22	2H23 vs 2H22
↑ +17.9% (up $54.36m)	↓ -0.7% (down $2.20m)

PBT RESULT

$373.36m

vs FY22	vs FY19
↓ -32.5% (down $179.66m)	↑ +50.3% (up $124.96m)

1H23 vs 1H22	2H23 vs 2H22
↓ -18.9% (down $55.21m)	↓ -47.8% (down $124.45m)

Representing **56.8%** of PBT excluding property revaluations [or **48.1%** of Total PBT]

2 Overseas Company-Operated Retail Segment

4-year CAGR **1.8%**

REVENUE

$2.60bn

vs FY22	vs FY19
↓ -1.3% (down $34.08m)	↑ +26.6% (up $545.84m)

1H23 vs 1H22	2H23 vs 2H22
↓ -1.1% (down $15.56m)	↓ -1.5% (down $18.52m)

TOTAL EXPENSES

$2.46bn

vs FY22	vs FY19
↑ +2.5% (up $58.87m)	↑ +27.9% (up $536.48m)

1H23 vs 1H22	2H23 vs 2H22
↑ +1.0% (up $13.33m)	↑ +4.0% (up $45.54m)

PBT RESULT

$139.06m

vs FY22	vs FY19
↓ -40.1% (down $92.94m)	↑ +7.2% (up $9.35m)

1H23 vs 1H22	2H23 vs 2H22
↓ -22.5% (down $28.88m)	↓ -61.9% (down $64.06m)

Representing **21.2%** of PBT excluding property revaluations [or **17.9%** of Total PBT]

3 Property Segment

4-year CAGR **7.3%**

REVENUE

$423.13m

vs FY22	vs FY19
↓ -14.4% (down $71.27m)	↑ +27.4% (up $90.97m)

1H23 vs 1H22	2H23 vs 2H22
↓ -0.6% (down $1.60m)	↓ -29.6% (down $69.67m)

TOTAL EXPENSES

$151.46m

vs FY22	vs FY19
↑ +18.4% (up $23.55m)	↑ +18.8% (up $23.99m)

1H23 vs 1H22	2H23 vs 2H22
↑ +16.0% (up $9.85m)	↑ +20.7% (up $13.70m)

PBT RESULT

$271.66m

vs FY22	vs FY19
↓ -25.9% (down $94.82m)	↑ +32.7% (up $66.98m)

1H23 vs 1H22	2H23 vs 2H22
↓ -5.8% (down $11.45m)	↓ -49.4% (down $83.37m)

Representing **23.3%** of PBT excluding property revaluations [or **35.0%** of Total PBT]

Operating and Financial Review

The Franchising Operations Segment in Australia

The Franchised Operating Model in Australia

Harvey Norman Holdings Limited (HNHL) and subsidiaries of HNHL own valuable intellectual property rights, including the trademarks 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 the 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 franchise fees received from franchisees including franchise fees in accordance with franchise agreements, 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 includes the costs of operating the franchised system and monitoring and evaluating the performance and compliance of franchisees with their franchise agreements.

2 New Franchised Complexes, 1 Relocation in FY23

- Harvey Norman® Manjimup, WA; 18 November 2022
- Harvey Norman® Port Stephens, NSW; 27 March 2023 (relocation from Salamander Bay)
- Harvey Norman® Renmark, SA; 15 May 2023

Completed Premium Refits during FY23

- Harvey Norman® Fyshwick, ACT (Furniture & Bedding)

Premium Refits Currently in Progress

- Harvey Norman® Balgowlah, NSW
- Harvey Norman® Erina, NSW
- Harvey Norman® Preston, VIC
- Harvey Norman® Penrith, NSW
- Harvey Norman® Cannington, WA

171

Harvey Norman

Franchised Complexes

19

DOMAYNE

Franchised Complexes

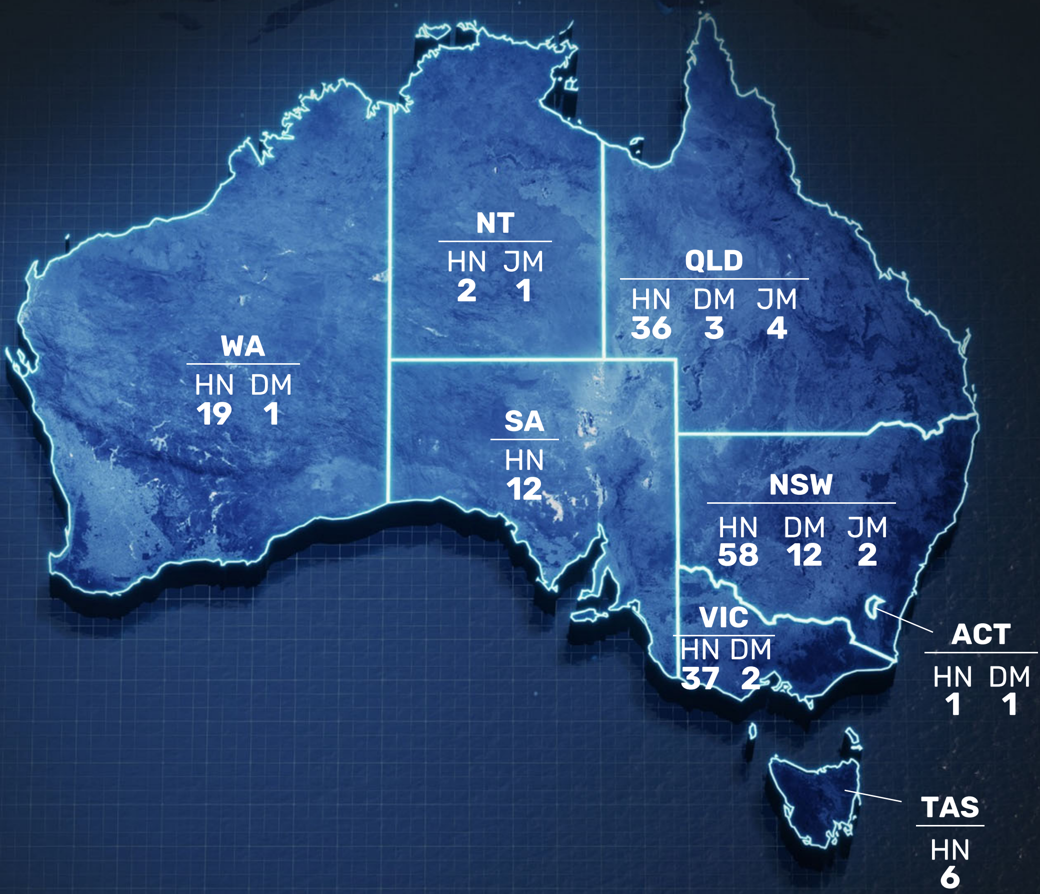
7

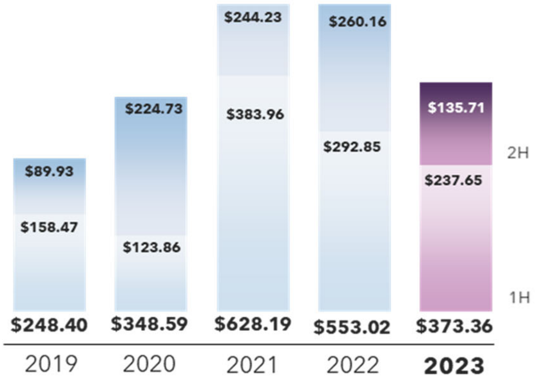
JOYCE MAYNE

Franchised Complexes

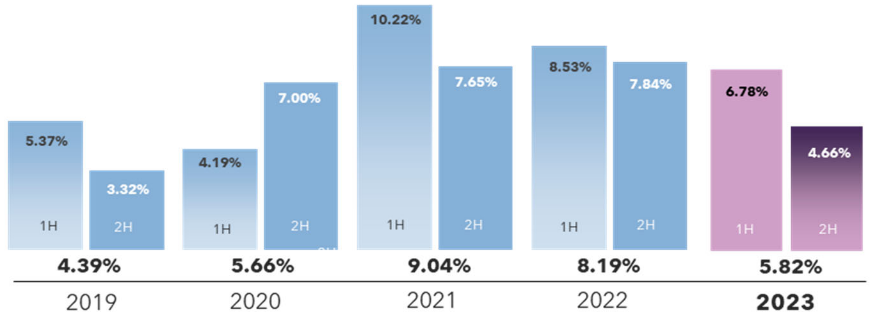
555

Independent franchisees carrying on their business under Harvey Norman®, Domayne® and Joyce Mayne® brands.





Franchising Operations Segment PBT (AUD $M)



Franchising Operations Margin (%)

In FY23, the franchising operations segment PBT result was $373.36 million, a $179.66 million or -32.5% decrease from $553.02 million in FY22. This led to a franchising operations margin of 5.82% for FY23, representing a 237 basis points drop compared to the 8.19% margin reported in FY22. When compared to the pre-pandemic levels of FY19, the franchising operations segment result increased by $124.96 million, or 50.3%, from $248.40 million, with a 4-year CAGR of 10.7%. The franchising operations margin for FY23 was 143 basis points higher than the margin for FY19 of 4.39%.

1H23 franchising operations segment PBT was $237.65 million, down by $55.21 million or -18.9%, on 1H22 as operating expenses were lower in the prior period due to lockdowns. The result for 2H23 was $135.71 million, a reduction of $124.45 million or -47.8%, on 2H22 as the franchisees were cycling record 2nd half sales in the prior period due to pent-up demand and deferral of purchases until the COVID restrictions were lifted.

Franchising operations segment revenues decreased by $127.50 million, or -10.7%, from $1.19 billion in FY22 to $1.07 billion in FY23, primarily due to a reduction in aggregated franchisee sales by $333.40 million or -4.9% to $6.42 billion in FY23. After two years of retail disruptions due to the pandemic, franchisee trading conditions started to normalise in the first half of FY23. However, this normalisation coincided with an abrupt turnaround in previously buoyant macroeconomic conditions that progressively worsened throughout FY23, affecting household budgets and consumer sentiment.

The moderation in aggregated franchisee sales revenue resulted in a reduction in revenue from franchise fees by $172.47 million or -16.7%, from $1.03 billion in FY22 to $860.70 million in FY23.

This was offset by higher rent and outgoings received from franchisees by $34.93 million or 14.0% as the previous year included the cost of rent waivers during COVID lockdowns totalling $19.58 million, of which $8.82 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment) and higher interest to administer franchisee financial accommodation facilities by $7.54 million.

The costs to operate the franchising operations segment have increased during the year, including the costs to monitor and evaluate franchisee compliance with their franchise agreement. Marketing expenses to promote the brands in Australia have normalised, after being abnormally low in FY22 due to lockdowns, and are still lower as a percentage of Australian franchisee sales revenue compared to pre-pandemic levels.

The franchisor has continued to assist franchisees to invest in their customers to enhance customer loyalty and retention, primarily in the form of bonus gift cards. This investment has increased by $11.02 million as franchisees strive to strengthen customer loyalty. FY23 has also been adversely impacted by a rise in finance costs by $10.43 million primarily due to a $6.68 million increase in interest costs on lease liabilities for leases sub-leased to external tenants.

Franchising operations segment

		1H	2H	FY
Franchising operations segment PBT ($m)	FY23	$237.65m	$135.71m	$373.36m
	FY22	$292.85m	$260.16m	$553.02m
	FY19	$158.47m	$89.93m	$248.40m
Aggregated franchisee sales revenue ($bn) *Sales made by franchises in Australia do not form part of the financial results of the consolidated entity.	FY23	$3.51bn	$2.91bn	$6.42bn
	FY22	$3.43bn	$3.32bn	$6.75bn
	FY19	$2.95bn	$2.71bn	$5.66bn
Franchising operations margin (%) [calculated as franchising operations segment PBT ÷ aggregated franchise sales revenue]	FY23	6.78%	4.66%	5.82%
	FY22	8.53%	7.84%	8.19%
	FY19	5.37%	3.32%	4.39%

Australian Franchisee Sales Revenue Underpins the Franchising Operations Segment

Trading conditions started to normalise during FY23 following two years of COVID-related disruptions. Post-COVID, Australian franchisee sales for FY23 decreased by 4.9% to $6.42 billion from a strong base of $6.75 billion for FY22. When compared to FY19, franchisee sales are well-above pre-pandemic levels growing by 13.4% from $5.66 billion in FY19.

Australian franchisee sales for 2H23 decreased by 12.3% on 2H22 as 2H22 included pent up demand from nearly 4 months of mandated rolling lockdowns. 1H23 Australian franchisee sales increased by 2.1% on 1H22.

Cooler than usual temperatures experienced by the east coast of Australia led to a substantial decrease in sales of seasonal products by Electrical and Furniture franchises such as air conditioning units, fans, air treatment units, outdoor furniture and barbeques.

Harvey Norman®, Domayne® and Joyce Mayne® franchisees service the Homemaker category and are well placed for any growth that may arise from the home renovation cycle, new home starts and net migration increases.

Total franchisee sales*
Year ended 30 June 2023

$6.42 bn

↓ 4.9% on FY22
↑ 13.4% on FY19

4-YEAR CAGR **3.2%**

Comparable franchisee sales*
Year ended 30 June 2023

$6.40 bn

↓ 5.1% on FY22
↑ 14.0% on FY19

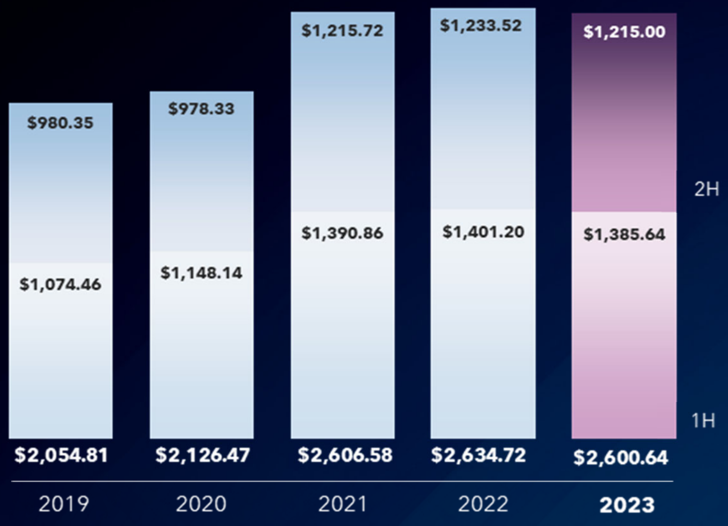
4-YEAR CAGR **3.3%**

* Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

Harvey Norman® Port Stephens, opened March 2023

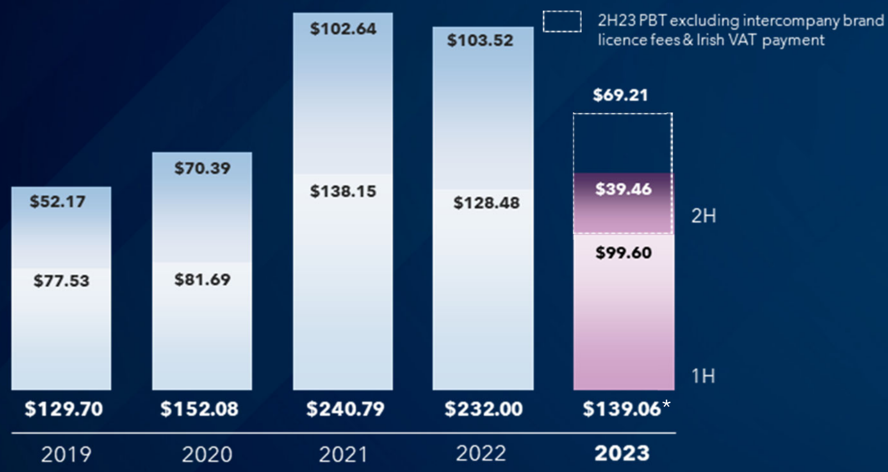
Operating and Financial Review

Overseas company-operated retail segment



YEAR ENDED 30 JUNE

Aggregated overseas retail revenue ($AUD M)



YEAR ENDED 30 JUNE

Aggregated overseas retail PBT result ($AUD M)

*The FY23 overseas retail PBT result would have been $168.81M if the intercompany brand licence fees and the Irish VAT payment were excluded

Malaysian Expansion Plan: 2022 to 2028

Overseas Retail Segment Comprises

21% of PBT excluding property revaluations

[18% of Total PBT]

New overseas stores opened in FY23

Fonthill, Ireland

- Opened on 22 July 2022
- Located in Fonthill Retail Park, Dublin

1 Utama, Malaysia

- Opened on 22 November 2022
- Located in 1 Utama Shopping Centre, Selangor

Rijeka, Croatia

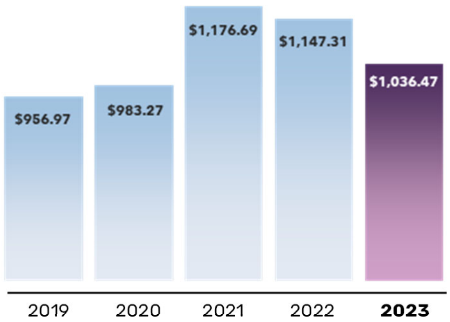
- Opened on 19 April 2023
- Located in Galerija Bakar, Rijeka

Masterton, NZ

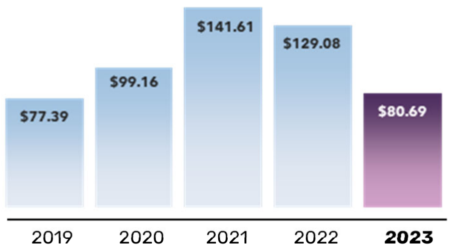
- Opened on 20 June 2023
- Located in Masterton, north of Wellington

New Zealand

New Zealand Flagship
Wairau Park, Auckland (Launched Jun 2018)



Revenue ($AUD M) Year ended 30 June



Profit result ($AUD M) Year ended 30 June

New Zealand

45 Harvey Norman® Company-Operated Stores

In New Zealand, macroeconomic headwinds and inflationary pressures have persisted for over 18 months, and the economy is navigating a deliberate, policy-induced deceleration following strong post-pandemic recovery. Throughout FY23, the decline in business and consumer confidence intensified as household budgets were squeezed further due to mounting costs of living, mortgagees rolling onto higher interest rates and a tight rental market, adversely affecting discretionary spending across most business sectors. The rapid fall in property prices has continued to reduce household equity, resulting in consumers being more cautious about investing in their homes. On the upside, the NZ labour market remains strong, with low unemployment and stable wages growth, and household savings are still at high levels.

All key categories were affected from the decline in consumer discretionary spend and reduced store foot traffic. In local currency, sales for the 45 company-operated stores and outlets were NZ$1.10 billion for FY23, a decrease of NZ$95.24 million or -8.0% from NZ$1.19 billion in FY22. When translated to Australian dollars, the decline in sales was $113.98 million, or -10.2%, to $1.01 billion for FY23, from $1.12 billion in FY22 due to a devaluation of 2.4% in the NZ dollar relative to the AUD this year.

1H23 sales declined by $57.57 million or -9.8% relative to 1H22 as the previous period benefitted from elevated sales during the lockdowns as consumers worked and studied from home, and the surge post-lockdown due to pent-up demand. 2H23 declined by $56.41 million or -10.6% relative to 2H22. NZ sales are still ahead of pre-pandemic levels, growing by NZ$100.64 million or 10.1% in local currency (or a $70.01 million, or 7.5%, increase in AUD) compared to FY19.

In local currency, the retail profit for FY23 was NZ$88.18 million, a decrease of NZ$49.49 million, or -36.0%, from NZ$137.67 million in FY22. When translated to Australian dollars, the retail result was $80.69 million for FY23, down by $48.38 million, or -37.5%, from $129.08 million in FY22. 1H23 was down by $22.33 million or -33.0%, whereas 2H23 was down by $26.05 million or -42.4%.

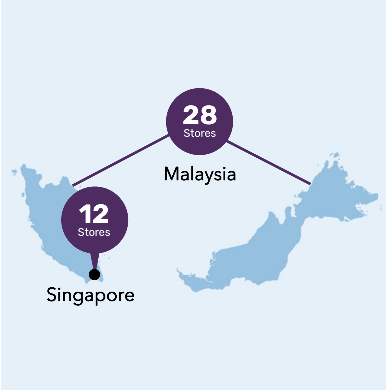
The fall in retail profit for FY23 was as a result of a decrease in sales turnover, a contraction in gross margin due to discounting and the normalisation of operating costs. Operating expenses for FY23 were inclusive of intercompany licence fees payable under the revised global transfer pricing policy that was adopted this year. The intercompany brand licence fee in FY23 was comparable with prior years.

Our brand remains strong and our business continues to retain its market leader position in the home and lifestyle market.

Our NZ balance sheet is strong, supported by a substantial property portfolio valued at $427.80 million as at 30 June 2023. With sufficient cash reserves and no debt, our NZ operations are strategically poised to capitalise on potential opportunities and leverage any improvements in the trading landscape in New Zealand.

In May 2023, a joint venture was established for the purchase of the Westgate Lifestyle Centre for NZ$43 million and we opened our 45th store in Masterton on 20th June 2023.

We intend to open one new company-operated store in NZ in FY24.

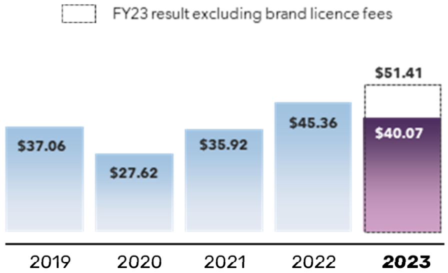


Singapore & Malaysia

Singapore Flagship
Millenia Walk (Launched Dec 2015)

Malaysia Flagship
Ikano, Kuala Lumpur (Launched Nov 2017)

Revenue ($AUD M) Year ended 30 June



Profit result ($AUD M) Year ended 30 June

Singapore and Malaysia

This segment is comprised of 12 Harvey Norman® stores in Singapore, 28 Harvey Norman® stores in Malaysia and the Space Furniture® branded lifestyle stores in Singapore and Malaysia.

Malaysia | Sales Revenue

28 Harvey Norman® Company-Operated Stores

In Malaysia, sales for the 28 Harvey Norman® company-operated stores for FY23 were **S$265.67 million,** an increase of **S$7.72 million, or +3.0%**, from S$257.94 million in FY22. When translated to Australian dollars, sales were **$289.18 million**, an increase of **$27.81 million, or +10.6%**, assisted by a 7.42% appreciation in the SGD relative to the AUD this year. Compared to pre-pandemic sales in FY19, the increase was $92.06 million or +46.7%, delivering a 4-year CAGR of 10.1%.

The rise in sales is partially attributed to the new store at 1 Utama Shopping Centre, Selangor that opened on 22 November 2022 and a full year's contribution of the Pavilion Bukit Jalil store that opened in December 2021. Last year, sales were negatively impacted in 1H22 by prolonged COVID-closures, followed by severe floods in the Klang Valley causing damage and disruption to the main warehouse and decreasing sales at our flagship store at Ikano, Kuala Lumpur. This resulted in 1H23 sales being up by S$23.48 million, or +21.0%, on 1H22. There was a sharp acceleration in sales in 2H22 due to pent-up demand and government initiatives to stimulate consumer spending and promote unrestricted trade after the lockdowns. Sales moderated in 2H23 off an elevated base in 2H22, decreasing by S$15.76 million, or -10.8%.

Amid rising prices and cost of living pressures in Malaysia, the Harvey Norman® brand is strong and continues to gain a loyal customer base, especially in the mid-to-premium market. Estimated population growth in Malaysia, the emerging middle-class and the anticipated growth in the local economy continues to underpin our vision to expand from 28 stores to 80 stores by the end of 2028. 10 of these stores are on track to open in FY24, with 7 sites confirmed and 3 sites currently in progress. A further 12 sites are anticipated to open during FY25. The store that was planned to open in Malaysia in 2H23 will open in early FY24.

Singapore | Sales Revenue

12 Harvey Norman® Company-Operated Stores

In Singapore, business and consumer sentiment started to normalise and was gradually returning to pre-pandemic levels, with the resumption of international travel and new housing projects that were previously delayed due to the pandemic being completed and furnished during FY23.

While the national GST increase from 7% to 8% effective from 1 January 2023 had led to a surge in sales towards the end of 1H23, it had the effect of slowing down consumer spending in 2H23. Rising global inflation, increases in living costs, and discounting have contributed to a decline in sales during 2H23.

Despite the closure of 2 small company-operated stores this year, sales for the 12 Harvey Norman® company-operated stores in FY23 were **S$344.53 million,** an increase of **S$6.57 million, or +1.9%**, from S$337.96 million in FY22. Compared to pre-pandemic sales in FY19, the increase was S$10.43 million or +3.1%.

When translated to Australian dollars, sales were **$375.02 million**, an increase of **$32.57 million, or +9.5%** from $342.44 million in FY22. Compared to pre-pandemic retail sales in FY19, the increase was $33.05 million or +9.7%

Retail – Singapore and Malaysia:

Sales & Segment Result

Aggregated sales revenue for the Harvey Norman® and Space Furniture® brands in Asia totalled **S$626.93 million** in local currency for FY23, **increasing by S$13.84 million, or +2.3%, from S$613.09 million** in FY22. On translation to Australian dollars, aggregated sales revenue for Asia was **$682.42 million**, an increase of **$61.19 million or +9.9%.** Compared to pre-pandemic aggregated sales in FY19, the increase was $126.95 million or +22.9%, a 4-year CAGR of 5.3%.

The increase in overall sales has been eroded by higher operating expenses in Asia, driven by the re-alignment to pre-pandemic cost levels in the current environment.

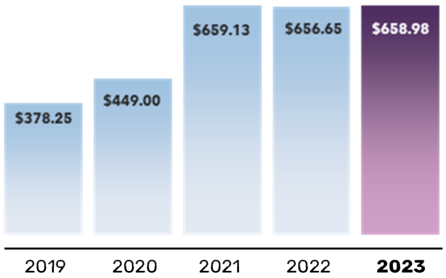
Operating expenses for FY23 are inclusive of intercompany brand licence fees payable under the revised global transfer pricing policy that was adopted in Malaysia and Singapore this year. The profitability of the Asian segment was reduced by $11.35 million due to the intercompany brand licence fees payable under this policy.

The segment profit result of the Harvey Norman® and Space Furniture® brands in Asia was **$40.07 million for FY23, a decrease of $5.30 million, or -11.7%,** from $45.36 million in FY22. If the intercompany brand licence fees were excluded from the result, the Asian segment would have generated a result of $51.41 million, an increase of $6.05 million or 13.3%, from FY22.

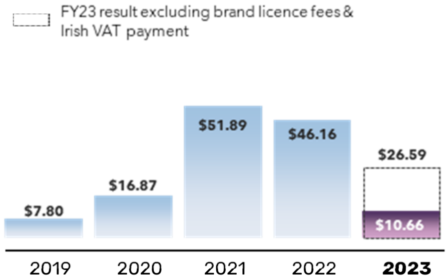
Ireland & Northern Ireland

Ireland Flagship
Tallaght, Dublin (Launched Jul 2017)

Northern Ireland Flagship
Boucher Rd, South Belfast (Launched Nov 2015)



Revenue ($AUD M) Year ended 30 June



Profit result ($AUD M) Year ended 30 June

Ireland

16 Harvey Norman® Company-Operated Stores

In Ireland, the inflationary macroeconomic environment worsened throughout FY23 and the sharp rises in housing and energy prices, combined with successive interest rate hikes, has amplified the cost of living pressures and subdued consumer and business sentiment since the beginning of the year.

Sales in local currency increased to €406.87 million in FY23, up by €6.88 million or +1.7%, from €399.98 million in FY22, mainly due to the contribution of the 16th Irish store which opened at Fonthill, Dublin on the 22nd July 2022. When translated to Australian dollars, sales for FY23 increased by $10.78 million, or +1.7%, to $631.88 million, from $621.09 million in FY22. When compared against the pre-pandemic sales of $351.59 million in FY19, there has been substantial growth by $280.29 million, or 79.7%, with a 4-year CAGR of 15.8%.

The furniture and bedding categories were cycling strong sales in FY22 due to the pent-up demand and deferral of purchases following lockdowns in the 2nd half of FY21. The supply chain constraints and high delivery costs experienced last year have hampered sales and eroded margins in FY23. Improvements were implemented to streamline the supply chain and ordering processes to maintain an appropriate and balanced level of inventory to meet anticipated demand.

There was a slight uptick in total revenues in Ireland and operating costs have increased as marketing, warehouse, distribution and restructuring costs have normalised following the removal of COVID restrictions and the drive to grow sales. The new store at Fonthill, Dublin also contributed to the rise in operating costs.

For the abundance of precaution, an amount of €7.65 million, or $11.88 million in AUD, was recorded as an expense and paid to the Revenue Commissioners in 2H23 on account of a VAT issue. The Irish business adopted a conservative approach in estimating the amount to be paid and, as of the date of this report, the amounts paid are under review.

The operating expenses for FY23 were inclusive of intercompany brand licence fees payable under the revised global transfer pricing policy that was adopted this year. The profitability of the Irish segment was reduced by $4.04 million due to the intercompany brand licence fees payable under this policy.

The retail profit for FY23 was $12.76 million, a decrease of $32.07 million, or -71.5%, from $44.83 million in FY22. If the VAT payment and intercompany brand licence fees were excluded from the result, the Irish segment would have generated a result of $28.68 million, a decrease of $16.15 million or -36.0%, from FY22.

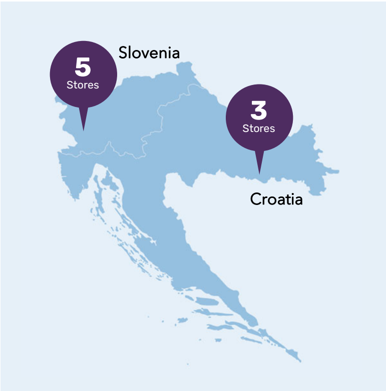
Northern Ireland

2 Harvey Norman® Company-Operated Stores

In Northern Ireland, the fundamental issues affecting consumer and business confidence remain, with no government in place and lack of political leadership in Northern Ireland resulting in the deferral of major infrastructure decisions. Mounting cost of living pressures, the war in Ukraine, steep rises in energy prices and the ongoing impact of Brexit continues to dampen sales and profitability in the region.

Sales in local currency decreased to £10.68 million in FY23, down by £2.51 million or -19.0%, from £13.20 million in FY22. When translated to Australian dollars, sales for FY23 decreased by $5.10 million, or -21.1%, to $19.09 million, from $24.19 million in FY22. FY22 benefited from higher sales following the extensive COVID lockdowns in the second half of FY21.

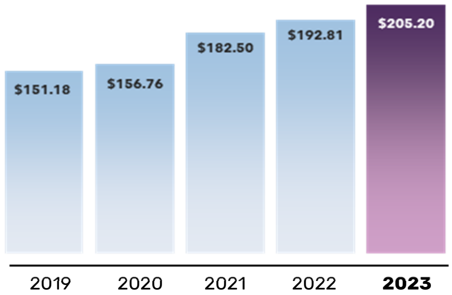
The difficult trading conditions in Northern Ireland has resulted in a loss of $2.09 million for FY23, compared to a profit of $1.33 million for FY22.



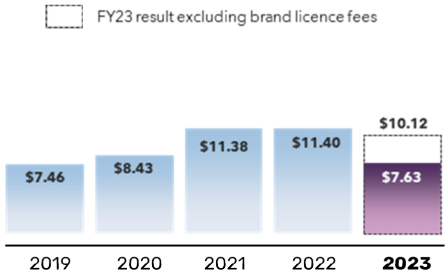
Slovenia & Croatia

Slovenia Flagship
Ljubljana (Launched Jun 2017)

Croatia Flagship
Zagreb (Launched Oct 2018)



Revenue ($AUD M) Year ended 30 June



Profit result ($AUD M) Year ended 30 June

Slovenia

5 Harvey Norman® Company-Operated Stores

In Slovenia, our 5 retail stores have delivered steady and strong sales growth during the initial three quarters of FY23. Sales declined in 4Q23 as rising interest rates, inflationary pressures and higher energy prices took effect, lowering household disposal incomes and reducing foot traffic in-store.

Slovenian retail sales in local currency increased to **€96.07 million for FY23, up by €4.40 million or +4.8%**, from €91.67 million in FY22. When translated to Australian dollars, sales were **$149.19 million for FY23**, growing by **$6.85 million or +4.8%**, from $142.34 million in FY22. When compared against FY19, sales are substantially above pre-pandemic levels increasing by $33.50 million or +29.0%, a 4-year CAGR of 6.6%.

Margins have held steady, slightly improving on prior year, however, this has been offset by an increase in operating costs, including higher personnel costs, rent, utilities, delivery and marketing expenses. The rise in operating expenses for FY23 can also be attributed to higher intercompany brand licence fees payable under the revised global transfer pricing policy that was adopted this year. The profitability of the Slovenian segment was reduced by $2.49 million due to the intercompany brand licence fees payable under this policy.

The solid growth in sales offset by higher operating costs delivered an overall retail profit of **$9.97 million in FY23, a $2.46 million decrease or -19.8%**, from $12.43 million in FY22. Compared to the pre-pandemic profit of $6.88 million in FY19, the increase was $3.09 million or +45.0%, representing a 4-year CAGR of 9.7%. If the payment of the intercompany brand licence fees were excluded from the result, the Slovenian segment would have generated a result of $12.46 million, an increase of $0.03 million or 0.3%, from FY22.

Croatia

3 Harvey Norman® Company-Operated Stores

In Croatia, the third store at Rijeka was opened on 19th April 2023, as planned, boosting sales in the fourth quarter of FY23. The two existing stores at Zagreb and Pula showed moderate growth this year on the back of elevated sales last year as the world returned to normality following the pandemic.

However, the economic situation in Europe remains challenging, with the ongoing geopolitical issues, the war in Ukraine and rising inflation dampening consumer sentiment. The change in local currency from Kuna to Euro took effect from 1 January 2023, contributing to a surge in cash sales in November and December 2022.

Retail sales for FY23 were **€33.69** million, an increase of **€3.44 million or +11.4%**, from €30.26 million in FY22. When compared to FY19, sales were well-above pre-pandemic levels, increase by €12.86 million or +61.7%. In Australian Dollars, sales were **$52.33 million for FY23,** increasing by **$5.35 million or +11.4%**, from $46.98 million in FY22. When compared against FY19, the increase was $19.10 million or +57.5%.

The business incurred significant costs to open the Rijeka store including higher marketing expenses to drive sales revenue during a difficult quarter. Operating costs in the Zagreb and Pula stores have also risen due to the inflationary environment and in line with the sales growth of those stores.

Heightened operating costs eroded the sales gains, resulting in a loss in Croatia of $2.34 million in FY23 compared to a loss of $1.03 million in FY22.

Operating and Financial Review

Review of the Property Segment

Strategic 'Large-Format' Retail Property Portfolio

Property ownership is not only a vital component of our integrated system and a key competitive advantage – it also provides multifaceted advantages, reinforcing our balance sheet and financial standing, operational capabilities delivering stable income streams and strategic agility by providing us access to additional capital to adapt to evolving business needs.

Our consolidated balance sheet is anchored by a **strong freehold property portfolio totalling $4.05 billion as at 30 June 2023, surpassing the $4 billion milestone for the first time**. This is comprised of tangible, freehold investment properties in Australia of $3.44 billion, Ireland of $31.00 million and New Zealand of $9.59 million; and freehold owner-occupied properties in New Zealand, Singapore, Slovenia, Australia and Ireland of $569.45 million in aggregate. Our property segment assets also include joint venture assets of $1.90 million. **The freehold property segment comprises 53% of our total $7.67 billion total asset base.**

The Australian 'Large-Format' Retail (LFR) Market

We have 197 Australian franchised complexes geographically spread throughout the country, with a local Harvey Norman®, Domayne® and Joyce Mayne® branded store located within close proximity to customers. 96 franchised complexes (49% of total), and their associated warehouses, are owned by the consolidated entity, which are then leased to external parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees.

Our Australian freehold investment property portfolio has grown to **$3.44 billion as at 30 June 2023,** rising by $252.66 million or 7.9% during FY23. $120.20 million of the increase is attributed to capital appreciation in property fair values during the current year and $132.47 million relates to capital additions and refurbishments. The majority of the increase in property fair values was recorded in 1H23 which rose by $107.66 million, while 2H23 only increased marginally by $12.54 million.

Throughout the pandemic and up to 1H23, we have reported on the resilience of the large-format retail (**LFR**) market in Australia, buoyed by strong consumer household spending, the significant uptick in new dwellings and renovations and the high levels of investor demand for quality LFR property assets. The LFR tenants and the LFR sector was one of the main beneficiaries of pandemic-inspired homemaker investments and renovation activity. Capital appreciation of our LFR centres, additions and ongoing refurbishments drove the $934.06 million or 37.2% increase in the value of the Australian investment property portfolio since the end of FY19.

The marginal increase in property fair value for 2H23 is in contrast to the revaluation results of other listed real estate investment trusts (REITS). This contrast is due to the assets held by the consolidated entity being in a different asset class to assets held by other REITS that hold assets such as offices or traditional retail shopping centres. Unlike these other asset classes, the LFR property sector continues to experience strong tenant demand and historically high occupancy rates resulting in solid rental growth.

There continues to be solid demand for high-quality, prime-grade LFR assets in desirable locations with a diverse tenancy mix. The LFR Centres within our Australian investment property portfolio are well-located throughout metropolitan cities and large regional areas and are built and refurbished to a high standard. As at 30 June 2023, our LFR centres accommodate a complementary mix of over 470 third-party tenants that are diversified across a variety of different categories including Food, Lifestyle & Other Service Retailers, Hardware, Medical, Chemists, Pets and Auto related products. A large proportion of these third-party tenants are ASX-listed and are national retailers that support the underlying value of our properties.

While new dwelling approvals and home construction loans have experienced a downturn in FY23, leading to a decline in housing starts, it is important to note that a significant backlog of work was accumulated during the pandemic from the successful uptake of the HomeBuilder Program. The delivery of this Program is still pending realisation due to capacity constrains within the construction industry. This backlog forms a steady foundation for substantial dwelling completions in FY24, which is expected to benefit LFR tenants and LFR property fair values.

Projections of sustained population growth, driven by rising net migration, may further constrain the limited supply of new housing and new LFR centres. This is expected to amplify demand in upcoming periods. Harvey Norman®, Domayne® and Joyce Mayne® franchisees service the Homemaker category and are well placed for any growth that may arise from new housing commencements and net migration increases.

Overall, our LFR Centres have performed well in FY23 amid the sharp deterioration in macroeconomic conditions and subdued investor sentiment since the end of FY22. Vacancy rates in our LFR Centres continue to be at record lows, increasing rental spreads due to competition amongst retailers for limited space. Market rentals are strong, creating an increasing revenue stream for the property segment. The tight labour market on the back of low unemployment levels is expected to support income growth and soften any potential decline in record household savings levels.

Harvey Norman® Port Stephens
opened March 2023

Overseas Property Portfolio

Globally, we have 111 company-operated stores across 7 countries. 27 of the stores located overseas (24% of total) are owned by the consolidated entity. The aggregate value of the overseas owner-occupied and investment property portfolio is $596.65 million, increasing in value by $76.16 million or 14.6% during the year.

The increase can be attributed to the new store at Masterton, New Zealand that opened on 20 June 2023 with a fair value of $20.46 million as at balance date, and increases in existing properties in New Zealand by $34.73 million due to additions and refurbishments during FY23, offset by a net reduction in fair values in New Zealand due to falling property prices. In previous periods, we had reported a property that was held for sale in Singapore. This property is no longer held for sale and is valued at $12.24 million within the overseas property portfolio.

Total Property Portfolio and the Performance of the Retail Property Segment

Retail property segment revenue has decreased to $423.13 million for FY23, down by $71.27 million, or -14.4%, from $494.39 million in FY22. This was primarily due to a reduction in the net property revaluation increment by $94.93 million to $118.75 million for FY23, compared to $213.68 million in net increments for FY22. This was offset by an increase in rent and outgoings received from freehold properties by $19.59 million or 8.3%, partially due to rent waivers of $10.76 million provided to franchisees occupying owned properties last year due to the lockdowns, and higher market rentals and very low vacancy rates during FY23.

Property-related operating costs have normalised throughout FY23 increasing by $23.55 million during the year, consistent with the rise in revenues (excluding net property revaluation adjustments).

The property segment result was $271.66 million for FY23, a decrease of $94.82 million or -25.90% from $366.48 million in FY22. Excluding net property revaluations for both periods, the property segment result would have been equivalent to the prior year, being $152.91 million for FY23 compared to $152.80 million for FY22, a marginal increase of $0.11 million or 0.1%.

PROPERTY SEGMENT ASSETS

$4.05bn

FY22	FY19
↑ +8.5% (up $317.01m)	↑ +35.7% (up $1,066.95m)

Surpassed $4bn milestone for the first time

PROPERTY SEGMENT REVENUES

$423.13m

FY22	FY19	1H23 vs 1H22	2H23 vs 2H22
↓ -14.4% (down $71.27m)	↑ +27.4% (up $90.97m)	↓ -0.6% (down $1.60m)	↓ -29.6% (down $69.67m)

PROPERTY SEGMENT PBT

$271.66m

FY22	FY19	1H23 vs 1H22	2H23 vs 2H22
↓ -25.9% (down $94.82m)	↑ +32.7% (up $66.98m)	↓ -5.8% (down $11.45m)	↓ -49.4% (down $83.37m)

NET PROPERTY REVALUATION ADJUSTMENTS

$118.75m

FY22	FY19	1H23 vs 1H22	2H23 vs 2H22
↓ -44.4% (down $94.93m)	↑ +68.9% (up $48.45m)	↓ -17.4% (down $22.49m)	↓ -85.9% (down $72.44m)

Harvey Norman® Masterton, New Zealand opened June 2023

Review of the Property Segment

The below table shows the composition of freehold property segment assets as at 30 June 2023, the number of owned property assets and the increase in fair value recognised in each country.

Composition of freehold property segment assets	June 2023	# of owned retail property assets	# of owned other property assets	Net increase / (decrease) in fair value (income statement)	Net increase / (decrease) in Fair value (equity)
(1) Investment Properties (Freehold)					
– Australia	$3,443.01m	96	44	$120.20m	-
– New Zealand	$9.59m	-	2	($1.44m)	-
– Ireland	$31.00m	-	1	-	-
Total Investment Properties (Freehold)	**$3,483.59m**	**96**	**47**	**$118.75m**	**-**
(2) Owner–Occupied Land & Buildings					
– Australia	$13.38m	-	1	-	-
– New Zealand	$418.21m	20	1	-	($22.22m)
– Singapore	$26.38m	-	2	-	($0.67m)
– Slovenia	$85.25m	5	-	-	-
– Ireland	$26.22m	2	-	-	($1.05m)
Total Owner-Occupied Land & Buildings	**$569.45m**	**27**	**4**	**-**	**($23.93m)**
(3) Joint Venture Assets	$1.90m	-	7	-	-
Total Freehold Property Segment Assets	**$4,054.94m**	**123**	**58**	**$118.75m**	**($23.93m)**

Net Property Revaluation Adjustments

For the year ended 30 June 2023, the freehold investment property portfolio in Australia has recorded $120.20 million in capital appreciation to fair value, which was the net property revaluation increment for investment properties recognised in the income statement. LFR properties appreciated in value this year on the back of solid performance of the Home and Lifestyle categories resulting in firmer capitalisation rates for high quality LFR properties supported by recent sales evidence in the LFR market.

At each balance date, the directors make an assessment of the fair value of each freehold investment property.

This assessment is informed by:

- the information and advice contained in the last independent external valuation report for that property prepared by an external, professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the property being valued (Independent Valuer);
- the information and advice contained in the last internal valuation report for that property (which was informed by the immediately preceding independent external valuation report for that property);
- the last management review for that property; and
- other information and professional or expert advice given or prepared by reliable and competent persons in relation to that property.

Each freehold investment property in Australia is independently valued by an Independent Valuer at least once every 2 years on a rotational basis.

For FY23, there were 72 valuations of freehold investment properties in Australia representing a total of 48.84% of the value of freehold investment properties independently externally valued this year, and 51.4% in terms of the number of total freehold investment properties in Australia.

Freehold investment properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. Each internal valuation and management review is informed by the last independent external valuation and reliable market evidence. For the 2023 financial year, 6 freehold investment properties had been affected by the same factors as the properties which had been independently externally valued. As a consequence, internal valuations for these 6 properties were undertaken to determine the effect of these factors.

Leasehold Property Portfolio | AASB 16 *Leases*

Right-of-use Assets

Leasehold investment properties (sub-leased or licenced to external parties):

The consolidated entity has a portfolio of property leases primarily for the purposes of being sub-leased, or licenced to, Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia. For these properties, the consolidated entity enters into property leasing arrangements with external landlords and then subsequently subleases these sites to franchisees pursuant to a licence, terminable upon reasonable notice. Leasehold investment property: right-of-use asset meets the definition of an investment property and are measured at fair value. As at 30 June 2023, there were 309 leasehold investment properties. 101 leasehold investment properties (33% of total) were sub-leased or licenced to Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia for retail purposes, and 208 leasehold investment properties (67% of total) were mainly sub-leased or licenced to Harvey Norman®, Domayne® and Joyce Mayne® franchisees for warehousing.

Right-of-use Assets

Leasehold owner-occupied properties & plant and equipment assets:

Leasehold properties occupied by the consolidated entity primarily include company-operated stores, warehouses and offices that are leased from external landlords. Unlike the leasehold investment properties: right-of-use assets which are measured at fair value, the leasehold owner-occupied properties and plant and equipment assets: right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

Composition of the Leasehold Property Portfolio:

The table below shows the composition of right-of-use assets and lease liabilities within our leasehold property portfolio as at balance date, and the number of leased retail properties and other properties leased by the consolidated entity.

Composition of leasehold property portfolio	Right-of-use asset June 2023	Lease liabilities June 2023	# of leased retail property assets	# of Leased other property assets
(1) Leases of Properties Sub-Leased to External Parties				
– Australia	**$705.03m**	**$771.44m**	**101**	**208**
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
– Australia	$39.98m	$54.16m	-	16
– New Zealand	$104.68m	$121.22m	25	33
– Singapore & Malaysia	$255.92m	$202.29m	40	21
– Slovenia & Croatia	$27.40m	$29.52m	3	2
– Ireland & Northern Ireland	$118.05m	$150.19m	16	16
Total Leases of Owner-Occupied Properties and Plant and Equipment Assets	**$546.02m**	**$557.37m**	**84**	**88**
Total Leasehold Property Portfolio	**$1,251.05m**	**$1,328.81m**	**185**	**296**

Financial Impact of AASB 16 *Leases* on the Consolidated Income Statement:

The table below shows the financial impact of AASB 16 *Leases* on the consolidated income statement for the year ended 30 June 2023.

Financial impact of AASB 16 leases:	Leases of owner-occupied properties $000	Leases of properties Sub-leased to external parties $000	Total leases $000
Property, plant and equipment: Right-of-use asset - Depreciation expense	$69,551	-	**$69,551**
Investment properties (leasehold): Right-of-use asset - Fair value re-measurement	-	$102,113	**$102,113**
Finance costs: Interest on lease liabilities	$18,594	$31,700	**$50,294**
Total AASB 16 Expenses Recognised	**$88,145**	**$133,813**	**$221,958**
Less: Lease payments made during FY23 (excluding variable lease payments and short-term, low-value leases)	($86,658)	($110,832)	**($197,490)**
Other adjustments	($1,568)	-	**($1,568)**
AASB 16 Incremental (Increase) / Decrease in PBT for FY23	**($81)**	**$22,981**	**$22,900**

A '**Customer-Centric**' Strategy

The consolidated entity has continued to build on its digital strategy to further enhance investments in technology, digital transformation, and infrastructure by providing each franchisee in Australia with additional tools to deliver on customer-centric strategies. The company-operated stores overseas have also elevated their capabilities to deliver on customer-centric strategies. A key objective of this investment is to deliver a seamlessly integrated and highly personalised omnichannel experience to customers.

A reputable digital platform can lead to improved decision-making throughout the business thereby contributing to consistently high-standards of customer satisfaction across franchised complexes and geographies to maintain, promote and enhance the brands globally.

The evolution of the connected customer journey has made digital channels increasingly convenient and secure for customers. The consolidated entity continues to invest in these secure digital channels to increase customer convenience and protect against cyber-security risks.

Customer First System

The Customer First system, powered by Freshworks, is the cornerstone of the customer contact management platform and is licensed for use within each franchised complex and by the company-operated stores overseas to improve customer service. There has been an ongoing process of continuous improvement to enable Harvey Norman® to enhance the customer-centric omnichannel strategy and improve the customer journey. The Customer First system remains agile and adaptable, always aligning with evolving customer requirements. This dynamic approach enables the delivery of exceptional and consistent service to every customer, regardless of their location or interaction point with the brands.

LiveChat - Local People Real Passion

Connecting customers via LiveChat and messaging platforms to help remove the friction in the journey from online to offline is critical to success. Livechat can significantly benefit franchisees and company-operated stores by offering quick, customised customer service. The immediate interaction with customers enables efficient resolution of their issues and queries, potentially leading to higher sales. Livechat uses data insights to localise and personalise the Harvey Norman® customer experience, resulting in a deeper customer understanding and the ability to offer bespoke products and services. Harvey Norman® was an early adopter of LiveChat and Messaging in Australia to address online customer inquiries, with its AI-driven chatbots on various online messaging platforms consistently improving over the past year. Both franchisees and company-operated stores aim to make their customers' lives easier by respecting their preferences and schedules and appearing on their preferred messaging channels. Given the large number of daily conversations happening on digital messaging platforms, customer service is readily available on platforms like Apple Business Chat, WhatsApp, Facebook Messenger, and SMS. With the automation of customer service through AI chatbots, Harvey Norman® can manage round-the-clock customer queries, like order updates and store timings, freeing up LiveChat and Messaging agents to focus on providing expertise and addressing specific customer product needs.

Attraqt Search for Harvey Norman® New Zealand, Ireland, Singapore and Malaysia

Recently, Harvey Norman® launched Attraqt Search in New Zealand. Attraqt is an AI-powered personalisation and merchandising platform that helps Harvey Norman® deliver a personalised shopping experience that drives sales and improves customer satisfaction. By using AI and data analytics, Harvey Norman® can optimise the merchandising, search capabilities, improve the user experience for customers, leading to higher conversion, increased revenue and growth. Following the success of Attraqt Search in New Zealand, this has now been rolled out to our other overseas markets in Ireland, Singapore and Malaysia.

Loqate address validation

During FY23, we have implemented Loqate address validation onto the Harvey Norman® website in New Zealand. Loqate is a comprehensive location data platform that specialises in providing accurate and reliable address verification, geocoding, and geolocation services. Loqate is well-suited for today's mobile user as it is a highly intuitive service that uses AI and fuzzy logic to enhance the online shopping experience by reducing address errors and turning what could have once been failed deliveries into happy customers.

Next Generation Commerce Platform

Following a successful rollout in Northern Ireland, our work continues on implementing our next generation cloud commerce platform to our company-operated locations overseas. This will greatly assist our expansion into existing overseas markets of the Republic of Ireland, New Zealand, Singapore and Malaysia, whilst improving stability, security, scalability and overall customer experience. Additionally it will also give access to improved customer insights allowing us to continually monitor and improve the customer journey to offer an optimal shopping experience to customers.

Click & Collect on Microsoft Teams - Continuous Improvements

The Click & Collect service offered by franchisees and company-operated stores is truly world class and hassle-free. Nearly 80% of orders at Harvey Norman® franchised complexes are prepared within 1 hour, enabling customers to benefit from efficient speed and customer care powered by Microsoft Teams. Continuous improvements and enhancements have been ongoing for the Microsoft Teams based system, allowing for updates to be pushed to Click & Collect customers informing them of the status of their orders, including more precise information regarding pick-up locations. The system incorporates integrated notifications which enable customers to inform the franchised complex or company-operated store that they are on their way to collect their order with the touch of an "On My Way" or "Arrived" button on their device. This applies to orders being picked up in-store or delivered directly to their car. To ensure seamless pick-up, there are designated Click and Collect parking bays and in-store desks. For customers wishing to have their order delivered to their car, the average delivery time is approximately 7 minutes from arrival.

Customers utilising this system rated Harvey Norman® franchisees in Australia with a CSAT (Customer Satisfaction) score nearing 90%. The recent integration of OpenAI technology into Microsoft Teams will enable Harvey Norman® to further optimise communication and collaboration processes. Standardising communications on Microsoft Teams offers numerous advantages, including streamlined collaboration, increased productivity, enhanced communication, and more efficient customer service.

Generative AI and ChatGPT

Generative AI is a rapidly growing branch of AI that can generate new and original content such as images, SEO rich copy, videos, audio, and more. Generative AI can transform how retail operates in many ways, including an improvement in workflows because of the speed and scale AI tools can bring to content production and customer relationship management efforts. The Harvey Norman® websites are utilising Generative AI tools for operational optimisation and efficiency.

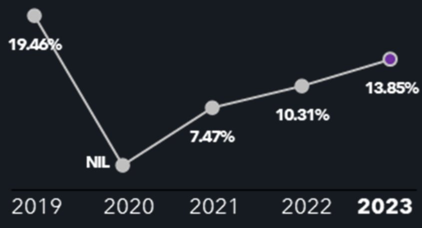
- **Optimising Operations** - Tailored scripts are created with ChatGPT to streamline tasks and reduce manual work. ChatGPT is also used to translate complex scripts into natural language and for debugging purposes.
- **Content Creation & Optimisation** - Currently exploring AI tools to automate the process of creating accurate, high-quality product descriptions and informative guides, tone of voice and business goals.
- **Generative AI Writing Assistants** - to help choose the right tools to meet business needs.
- **Creating AI-Generated Buying Guides** - to understand content and format possibilities including comparison tables, step-by-step instructions and comparison quizzes.
- **Customer Experience** - The Customer Service team has migrated to an updated chatbot platform, enhanced with GPT-powered features to boost productivity and provide faster, personalised responses to customer enquiries.

  Features available include:
  - Rephrase: Replace casual language with more formal alternatives.
  - Tone enhancer: Select a tone when rephrasing text. Choose from professional, casual, and friendly tones.
  - Quality score: Analyse tickets using AI and view quality scores for individual conversations.

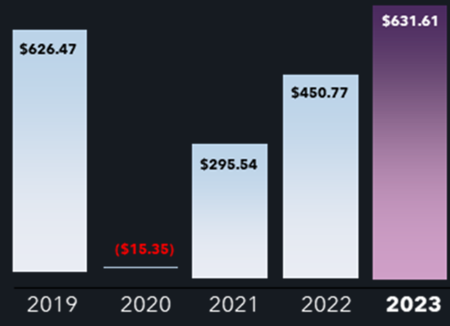
Operating and Financial Review

Net Debt to Equity Ratio and Cash Flows

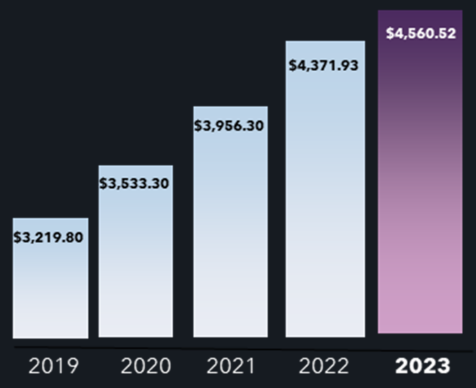
Net Debt: June 23 Net debt of **$631.61 m** VS June 22 Net debt of **$450.77 m**



NET DEBT TO EQUITY RATIO



NET DEBT/(CASH) ($AUD M)



TOTAL EQUITY* ($AUD M)

[*Total Equity excludes ROU assets, lease liabilities and acquisition reserve]

Net Debt to Equity Ratio

Across the consolidated entity globally, the total available facilities amounted to $1,185.83 million as at 30 June 2023 compared to $884.81 million as at 30 June 2022, mainly due to the establishment of Tranche C of the Syndicated Facility Agreement of $200 million in FY23.

As at balance date, the utilised portion was $845.89 million (Jun-22: $695.16 million), leaving $339.94 million (Jun-22: $189.64 million) accessible financing facilities available. The utilised facilities in FY23 increased by $150.73 million compared to FY22 resulting in a net debt position of $631.61 million as at 30 June 2023, compared to a net debt position of $450.77 million in the prior year.

Our net debt to equity ratio remains low at 13.85% (Jun-22: 10.31%) compared pre-COVID levels of 19.46% as at 30 June 2019, an improvement of 561 basis points.

The consolidated entity has sufficient liquidity and our low gearing and strong balance sheet gives us the capacity and ability to access additional liquidity should we require it.

Solid Cash Flows

Cash and cash equivalents, net of bank overdraft, as disclosed in the Statement of Cash Flows, decreased by $32.30 million to $202.06 million as at 30 June 2023, compared to $234.36 million in the prior year.

Cash flows from operating activities increased by $82.96 million to $680.26 million for FY23, from $597.30million in FY22. This was primarily attributable to an increase in net receipts from franchisees by $22.29 million and lower income taxes paid by $103.52 million, offset by an increase in interest paid by $40.62 million and higher payments to suppliers and employees by $30.02 million.

Net receipts from franchisees increased by $22.29 million, despite a reduction in gross revenue received from franchisees by $130.00 million, as net receipts from franchisees were affected by the movement in the aggregate amount of financial accommodation provided to franchisees in FY23 relative to the movement in FY22. During FY23, the movement in the aggregate amount of financial accommodation provided to franchisees decreased primarily due to lower funding requested by franchisees to fund their inventory purchases.

Income tax paid decreased by $103.52 million primarily due to the higher final tax payment made in FY22 attributable to FY21 taxable profits and the higher income tax instalment rate applied in Australia for FY22.

Payments to suppliers and employees increased by $30.02 million due to higher operating costs attributable to new store openings and the normalisation of operating costs post-COVID.

Net cash investing outflows increased by $154.69 million during FY23 primarily due to an increase in payments for the purchase and refurbishments of freehold investment properties by $56.64 million and for the purchase of property, plant and equipment and intangible assets by $92.74 million .

Net cash financing outflows decreased by $53.80 million mainly attributable to a reduction in dividends paid .

Operating Cash Flows

Substantial improvement in working capital to deliver strong operating cash flows

$680.26m

FY22	FY19	1H23 vs 1H22	2H23 vs 2H22
↑ +13.9% (up $82.96m)	↑ +82.5% (up $307.41m)	↓ -39.8% (down $225.09m)	↑ +989.4% (up $308.05m)

Cash Conversion

Strong cash conversion for FY23 mainly from improvement in working capital in 2H23

97.4%

1H23	2H23
90.1%	108.4%

[Calculated as: Operating Cash Flows (excluding interest & tax) ÷ EBITDA (excluding AASB 16 & net property revaluations)]

Review of the Financial Position of the Consolidated Entity

Total assets

Year ended 30 June

2023	$7.67 bn
2022	$7.25 bn

↑ 5.9% from June 22

- Total assets increased by $425.43 million or 5.9% from June 2022
- Freehold investment property portfolio increased by $253.38 million
- Freehold owner-occupied property portfolio increased by $75.33 million
- Franchisee receivables decreased by $51.92 million or -5.8% to $841 million as at 30 June 2023

Total liabilities

Year ended 30 June

2023	$3.21 bn
2022	$2.95 bn

↑ 8.6% from June 22

- Total liabilities increased by $253.06 million or 8.6% from June 2022
- Interest-bearing loans and borrowings increased by $150.79 million

Total assets were $7.67 billion as at 30 June 2023, increasing by $425.43 million, or 5.9%, from $7.25 billion as at 30 June 2022. **When compared to FY19, the increase in total assets was $2.87 billion or 59.9%, delivering a 4-year CAGR of 12.4%.**

The value of the freehold investment property portfolio increased by $253.38 million, or +7.8%, to $3.48 billion as at 30 June 2023 primarily due to $120.20 million net property revaluation increments over the past 12 months, acquisition of new freehold investment properties and the refurbishments of freehold investment property assets in Australia.

Property, plant and equipment assets increased by $112.79 million mainly due to the increase in the freehold owner-occupied property portfolio of $75.33 million and the fit-out of four new company-operated stores this year: Fonthill, Ireland (July 2022), 1 Utama Shopping Centre, Malaysia (November 2022), Rijeka, Croatia (April 2023) and Masterton, New Zealand (June 2023). Fit-outs of three new franchised complexes in Australia also contributed to the increase: Manjimup, WA (November 2022), Port Stephens, NSW (March 2023) and Renmark, SA (May 2023). The premium refit program for franchised complexes in Australia is well-underway and there are currently five refits in progress as at balance date.

Inventories of company-operated stores increased by $21.38 million primarily due to new store openings, coupled with concerted efforts to maintain balanced and appropriate levels of inventory in each overseas market.

Total current trade and other receivables decreased by $72.17 million, or -6.8%, to $993.13 million, compared to $1.07 billion last year. This reduction is mainly due to a decrease in receivables from franchisees by $51.92 million, or -5.8%, to $841.00 million as at 30 June 2023, compared to $892.92 million in the previous year. Despite the moderation of franchisee sales revenue this year, combined with a rise in franchisee operating costs which have normalised in the post-COVID environment, lower financial accommodation was provided to franchisees in FY23 to fund inventory purchases.

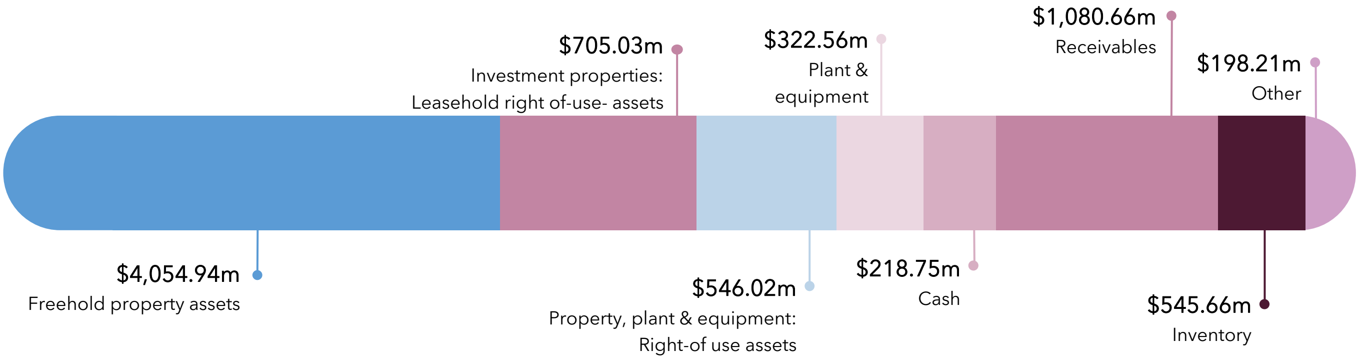
Interest-bearing loans and borrowings increased by $150.79 million mainly due to the higher utilisation of the Syndicated Facility by $150 million, from $610 million utilised as at 30 June 2022 to $760 million utilised as at 30 June 2023. Total liabilities were $3.21 billion as at 30 June 2023, rising by $253.06 million, or 8.6%, from $2.95 billion as at 30 June 2022.

Net assets have increased by $172.37m or 4.0% to $4.47bn as at 30 June 2023. When compared to FY19, net assets increased by $1.27bn or 39.7%.

40% increase in Net Assets from FY19

8.7% 4-Year Net Assets CAGR

Composition of Total Assets of $7.67bn



Operating and Financial Review

Outlook

Subsequent to balance date, 2 new Harvey Norman® company-operated stores were opened in **Malaysia** located at Shah Alam, Selangor (opened 24 July 2023) and Kota Kinabalu, Sabah (opened 28 August 2023), bringing our total number of stores in Malaysia to 30 as at the date of this report.

As announced at the 2022 Annual General Meeting of the Company, we continue to recognise the significant opportunity to grow to 80 stores in Malaysia by the end of 2028. We are on track to open a further 8 stores in Malaysia during FY24, of which leases for 5 of these sites have been confirmed and executed. This includes the opening of the Pavilion Damansara Heights store in Kuala Lumpur that was deferred from 2H23 to 1H24. The remaining 3 sites are currently in progress. Beyond FY24, we anticipate opening up to 12 new stores in Malaysia during FY25, with our intention of reaching the milestone of 50 stores in Malaysia by 30 June 2025, our largest store network outside of Australia.

In **New Zealand**, we intend to open 1 new company-operated store during FY24. Due to the macroeconomic situation in New Zealand, the other 2 proposed store openings for FY24 have been deferred to the first half of FY25. We are continuing to pursue retail sites in **Croatia** and presently intend to open a further 3 stores in Croatia during FY25. Our first 2 company-operated stores in **Budapest, Hungary** are now anticipated to open during FY25 rather than calendar 2024.

In **Australia**, we anticipate opening 2 new franchised complexes and relocating 1 franchised complex from a leased site to a freehold property during the 2024 financial year.

Last year, we announced the recommencement of the premium refit program and the revised expectations to complete up to 25 premium refits over the next 5 years. During FY23, the premium refit of the furniture and bedding categories of the Fyshwick (ACT) franchised complex was completed and the premium refits of 5 franchised complexes are currently underway located at Balgowlah (NSW), Erina (NSW), Preston (VIC), Penrith (NSW) and Cannington (WA). It is our present intention to commence a further 4 premium refits of Australian franchised complexes during FY24.

Retail Trading Update:

Aggregated sales increase / (decrease) in local currencies from 1 July 2023 to 31 July 2023 vs 1 July 2022 to 31 July 2022:

% increase / (decrease) calculated in local currencies		1 July 2023 to 31 July 2023 vs 1 July 2022 to 31 July 2022	
Country		**Total** %	**Comparable** %
Australian Franchisees	$ AUD	**(-12.3)**	(-12.6)
New Zealand	$ NZD	**(-2.6)**	(-4.7)
Slovenia & Croatia	€ EUR	**(-11.3)**	(-17.5)
Ireland	€ EUR	**(-2.1)**	(-5.3)
Northern Ireland	£ GBP	**(-19.7)**	(-19.7)
Singapore	$ SGD	**(-1.7)**	(-1.0)
Malaysia	MYR	**0.6**	(-5.7)

Harvey Norman® Rijeka, Croatia opened April 2023

Summary of Key Business Risks

The Board remains optimistic about the consolidated entity's future trading performance and acknowledges that there are several factors that may pose risk to the achievement of the business strategies and future financial performance of the consolidated entity. Every business is exposed to 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 mitigate those risks.

Changes to macroeconomic conditions and government policy:

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, CPI inflation, geopolitical tensions, overall levels of demand, housing market dynamics, wage growth, employment, economic and political instability and government fiscal, trade, monetary and regulatory policies, that can impact the level of consumer confidence and discretionary retail spending. These conditions may affect revenue from sales to customers and franchise fees. The consolidated entity seeks to reduce its exposure to these risks through appropriate business diversification, and also 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. With a property portfolio of over $4 billion, the consolidated entity is exposed to potential reductions in commercial property values. 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.

Cyber security risk:

Cyber security attacks can take many forms including:

i) Attacks on technology infrastructure which generates revenue and threaten to perpetually block access to data unless a ransom is paid (**Ransomware**); and

ii) Attacks to gain unauthorised access to data or records that can be used alone or with other information to identify, contact or locate a single person, including a customer or employee (**Personal Identifiable Information** or **PII**).

The Company has implemented and continues to improve and enhance, a cyber security risk management framework and security controls to protect against any cyber security risks, including Ransomware and PII attacks. The Company has implemented business continuity plans and disaster recovery plans to respond to cyber security incidents, and mitigate financial and reputational damage from any such incidents.

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 and other sanctions from regulators, and 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®, Domayne® and Joyce Mayne® brands and intellectual property of the franchisor.

Increased competition resulting in a decline of retail margin or a loss of market share for franchisees in Australia and company-operated stores in overseas markets:

The integrated retail, franchise, property and digital system, and diverse category mix assists in maintaining the consolidated entity's competitive position. Market consolidation and/or acquisition may result in further competition and changes to retail margins and market share. Franchisees in Australia and company-operated stores in 7 overseas regions operate across a number of categories in the Home and Lifestyle market. Diversity of category and the ability to identify growth opportunities locally and overseas, mitigates the risk from existing and potential 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 range 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 overseas continue to grow. The digital platform provides new opportunities for growth and new ways to embrace and engage with customers. The Harvey Norman® Omni Channel Strategy sets the Harvey Norman® brand apart from other online and digital competitors. Harvey Norman® customers have 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.

Reduction in the fair value of the property portfolio and contraction in the large-format retail (LFR) market:

The commercial property market is cyclical in nature with real estate values fluctuating over time. The consolidated entity is exposed to potential reductions in property values within this sector. There are a number of economic circumstances that may impact the value of the property portfolio, these include the interest rate environment.

The consolidated entity has a selective and prudent acquisition and development strategy and maintains high-quality geographically diverse complexes and a solid, complementary tenancy mix in order to maximise the profitability of the property portfolio.

Counterparty risks of service providers:

This risk relates to the inability of service providers and counterparties to meet their obligations and commitments, inclusive of compliance, privacy and data security obligations. The consolidated entity conducts due diligence on, and closely monitors and evaluates the performance of, external service providers to mitigate counterparty risk.

Directors' Report

Board of Directors

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

Gerald Harvey

Executive Chairman

In 1982, Mr. G. Harvey was the co-founder, with Mr. I.J. Norman, of Harvey Norman®. He became a director and chairman of Harvey Norman Holdings Limited (the Company) in 1987, and is employed by Yoogalu Pty Limited (Yoogalu), a controlled entity of the Company. Mr. G. Harvey is executive chairman, or a director, of each member of the consolidated entity, with a particular focus on property investments.

Kay Lesley Page

Executive Director and CEO

Ms. Page joined Harvey Norman® in 1983 and became a director of the Company in 1987. Ms. Page is employed by Yoogalu. Since 1999, Ms. Page has overall Chief Executive Officer responsibility for each controlled entity of the Company in Australia, and is a director of each member of the consolidated entity. On 21 October 2020, Ms. Page was appointed as a Member of the Tourism Australia Board of Directors.

Chris Mentis

B.Bus., FCA, FGIA, Grad Dip App Fin

Executive Director, CFO & Company Secretary

Mr. Mentis joined Harvey Norman® as a Financial Controller in 1997. Mr. Mentis became secretary of the Company in 2006 and a director of the Company in 2007. He is employed by Yoogalu and, since 2007, has overall Chief Financial Officer responsibility for, or is a director of, each member of the consolidated entity. Mr. Mentis is a Fellow of the Chartered Accountants Australia & New Zealand (CA ANZ) and a Fellow of the Governance Institute of Australia, with extensive experience in financial accounting.

John Evyn Slack-Smith

Executive Director and COO

Mr. Slack-Smith was a director of a Harvey Norman® computer franchisee between 1993 and 1999 and became a director of the Company in 2001. He is employed by Yoogalu and has overall executive responsibility for the operations of each controlled entity of the consolidated entity in Australia of which he is a director. Mr. Slack-Smith is the Chair of the Barker College Foundation Limited and a Member of Council at Barker College.

David Matthew Ackery

Executive Director

Mr. Ackery became a director of the Company in 2005. He is employed by Yoogalu and has overall executive responsibility for the relationship between each controlled entity in Australia with relevant electrical, appliance, home entertainment and technology franchisees.

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, FGIA, 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 & Risk, Remuneration and Nomination Committees. Mr. Brown is the Chairman of each of Windgap Foundation Limited and Sydney High School Foundation. In 2013 he was awarded the Medal of the Order of Australia (OAM) for service to the community, particularly to people with disability.

Kenneth William Gunderson-Briggs

B.Bus., FCA, MAICD

Non-Executive Director (Independent)

Mr. Gunderson-Briggs was appointed a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. Mr. Gunderson-Briggs has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. Mr. Gunderson-Briggs' qualifications include a Bachelor of Business from the University of Technology, Sydney and he is a Fellow of the CA ANZ. Mr. Gunderson-Briggs was appointed Chair of the Remuneration Committee on 16 December 2015 and was appointed Chair of the Audit & Risk Committee and Nomination Committee on 25 November 2020. Mr. Gunderson-Briggs was an independent Non-Executive Director of Australian Pharmaceutical Industries Limited (API), a company listed on the ASX, from May 2014. On 4 December 2020, he was appointed Chair of the API Board, having previously been the Chair of the Audit & Risk Committee of API. As Chair, Mr. Gunderson-Briggs guided API through the control transaction with Wesfarmers Limited (WES) culminating in the takeover of API by WES with effect from 31 March 2022.

Maurice John Craven

B.Sc., FAICD

Non-Executive Director (Independent)

Mr. Craven was appointed a director of Harvey Norman Holdings Limited on 27 March 2019 and became a member of the Nomination Committee of the Company on 24 June 2021. Mr. Craven holds a Bachelor of Science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors. Mr. Craven has been actively involved with innovation and growth in technology empowered industries for more than 25 years and prior to that was a partner for 25 years with Andersen Consulting. Mr. Craven is Chair of Specialisterne Australia and a Non-Executive Director of Cenitex.

Luisa Catanzaro

B.Com., FCA, GAICD

Non-Executive Director (Independent)

Ms. Catanzaro was appointed a Non-Executive Director of Harvey Norman Holdings Limited on 25 November 2020, and became a member of the Audit & Risk Committee on 25 November 2020 and a member of the Remuneration Committee of the Company on 24 June 2021. Ms. Catanzaro has a Bachelor of Commerce from the University of NSW, is a Fellow of the CA ANZ and is also a Graduate of the Australian Institute of Company Directors. Ms. Catanzaro has more than 30 years of professional experience in senior finance executive roles across a range of industries including FMCG and agriculture sectors, and with ASX listed companies.
Ms. Catanzaro is currently a Non-Executive Director of ASX listed company, Ricegrowers Limited, from September 2018, where Ms. Catanzaro is Chair of the Finance, Risk and Audit Committee and a member of the Remuneration, Nomination and Independent Committees.

Directors' Meetings

The below table represents the directors' attendance at meetings of the Board, Audit & Risk 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.

DIRECTOR *Number of Meetings:*	**Attendance**	**Full Board** *9*	**Audit & Risk** *13*	**Remuneration** *8*	**Nomination** *2*
G. Harvey	100%	9 [9]	n/a	n/a	n/a
K.L. Page	100%	9 [9]	n/a	n/a	n/a
J.E. Slack-Smith	89%	8 [9]	n/a	n/a	n/a
D.M. Ackery	100%	9 [9]	n/a	n/a	n/a
C. Mentis	100%	9 [9]	n/a	n/a	n/a
M.J. Harvey	78%	7 [9]	n/a	n/a	n/a
C.H. Brown	97%	9 [9]	12 [13]	8 [8]	2 [2]
K.W. Gunderson-Briggs	100%	9 [9]	13 [13]	8 [8]	2 [2]
M.J. Craven	100%	9 [9]	n/a	n/a	2 [2]
L. Catanzaro	100%	9 [9]	13 [13]	8 [8]	n/a

Directors' Relevant Interests

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

Director	**Ordinary Shares**	**Performance Rights**
G. Harvey	414,966,437	386,100
K.L. Page	20,222,315	1,080,700
J.E. Slack-Smith	1,361,893	376,500
D.M. Ackery	901,471	376,500
C. Mentis	1,367,297	350,500
M.J. Harvey	-	-
C.H. Brown	205,525,565	-
K.W. Gunderson-Briggs	10,059	-
M.J. Craven	53,426	-
L. Catanzaro	-	-
Total	**644,408,463**	**2,570,300**

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.

Performance Rights

At the date of this report, there were 2,570,300 performance rights (2022: 2,013,000), being a right to acquire ordinary shares in the Company at nil exercise price.

- On 4 December 2020, a total of 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.
- On 30 November 2021, a total of 914,000 performance rights under Tranche FY22 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.
- On 1 December 2022, a total of 1,106,800 performance rights under Tranche FY23 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.

On 3 January 2023, a total of 549,500 performance rights issued on 2 December 2019 under Tranche FY20 of the 2016 LTI Plan, were exercised by the Executive Directors in accordance with the terms and conditions of the LTI Plan.

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 in relation to the year ended 30 June 2023, that:

- 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
- The Company's risk management and internal compliance and control system is operating effectively in all material respects.

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 questionnaires 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.

Committee Membership

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

Non-Executive Director	Audit & Risk	Remuneration	Nomination
C.H. Brown	√	√	√
K.W. Gunderson-Briggs	√ (Chair)	√ (Chair)	√ (Chair)
L. Catanzaro	√	√	n/a
M.J. Craven	n/a	n/a	√

Dividends

The directors recommend a fully franked final dividend of 12.0 cents per share to be paid on 13 November 2023 to shareholders registered on 16 October 2023 (total dividend, fully franked, $149,520,798). 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
2022 Final Fully-franked Dividend	14 November 2022	$218,051,207
2023 Interim Fully-franked Dividend	1 May 2023	$161,980,865

The total dividend in respect of the year ended 30 June 2023 of 25.0 cents per share (2022: 37.5 cents per share) represents 57.74% (2022: 57.58%) of profit after tax and non-controlling interests, as set out on page 34 of the financial statements. Excluding the non-cash net property revaluation increments, the total dividend in respect of the year ended 30 June 2023 of 25.0 cents per share represents 68.25% (2022: 70.59%) of profit after tax and non-controlling interests, as set out on page 34 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.

Indemnification of Officers

During the financial year, 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.

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 2023.

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.

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 and the amended Instrument 2022/519. The Company is an entity to which this legislative instrument applies.

Capital Management Policy

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

The Capital Management Policy stipulates a net debt to equity target for the consolidated entity of less than 50%. In this report, the calculation of the net debt to equity ratio excludes the right-of-use assets and lease liabilities recognised under AASB 16 and the acquisition reserve recognised in equity.

As at 30 June 2023, the consolidated entity had unused, available financing facilities of $339.94 million out of total approved financing facilities of $1,185.83 million. This has resulted in a net debt to equity ratio of 13.85% as at 30 June 2023, compared to a net debt to equity ratio of 10.31% as at 30 June 2022.

The capital structure of the consolidated entity consists of: debt, which includes interest-bearing loans and borrowings as disclosed in Note 17. Interest-Bearing Loans and Borrowings of this report; cash and cash equivalents; and equity attributable to equity holders of the parent, comprising ordinary shares, retained profits and reserves as disclosed in Notes 22, 23 and 25 respectively.

The consolidated entity's borrowings consist primarily of bank debt provided by a syndicate of twelve banks (including 3 of the "Big 4" Australian Banks). Concentration risk is minimised by staggering facility renewals and utilising a range of maturities of up to 5 years.

	Note	CONSOLIDATED June 2023 $000	June 2022 $000
Current assets			
– Cash and cash equivalents	26(a)	218,750	248,804
– Trade and other receivables	7	993,130	1,065,304
– Other financial assets	8	3,845	346
– Inventories	9	545,658	524,274
– Other assets	10	68,654	55,359
– Intangible assets	11	600	280
– Assets held for sale	28	-	12,104
Total current assets		**1,830,637**	**1,906,471**
Non-current assets			
– Trade and other receivables	7	87,527	53,494
– Investments accounted for using the equity method	27	1,904	1,502
– Other financial assets	8	62,642	61,073
– Property, plant and equipment	12	892,005	779,217
– Property, plant and equipment: Right-of-use assets	13	546,019	472,510
– Investment properties: Freehold	14	3,483,593	3,230,213
– Investment properties: Leasehold Right-of-use assets	15	705,034	675,600
– Intangible assets	11	57,387	58,420
– Deferred tax assets		5,083	7,903
Total non-current assets		**5,841,194**	**5,339,932**
Total Assets		**7,671,831**	**7,246,403**
Current liabilities			
– Trade and other payables	16	352,716	358,341
– Interest-bearing loans and borrowings	17	67,103	261,053
– Lease liabilities	19	151,043	139,288
– Income tax payable		9,497	67,830
– Other liabilities	20	121,000	126,236
– Provisions	21	37,304	37,059
Total current liabilities		**738,663**	**989,807**
Non-current liabilities			
– Interest-bearing loans and borrowings	17	783,258	438,522
– Lease liabilities	19	1,177,765	1,065,340
– Provisions	21	9,173	10,261
– Deferred tax liabilities		495,458	446,810
– Other liabilities	20	1,025	1,539
Total non-current liabilities		**2,466,679**	**1,962,472**
Total Liabilities		**3,205,342**	**2,952,279**
Net Assets		**4,466,489**	**4,294,124**
Equity			
– Contributed equity	22	717,925	717,925
– Reserves	25	298,900	288,170
– Retained profits	23	3,414,424	3,254,936
Parent entity interests		**4,431,249**	**4,261,031**
– Non-controlling interests	24	35,240	33,093
Total Equity		**4,466,489**	**4,294,124**

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

	Note	CONSOLIDATED June 2023 $000	June 2022 $000
Sales of products to customers	3	2,776,070	2,807,329
Cost of sales		(1,884,104)	(1,871,051)
Gross profit		**891,966**	**936,278**
– Revenues received from franchisees	3	1,171,143	1,301,142
– Revenues and other income items	3	327,988	397,186
– Distribution expenses		(58,367)	(56,880)
– Marketing expenses		(395,613)	(396,208)
– Occupancy expenses	4,13,15	(298,317)	(270,320)
– Administrative expenses	4	(671,687)	(667,931)
– Other expenses		(109,224)	(59,637)
– Finance costs	4,19	(91,656)	(52,148)
– Share of net profit of joint venture entities	27	9,849	8,961
Profit before income tax		**776,082**	**1,140,443**
– Income tax expense	5	(229,239)	(322,564)
Profit after tax		**546,843**	**817,879**
Attributable to:			
– Owners of the parent		539,520	811,527
– Non-controlling interests		7,323	6,352
		546,843	**817,879**
Earnings per share:			
– Basic earnings per share (cents per share)	6	43.30 cents	65.13 cents
– Diluted earnings per share (cents per share)	6	43.23 cents	65.04 cents
Dividends per share (cents per share)	**23**	**25.0 cents**	**37.5 cents**

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

	Note	CONSOLIDATED June 2023 $000	CONSOLIDATED June 2022 $000
Profit for the year		**546,843**	**817,879**
Items that may be reclassified subsequently to profit or loss:			
– Foreign currency translation		30,831	(13,256)
– Net movement on cash flow hedges		3,684	23
– Income tax effect on net movement on cash flow hedges		(1,105)	(7)
Items that will not be reclassified subsequently to profit or loss:			
– Fair value revaluation of land and buildings		(23,933)	41,967
– Income tax effect on fair value revaluation of land and buildings		6,011	(4,509)
– Net fair value losses on financial assets at fair value through other comprehensive income		(5,740)	(2,084)
Other comprehensive income for the year (net of tax)		**9,748**	**22,134**
Total comprehensive income for the year (net of tax)		**556,591**	**840,013**
Total comprehensive income attributable to:			
– Owners of the parent		548,836	831,782
– Non-controlling interests		7,755	8,231
		556,591	**840,013**

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

	Attributable to equity holders of the parent									
CONSOLIDATED $000	**Contributed equity**	**Retained profits**	**Asset revaluation reserve**	**Foreign currency reserve**	**FVOCI reserve**	**Cash flow hedge reserve**	**Employee equity benefits reserve**	**Acquisition reserve**	**Non-controlling interests**	**Total**
At 1 July 2022	**717,925**	**3,254,936**	**245,448**	**27,572**	**20,490**	**13**	**10,921**	**(16,274)**	**33,093**	**4,294,124**
Revaluation of land and buildings	-	-	(17,813)	-	-		-	-	(109)	(17,922)
Currency translation differences	-	-	-	30,290	-		-	-	541	30,831
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	(13)	-	-	-	(13)
Fair value of forward foreign exchange contracts	-	-	-	-	-	(37)	-	-	-	(37)
Fair value of interest rate swap contract	-	-	-	-	-	2,629	-	-	-	2,629
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(5,740)	-	-	-	-	(5,740)
Other comprehensive income	**-**	**-**	**(17,813)**	**30,290**	**(5,740)**	**2,579**	**-**	**-**	**432**	**9,748**
Profit for the year	**-**	**539,520**	**-**	**-**	**-**	**-**	**-**	**-**	**7,323**	**546,843**
Total comprehensive income for the year	**-**	**539,520**	**(17,813)**	**30,290**	**(5,740)**	**2,579**	**-**	**-**	**7,755**	**556,591**
Cost of share based payments	-	-	-	-	-	-	3,701	-	-	3,701
Utilisation of employee equity benefits reserve	-	-	-	-	-	-	(2,287)	-	-	(2,287)
Dividends paid	-	(380,032)	-	-	-	-	-	-	(5,608)	(385,640)
At 30 June 2023	**717,925**	**3,414,424**	**227,635**	**57,862**	**14,750**	**2,592**	**12,335**	**(16,274)**	**35,240**	**4,466,489**

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

	Attributable to equity holders of the parent									
CONSOLIDATED $000	**Contributed equity**	**Retained profits**	**Asset revaluation reserve**	**Foreign currency reserve**	**FVOCI reserve**	**Cash flow hedge reserve**	**Employee equity benefits reserve**	**Acquisition reserve**	**Non-controlling interests**	**Total**
At 1 July 2021	**717,925**	**2,879,511**	**208,646**	**42,051**	**22,574**	**(3)**	**10,399**	**(16,274)**	**28,190**	**3,893,019**
Revaluation of land and buildings	-	-	36,802	-	-	-	-	-	656	37,458
Currency translation differences	-	-	-	(14,479)	-	-	-	-	1,223	(13,256)
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	3	-	-	-	3
Fair value of forward foreign exchange contracts	-	-	-	-	-	13	-	-	-	13
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(2,084)	-	-	-	-	(2,084)
Other comprehensive income	**-**	**-**	**36,802**	**(14,479)**	**(2,084)**	**16**	**-**	**-**	**1,879**	**22,134**
Profit for the year	**-**	**811,527**	**-**	**-**	**-**	**-**	**-**	**-**	**6,352**	**817,879**
Total comprehensive income for the year	**-**	**811,527**	**36,802**	**(14,479)**	**(2,084)**	**16**	**-**	**-**	**8,231**	**840,013**
Cost of share based payments	-	-	-	-	-	-	3,297	-	-	3,297
Utilisation of employee equity benefits reserve	-	-	-	-	-	-	(2,775)	-	-	(2,775)
Dividends paid	-	(436,102)	-	-	-	-	-	-	(3,328)	(439,430)
At 30 June 2022	**717,925**	**3,254,936**	**245,448**	**27,572**	**20,490**	**13**	**10,921**	**(16,274)**	**33,093**	**4,294,124**

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

		Note	CONSOLIDATED June 2023 $000	CONSOLIDATED June 2022 $000
Operating activities	**Cash flows from operating activities**			
	Net receipts from franchisees		1,209,709	1,187,422
	Receipts from customers		2,969,812	2,968,636
	Payments to suppliers and employees		(3,127,122)	(3,097,107)
	Distributions received from joint ventures		9,782	9,210
	GST paid		(75,877)	(93,194)
	Interest received		15,626	6,964
	Interest and other costs of finance paid		(41,767)	(9,702)
	Interest paid on lease liabilities		(50,294)	(41,738)
	Income taxes paid		(232,705)	(336,225)
	Dividends received		3,093	3,034
	Net cash flows from operating activities	26(b)	**680,257**	**597,300**
Investing activities	**Cash Flows from investing activities**			
	Payments for purchases of property, plant and equipment and intangible assets		(187,660)	(94,918)
	Payments for purchase and refurbishments of freehold investment properties		(137,798)	(81,155)
	Proceeds from sale of property, plant and equipment and properties held for resale		10,112	4,735
	Payments for purchase of units in unit trusts and other investments		(5,147)	(145)
	Payments for purchase of equity accounted investments		(1,281)	(950)
	Payments for purchase of listed securities		(24)	-
	Proceeds from sale of listed securities		-	7,511
	Proceeds from sale of other investments		2,500	-
	Proceeds from insurance claims		8,456	2,381
	Loans granted to joint venture entities, joint venture partners, related and unrelated entities		(22,642)	(16,254)
	Net cash flows used in investing activities		**(333,484)**	**(178,795)**
Financing activities	**Cash flows from financing activities**			
	Lease payments (principal component)		(147,537)	(137,615)
	Proceeds from syndicated facility		150,000	120,000
	Dividends paid		(380,032)	(436,102)
	(Repayments of) / proceeds from other borrowings		(1,506)	20,843
	Net cash flows used in financing activities		**(379,075)**	**(432,874)**
	Net decrease in cash and cash equivalents		(32,302)	(14,369)
	Cash and cash equivalents at beginning of the year		234,358	248,727
	Cash and cash equivalents at end of the year	26(a)	**202,056**	**234,358**

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

Notes to the Financial Statements

01 Statement of Significant Accounting Policies

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2022, except for the adoption of new standards mandatory for annual periods beginning on or after 1 July 2022.
The consolidated entity has not early adopted any standard, interpretations or amendment that has been issued, but is not yet effective.

02 Operating Segments

2023 Segment Revenue

Operating segment 30 June 2023	CONSOLIDATED ($000)		
	Sales of products to customers	**Revenues received from franchisees and other income items**	**Total revenue by segment**
Franchising operations	**-**	**1,065,673**	**1,065,673**
New Zealand (retail)	1,005,109	31,364	1,036,473
Singapore & Malaysia (retail)	682,415	17,578	699,993
Slovenia & Croatia (retail)	201,518	3,681	205,199
Ireland & Northern Ireland (retail)	650,967	8,011	658,978
Other non-franchised retail	246,877	2,228	249,105
Total retail	**2,786,886**	**62,862**	**2,849,748**
Retail property	-	423,076	423,076
Retail property under construction	-	49	49
Total property	**-**	**423,125**	**423,125**
Equity investments	**-**	**6,761**	**6,761**
Other	**3,119**	**18,936**	**22,055**
Intercompany eliminations	**(13,935)**	**(78,226)**	**(92,161)**
Total segment revenue	**2,776,070**	**1,499,131**	**4,275,201**

2022 Segment Revenue

Operating segment 30 June 2022	CONSOLIDATED ($000)		
	Sales of products to customers	**Revenues received from franchisees and other income items**	**Total revenue by segment**
Franchising operations	**-**	**1,193,169**	**1,193,169**
New Zealand (retail)	1,119,089	28,218	1,147,307
Singapore & Malaysia (retail)	621,230	16,726	637,956
Slovenia & Croatia (retail)	189,319	3,488	192,807
Ireland & Northern Ireland (retail)	645,285	11,363	656,648
Other non-franchised retail	242,040	2,748	244,788
Total retail	**2,816,963**	**62,543**	**2,879,506**
Retail property	385	494,007	494,392
Total property	**385**	**494,007**	**494,392**
Equity investments	**-**	**3,090**	**3,090**
Other	**1,872**	**12,830**	**14,702**
Intercompany eliminations	**(11,891)**	**(67,311)**	**(79,202)**
Total segment revenue	**2,807,329**	**1,698,328**	**4,505,657**

02 Operating Segments

2023 Result

Operating segment 30 June 2023	CONSOLIDATED ($000) Segment result before interest, tax, depreciation & amortisation	Interest expense	Depreciation expense (excl ROU Assets)	Depreciation & fair value remeasurement of ROU Assets	Impairment& amortisation expense	Segment result before Tax
Franchising operations	**561,355**	**(37,555)**	**(27,332)**	**(105,122)**	**(17,986)**	**373,360**
New Zealand (retail)	105,718	(4,401)	(8,801)	(11,575)	(247)	80,694
Singapore & Malaysia (retail)	88,858	(6,274)	(7,999)	(34,473)	(47)	40,065
Slovenia & Croatia (retail)	14,987	(1,473)	(2,776)	(2,976)	(130)	7,632
Ireland & Northern Ireland (retail)	44,589	(9,937)	(7,870)	(15,800)	(318)	10,664
Non-franchised retail	(2,454)	(3,085)	(2,298)	(1,718)	(556)	(10,111)
Total retail	**251,698**	**(25,170)**	**(29,744)**	**(66,542)**	**(1,298)**	**128,944**
Retail property	309,382	(25,577)	(10,128)	-	-	273,677
Retail property under construction	(888)	(944)	-	-	-	(1,832)
Property development for resale	(92)	(91)	-	-	-	(183)
Total property	**308,402**	**(26,612)**	**(10,128)**	**-**	**-**	**271,662**
Equity investments	**6,649**	**(258)**	**-**	**-**	**-**	**6,391**
Other	**2,799**	**(2,255)**	**(4,819)**	**-**	**-**	**(4,275)**
Intercompany eliminations	**(194)**	**194**	**-**	**-**	**-**	**-**
Total segment result before tax	**1,130,709**	**(91,656)**	**(72,023)**	**(171,664)**	**(19,284)**	**776,082**

2022 Result

Operating segment 30 June 2022	CONSOLIDATED ($000) Segment result before interest, tax, depreciation & amortisation	Interest expense	Depreciation expense (excl ROU Assets)	Depreciation & fair value remeasurement of ROU assets	Impairment & amortisation expense	Segment result before Tax
Franchising operations	**718,222**	**(27,128)**	**(26,938)**	**(90,723)**	**(20,418)**	**553,015**
New Zealand (retail)	152,744	(4,468)	(7,681)	(11,257)	(261)	129,077
Singapore & Malaysia (retail)	89,761	(5,086)	(7,649)	(31,634)	(32)	45,360
Slovenia & Croatia (retail)	18,202	(1,005)	(2,814)	(2,860)	(121)	11,402
Ireland & Northern Ireland (retail)	74,178	(5,884)	(6,648)	(15,245)	(242)	46,159
Non-franchised retail	1,555	(1,355)	(2,497)	(1,709)	(157)	(4,163)
Total retail	**336,440**	**(17,798)**	**(27,289)**	**(62,705)**	**(813)**	**227,835**
Retail property	387,040	(6,533)	(10,179)	-	(229)	370,099
Retail property under construction	(852)	(163)	-	-	-	(1,015)
Property development for resale	(2,582)	(25)	-	-	-	(2,607)
Total property	**383,606**	**(6,721)**	**(10,179)**	**-**	**(229)**	**366,477**
Equity investments	**8**	**(67)**	**-**	**-**	**-**	**(59)**
Other	**(1,643)**	**(513)**	**(4,669)**	**-**	**-**	**(6,825)**
Intercompany eliminations	**(79)**	**79**	**-**	**-**	**-**	**-**
Total segment result before tax	**1,436,554**	**(52,148)**	**(69,075)**	**(153,428)**	**(21,460)**	**1,140,443**

02 Operating Segments (continued)

2023 Assets & Liabilities

Operating segment 30 June 2023	CONSOLIDATED ($000)					
	Segment assets	Inter-company eliminations	Segment assets after eliminations	Segment liabilities	Inter-company eliminations	Segment liabilities after eliminations
Franchising operations	**4,527,445**	**(2,563,703)**	**1,963,742**	**1,140,622**	**(55,703)**	**1,084,919**
New Zealand (retail)	354,949	-	354,949	223,638	(4,878)	218,760
Singapore & Malaysia (retail)	525,595	-	525,595	336,205	(38,433)	297,772
Slovenia & Croatia (retail)	103,922	(2,256)	101,666	88,405	(2,491)	85,914
Ireland & Northern Ireland (retail)	311,667	-	311,667	317,529	(3,579)	313,950
Non-franchised retail	197,134	(45,430)	151,704	302,673	(203,082)	99,591
Total retail	**1,493,267**	**(47,686)**	**1,445,581**	**1,268,450**	**(252,463)**	**1,015,987**
Retail property	3,972,622	(15,620)	3,957,002	2,541,367	(2,010,223)	531,144
Retail property under construction	86,833	-	86,833	146,916	(134,765)	12,151
Property development for resale	12,500	-	12,500	4,139	(2,190)	1,949
Total property	**4,071,955**	**(15,620)**	**4,056,335**	**2,692,422**	**(2,147,178)**	**545,244**
Equity investments	**54,312**	**-**	**54,312**	**5,377**	**-**	**5,377**
Other	**204,980**	**(58,202)**	**146,778**	**278,727**	**(229,867)**	**48,860**
Total	**10,351,959**	**(2,685,211)**	**7,666,748***	**5,385,598**	**(2,685,211)**	**2,700,387***

2022 Assets & Liabilities

Operating segment 30 June 2022	CONSOLIDATED ($000)					
	Segment assets	Inter-company eliminations	Segment assets after eliminations	Segment liabilities	Inter-company eliminations	Segment liabilities after eliminations
Franchising operations	**4,282,910**	**(2,364,206)**	**1,918,704**	**1,004,402**	**(20,975)**	**983,427**
New Zealand (retail)	390,779	-	390,779	240,049	(2,200)	237,849
Singapore & Malaysia (retail)	487,257	(2,820)	484,437	306,712	(43,313)	263,399
Slovenia & Croatia (retail)	83,447	(2,079)	81,368	68,640	(423)	68,217
Ireland & Northern Ireland (retail)	262,551	-	262,551	252,088	(2,263)	249,825
Non-franchised retail	222,281	(32,674)	189,607	305,705	(175,728)	129,977
Total retail	**1,446,315**	**(37,573)**	**1,408,742**	**1,173,194**	**(223,927)**	**949,267**
Retail property	3,620,867	10,988	3,631,855	2,375,464	(1,983,024)	392,440
Retail property under construction	81,550	20	81,570	86,220	(7,609)	78,611
Property development for resale	24,604	-	24,604	3,804	(2,152)	1,652
Total property	**3,727,021**	**11,008**	**3,738,029**	**2,465,488**	**(1,992,785)**	**472,703**
Equity investments	**55,890**	**-**	**55,890**	**4,458**	**-**	**4,458**
Other	**172,727**	**(55,592)**	**117,135**	**236,460**	**(208,676)**	**27,784**
Total	**9,684,863**	**(2,446,363)**	**7,238,500***	**4,884,002**	**(2,446,363)**	**2,437,639***

* Segment assets for FY23 and FY22 are exclusive of deferred tax assets. Segment liabilities for FY23 and FY22 are exclusive of income tax payable and deferred tax liabilities.

02 Operating Segments (continued)

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

Operating segment	Description of segment
Franchising operations	Consists of the franchisor operations of the consolidated entity, but does not include the results, assets, liabilities or operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees. This segment includes any Brand Licence Fees charged by a subsidiary of Harvey Norman Holdings Limited for access to, and use of, the Harvey Norman®, Domayne® and Joyce Mayne® brand names.
New Zealand (retail)	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in New Zealand under the Harvey Norman® brand name.
Singapore & Malaysia (retail)	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman® and Space Furniture® brand names.
Slovenia & Croatia (retail)	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.
Ireland & Northern Ireland (retail)	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 and wholesale trading operations in Australia which are wholly-owned or controlled by the consolidated entity, and does not include the operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail property	Consists of freehold land and buildings that are owned by the consolidated entity for each site that are fully operational or are ready for operations. 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. This segment includes the mining camp accommodation joint ventures.
Retail property under construction	Consists of freehold 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.
Property developments for resale	Consists of freehold land and buildings acquired by the consolidated entity, to be developed, or currently under development, for the sole purpose of resale at a profit. This segment includes land and buildings held for sale, which were previously reported in the Retail Property segment.
Equity investments	This segment refers to the investment in, and trading of, equity investments.
Other	This segment primarily relates to credit facilities provided to related and unrelated parties and other unallocated income and expense items.

03 Revenues

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Revenue from contracts with customers and franchisees:		
– Sales of products to customers (a)	2,776,070	2,807,329
– Services to customers (c)	36,471	35,095
– Franchise fees in accordance with franchise agreements (b)	860,695	1,033,166
Total revenue from contracts with customers and franchisees	**3,673,236**	**3,875,590**
Other revenue from franchisees:		
– Rent and outgoings received from franchisees	283,581	248,650
– Interest to implement and administer the financial accommodation facilities	26,867	19,326
Total other revenue received from franchisees (b)	**310,448**	**267,976**
Gross revenue from other unrelated parties:		
– Rent and outgoings received from external tenants	117,378	110,072
– Interest received from financial institutions and other parties	15,626	6,963
– Dividends received	3,095	3,090
Total other revenue received from unrelated parties (c)	**136,099**	**120,125**
Other income items:		
– Net property revaluation increment on Australian freehold investment properties	120,197	213,684
– Property revaluation decrement for overseas controlled entities	(1,447)	(5)
– Net revaluation increment of equity investments to fair value	3,666	-
– Other income	33,002	28,287
Total other income items (c)	**155,418**	**241,966**
Disclosed in the income statement as follows:		
(a) Sale of products to customers	**2,776,070**	**2,807,329**
(b) Revenue received from franchisees	**1,171,143**	**1,301,142**
(c) Revenue and other income items	**327,988**	**397,186**

04 Expenses and Losses

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Employee benefits expense:		
– Wages and salaries	380,651	374,519
– Workers compensation	2,865	2,950
– Superannuation contributions	19,472	18,032
– Payroll tax	15,798	15,278
– Share-based payments	3,611	3,089
– Other employee benefits	12,556	10,904
Total employee benefits expense	**434,953**	**424,772**
Finance costs:		
– Interest on lease liabilities	50,294	41,738
– Bank interest paid to financial institutions	38,053	9,444
– Other	3,309	966
Total finance costs	**91,656**	**52,148**
Occupancy expenses:		
– Variable lease payments (including short-term and low-value leases)	36,707	34,534
– Property, plant and equipment: Right-of-use assets - Depreciation expense	69,551	65,870
– Property, plant and equipment: Right-of-use assets - Impairment expense	-	2,148
– Investment properties (leasehold): Right-of-use assets - Fair value re-measurement	102,113	87,558
– Other occupancy expenses	89,946	80,210
Total occupancy expenses	**298,317**	**270,320**
Depreciation, amortisation and impairment:		
Depreciation of (excluding AASB16 depreciation in occupancy expenses above):		
– Buildings	9,558	10,179
– Plant and equipment	62,465	58,896
Amortisation of:		
– Computer software	17,867	20,778
– Net licence property and other intangible assets	1,017	682
– Other	400	-
Total depreciation, amortisation and impairment	**91,307**	**90,535**

05 Income Tax

	CONSOLIDATED	
Income tax recognised in the Income Statement:	**June 2023** $000	**June 2022** $000
Current income tax:		
– Current income tax charge	177,632	252,294
– Adjustments in respect of current income tax of previous years	(461)	(1,086)
Deferred income tax: – Relating to the origination and reversal of temporary differences	52,068	71,356
Total income tax expense reported in the income statement	**229,239**	**322,564**

06 Earnings Per Share

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Basic earnings per share (cents per share)	43.30c	65.13c
Diluted earnings per share (cents per share)	43.23c	65.04c
The following reflects the income and number of HVN shares used in the calculation of basic and diluted earnings per share:		
– Profit after tax	546,843	817,879
– Less: Profit after tax attributable to non-controlling interests	(7,323)	(6,352)
Profit after tax attributable to owners of the parent	**539,520**	**811,527**

	NUMBER OF SHARES	
	June 2023 Number	**June 2022** Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,246,006,654	1,246,006,654
Effect of dilutive securities	2,103,341	1,738,851
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,248,109,995**	**1,247,745,505**

07 Trade and Other Receivables

Current	**CONSOLIDATED** June 2023 $000	June 2022 $000
Receivables from franchisees (a)	**840,996**	**892,917**
Trade receivables	107,211	119,099
Consumer finance loans	2,567	2,669
Allowance for expected credit loss	(4,206)	(3,493)
Trade receivables, net	**105,572**	**118,275**
Amounts receivable in respect of finance leases	**3,125**	**3,155**
Non-trade debts receivable from:		
– Related parties (including joint ventures and joint venture partners)	368	4,407
– Unrelated parties	43,195	46,676
Allowance for expected credit loss	(126)	(126)
Non-trade debts receivable, net	**43,437**	**50,957**
Total trade and other receivables (current)	**993,130**	**1,065,304**

(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 $841.00 million as at 30 June 2023 (2022: $892.92 million) comprises the aggregate of the balances due from each franchisee to Derni, and is net of any 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.

Receivables from franchisees have been measured at amortised cost. The consolidated entity has performed an assessment of the franchisee receivables and has calculated the expected credit loss by applying the general approach for provisioning for expected credit losses prescribed by AASB 9. The expected credit loss assessment was conducted on the carrying value of franchisee receivables as at 30 June 2023 totalling $841.00 million (2022: $892.92 million). Based on the assessment, receivables from franchisees are current and neither past due nor impaired as at 30 June 2023.

Non-current	**CONSOLIDATED** June 2023 $000	June 2022 $000
Trade receivables	7,080	7,087
Consumer finance loans	549	570
Allowance for expected credit loss	(5)	(5)
Trade receivables, net	**7,624**	**7,652**
Amounts receivable in respect of finance leases	**762**	**537**
Non-trade debts receivable from:		
– Related parties (including joint ventures and joint venture partners)	42,426	46,345
– Unrelated parties	53,793	19,628
Allowance for expected credit loss	(17,078)	(20,668)
Non-trade debts receivable, net	**79,141**	**45,305**
Total trade and other receivables (non-current)	**87,527**	**53,494**

08 Other Financial Assets

	CONSOLIDATED	
Current	**June 2023** $000	**June 2022** $000
Derivatives receivable	3,845	346
Total other financial assets (current)	**3,845**	**346**
Non-current		
Equity investments at fair value through profit or loss	34,485	30,796
Equity investments at fair value through other comprehensive income	19,827	25,095
Units in unit trusts	414	414
Other non-current financial assets	7,916	4,768
Total other financial assets (non-current)	**62,642**	**61,073**

09 Inventories

	CONSOLIDATED	
Current	**June 2023** $000	**June 2022** $000
Finished goods at cost	557,254	534,386
Provision for obsolescence	(11,596)	(10,112)
Total inventories (current)	**545,658**	**524,274**

10 Other Assets

	CONSOLIDATED	
Current	**June 2023** $000	**June 2022** $000
Prepayments	61,812	52,551
Other current assets	6,842	2,808
Total other assets (current)	**68,654**	**55,359**

11 Intangible Assets

	CONSOLIDATED	
Current	**June 2023** $000	**June 2022** $000
Net licence property (current)	**600**	**280**
Non-current		
Net licence property	**1,237**	**1,817**
Other intangible assets	**69**	**66**
Computer software:		
– At cost	226,485	247,628
– Accumulated amortisation and impairment	(170,404)	(191,091)
Net computer software	**56,081**	**56,537**
Total net intangible assets (non-current)	**57,387**	**58,420**

12 Property, Plant and Equipment

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Land at fair value	264,814	219,802
Buildings at fair value	304,633	274,319
Land and buildings at fair value	**569,447**	**494,121**
Plant and equipment:		
– At cost	918,494	836,313
– Accumulated depreciation	(595,936)	(551,217)
Net plant and equipment	**322,558**	**285,096**
Total property, plant and equipment:		
Land and buildings at fair value	569,447	494,121
Plant and equipment at cost	918,494	836,313
Total property, plant and equipment	**1,487,941**	**1,330,434**
Accumulated depreciation	(595,936)	(551,217)
Total written down amount of property, plant and equipment	**892,005**	**779,217**

13 Property, Plant and Equipment: Right-Of-Use Assets (ROUA)

	CONSOLIDATED		
	Leasehold properties ROUA $000	**Plant and equipment ROUA** $000	**Total ROUA** $000
As at 1 July 2022	**468,217**	**4,293**	**472,510**
New, modified and re-measured leases	121,011	2,026	123,037
Depreciation	(67,512)	(2,039)	(69,551)
Foreign currency	19,862	161	20,023
As at 30 June 2023	**541,578**	**4,441**	**546,019**

Property, Plant and Equipment: Right-of-Use Assets

The consolidated entity recognises right-of-use assets in respect of leases of property, plant and equipment at the commencement date of the lease (i.e. the date the underlying asset is available for use). The initial measurement of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to an impairment assessment under AASB 136 *Impairment of Assets* at each reporting date.

14 Investment Properties: Freehold

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Opening balance at beginning of the year, at fair value	3,230,213	2,905,509
Net additions, disposals and transfers	134,630	111,020
Net increase from fair value adjustments	118,750	213,684
Closing balance at end of the year, at fair value	**3,483,593**	**3,230,213**

Valuation Approach

The directors make an assessment of the fair value of each freehold investment property as at balance date.
This assessment is informed by:

- the information and advice contained in the last independent external valuation report for that property prepared by an external, professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the property being valued (Independent Valuer);
- the information and advice contained in the last internal valuation report for that property (which was informed by the immediately preceding independent external valuation report for that property);
- the last management review for that property; and
- other information and professional or expert advice given or prepared by reliable and competent persons in relation to that property.

Independent External Valuations

The freehold investment property portfolio is valued by an Independent Valuer at least once every two (2) years on a rotational basis.

In Australia, for the 2023 financial year, seventy-two (72) valuations of freehold investment properties were performed by an Independent Valuer: thirty-seven (37) at 31 December 2022 and thirty-five (35) at 30 June 2023. This represents a total of 51.4% of the number of freehold investment properties independently externally valued this year, and 48.8% in terms of the fair value of the freehold investment property portfolio in Australia subject to independent external valuation.

14 Investment Properties: Freehold (continued)

Internal Valuations and Reviews

Freehold investment properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. Each internal valuation and management review is informed by the last independent external valuation and reliable market evidence. For the current year, six (6) freehold investment properties had been affected by the same factors as the properties which had been independently externally valued. As a consequence, internal valuations for these six (6) properties were undertaken to determine the effect of these factors.

Valuation Methodologies

The fair value in respect of each freehold investment property has been calculated primarily using the income capitalisation method of valuation, based on the current market rental value, and having regard to, in respect of each property:

- the highest and best use of the property
- the quality of construction
- the 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
- the tenure of franchisees and external tenants
- adaptive reuse of buildings
- non-reliance on turnover rent
- other specific circumstances of the property

As a secondary method, a discounted cash flow valuation or a direct sale comparison valuation is undertaken as a check method.

The fair value of a freehold investment property under construction is determined using the income capitalisation method by estimating the fair value of the property as at the relevant completion date less the remaining costs to complete and allowances for associated risk. As a secondary method, a discounted cash flow valuation is undertaken. An internal valuation or management review is performed 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. Normally, the direct sale comparison method of valuation is used for properties held for future development.

15 Investment Properties (Leasehold): Right-Of-Use Assets

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Opening balance at beginning of the year, at fair value	675,600	620,461
New and modified leases	133,086	151,728
Leases exited	(1,539)	(9,031)
Net decrease from fair value re-measurements	(102,113)	(87,558)
Closing balance at end of the year, at fair value	**705,034**	**675,600**

Valuation of Investment Properties (Leasehold): Right-Of-Use Assets

The directors make an assessment of the fair value of each Investment Property (Leasehold): Right of Use Asset (**IP (Leasehold) ROU Asset**) as at balance date. Each IP (Leasehold) ROU Asset is reviewed at least every 6 months. This review is undertaken by persons qualified by relevant education, training or experience, with the assistance of qualified management. As part of the review, an independent, professionally qualified valuer who holds a recognised relevant professional qualification and has relevant specialised expertise (**Leasehold Independent Valuer**) is engaged to provide independent verification of key observable inputs.

The re-measurement of an IP Leasehold ROU Asset to fair value comprises the following:

1) A reduction in the IP Leasehold ROU Asset to reflect the decrease in its future value due to the usage of the asset during the period, reflecting the passage of time and a reduction in remaining lease tenure. This is recognised as a fair value decrement in the Income Statement.
2) Re-measurement of the IP Leasehold ROU Asset at the prevailing discount rate as at the reporting date. If the discount rate at the end of the period is higher than the discount rate at the beginning of the period, there will be a decrease in the value of the IP Leasehold ROU Asset and a corresponding fair value decrement is recognised in the Income Statement. If the discount rate at the end of the period is lower than the discount rate at the beginning of the period, there will be an increase in the value of the IP Leasehold ROU Asset and a corresponding fair value increment is recognised in the Income Statement. The discount rate used is determined based on market data, information on margins available to the consolidated entity, and other adjustments appropriate as at the reporting date.
3) The Leasehold Independent Valuer provides independent verification of key observable inputs including the current market rent ranges, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction, at each reporting date. If the current market rent range increases, there may be an increase in the value of the IP Leasehold ROU Asset and a corresponding fair value increment may be recognised in the Income Statement. If the current market rent range decreases, there may be a decrease in the value of the IP Leasehold ROU Asset and a corresponding fair value decrement may be recognised in the Income Statement. The results and recommendations of the review and the information and professional advice provided by the Leasehold Independent Valuer are used to inform the assessment of the fair value of each IP Leasehold ROU Asset at balance date.

Discount Rate

IP Leasehold ROU Asset are re-measured to fair value by using the prevailing discount rate as at the reporting date which is determined by taking into account the following:

- External market based rates for a range of maturities as at the reporting date;
- The lending margins available to the consolidated entity; and
- Other adjustments that may be made by market participants over the lease term.

Market Rent Ranges

As at each balance date, the Leasehold Independent Valuer provides market rent ranges for each leasehold investment property, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction at each reporting date. The market rent ranges are used to assess whether future lease payments are representative of what market participants would pay for a particular asset over a similar term.

16 Trade and Other Payables

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Trade and other creditors	262,503	258,965
Accruals	90,213	99,376
Total trade and other payables	**352,716**	**358,341**

17 Interest-Bearing Loans and Borrowings

	CONSOLIDATED	
Current secured:	**June 2023** $000	**June 2022** $000
Bank overdraft	16,694	14,446
Commercial bills payable	5,400	5,400
Syndicated facility agreement (a)	-	200,000
Other short-term borrowings (b)	40,538	36,795
Current unsecured:		
Derivatives payable	62	20
Non-trade amounts owing to:		
– Related parties	4,238	4,238
– Unrelated parties	171	154
Total interest-bearing loans and borrowings (current)	**67,103**	**261,053**
Non-current unsecured:		
Syndicated facility agreement	760,000	410,000
Other borrowings (b)	23,258	28,522
Total interest-bearing loans and borrowings (non-current)	**783,258**	**438,522**

(a) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company (**Borrower**) and certain other subsidiaries of the Company (**Guarantors**) entered into a Syndicated Facility Agreement (the **Facility** or **SFA**) with certain banks (**Financiers** and each a **Financier**). This facility has been amended from time to time. As at 30 June 2023, the SFA comprised of four (4) Tranches totalling $810 million. The Amending Deed (No. 8) to the Facility, dated 30 November 2021, was executed with the effect of extending the repayment date of Tranche A1 of the Facility totalling $170 million to 4 December 2026 and Tranche B of the Facility totalling $240 million to 4 December 2025. On 30 November 2022, the Amending Deed (No. 9) to the Facility was executed with the effect of extending the repayment date of Tranche A2 of the Facility totalling $200 million to 30 November 2026 and the establishment of Tranche C of the Facility totalling $200 million with a repayment date of 30 November 2025. The utilised amount of the Facility as at 30 June 2023 was $760 million, repayable as set out below, and was classified as non-current interest-bearing loans and borrowings.

This Facility is secured by:

- a 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 2026 ($120 million utilised at 30 June 2023)
- in respect of Tranche A2 totalling $200 million, on 30 November 2026 ($200 million utilised at 30 June 2023)
- in respect of Tranche B totalling $240 million, on 4 December 2025 ($240 million utilised at 30 June 2023)
- in respect of Tranche C totalling $200 million, on 30 November 2025 ($200 million utilised at 30 June 2023)
- 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 Facility, 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.

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During FY23 and FY22, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

(b) Other Short-Term Borrowings

The consolidated entity has the following short-term borrowings as at 30 June 2023:

- a Floating Rate Loan Facility with the ANZ Bank of $200 million, repayable on 9 September 2023 – unutilised as at 30 June 2023.
- a short-term facility of $18.38 million in New Zealand secured by the securities pursuant to the SFA – unutilised as at 30 June 2023.
- a short-term facility with a limit of $11.13 million in Singapore secured by the securities pursuant to the SFA– unutilised as at 30 June 2023.
- a short term facility with a limit of $0.97 million in Malaysia secured by the securities pursuant to the SFA – unutilised as at 30 June 2023.
- a total facility with a limit of $30.81 million in Ireland secured by fixed and floating charges over property. This facility was fully utilised as at 30 June 2023, with $7.56 million classified as current borrowings (2022: $6.80 million) and $23.26 million classified as non-current borrowings (2022: $28.52 million).
- a total facility with a limit of $54.11 million in Slovenia and Croatia, with a maturity date of 4 December 2023, is secured by the securities pursuant to the SFA. $28.87 million was utilised as at 30 June 2023 (2022: $26.73 million).
- a total facility with a limit of $5.56 million relates to a revolving credit facility with ANZ in Singapore. $4.12 million was utilised as at 30 June 2023 (2022: $2.61 million).

18 Financing Facilities Available

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

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Total facilities:		
– Bank overdraft	49,471	45,834
– Other borrowings	320,957	223,573
– Commercial bank bills	5,400	5,400
– Syndicated facility	810,000	610,000
Total available facilities	**1,185,828**	**884,807**
Facilities used at reporting date:		
– Bank overdraft	16,694	14,446
– Other borrowings (current)	40,538	36,795
– Other borrowings (non-current)	23,258	28,522
– Commercial bank bills (current)	5,400	5,400
– Syndicated facility (current)	-	200,000
– Syndicated facility (non-current)	760,000	410,000
Total used facilities	**845,890**	**695,163**
Facilities unused at reporting date:		
– Bank overdraft	32,777	31,388
– Other borrowings	257,161	158,256
– Syndicated facility	50,000	-
Total unused facilities	**339,938**	**189,644**

19 Lease Liabilities

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Lease liabilities at beginning of the year	**1,204,628**	**1,178,665**
– New, modified and exited leases	252,935	163,999
– Interest on lease liabilities	50,294	41,738
– Lease payments	(197,831)	(179,353)
– Foreign currency	18,782	(421)
Lease liabilities at the end of the year	**1,328,808**	**1,204,628**
Disclosed as:		
– Lease liabilities (current)	151,043	139,288
– Lease liabilities (non-current)	1,177,765	1,065,340
Total lease liabilities	**1,328,808**	**1,204,628**

20 Other Liabilities

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Total unearned revenue (current)	**121,000**	**126,236**
Total unearned revenue (non-current)	**1,025**	**1,539**

21 Provisions

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Employee entitlements	35,722	37,059
Lease makegood	1,582	-
Total provisions (current)	**37,304**	**37,059**
Employee entitlements	2,700	2,546
Lease makegood	6,473	7,715
Total provisions (non-current)	**9,173**	**10,261**

22 Contributed Equity

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Ordinary shares	717,925	717,925
Total contributed equity	**717,925**	**717,925**

	NUMBER OF SHARES
	June 2023 Number
Number of ordinary shares issued and fully paid	**1,246,006,654**
Fully paid ordinary shares carry one vote per share and carry the right to dividends.	
Movements in ordinary shares on issue:	
– Balance at 1 July 2022	1,246,006,654
– Issue of shares	-
Balance at end of the year	**1,246,006,654**

23 Retained Profits and Dividends

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Movements in retained profits were as follows: – Balance at beginning of the year	3,254,936	2,879,511
– Profit for the year	539,520	811,527
– Dividends paid	(380,032)	(436,102)
Balance at end of the year	**3,414,424**	**3,254,936**
Dividends declared and paid on ordinary shares: – Final fully-franked dividend for 2022: 17.5 cents (2021: 15.0 cents)	218,051	186,901
– Interim fully-franked dividend for 2023: 13.0 cents (2022: 20.0 cents)	161,981	249,201
Total dividends paid	**380,032**	**436,102**
Franking account balance The amount of franking credits available for subsequent financial years are: – Franking account balance as at the end of the financial year at 30%	579,814	553,700
– Franking credits that will arise from the payment of income tax payable as at the end of the financial year	2,440	49,284
– Franking credits that will be utilised in the payment of the proposed final dividend	(64,080)	(93,450)
Amount of franking credits available for future reporting years	**518,174**	**509,534**

The final dividend of 17.5 cents per share, totalling $218.05 million fully franked for the year ended 30 June 2022, was paid on 14 November 2022.
The interim dividend of 13.0 cents per share, totalling $161.98 million fully-franked for the year ended 30 June 2023, was paid on 1 May 2023.
The final dividend of 12.0 cents per share totalling $149.52 million, fully franked, for the year ended 30 June 2023 will be paid on 13 November 2023 to shareholders registered at the close of business on 16 October 2023. No provision has been made in the Statement of Financial Position for the payment of this final dividend.

24 Non-Controlling Interests

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Interest in: – Ordinary shares	1,091	1,091
– Reserves	14,910	14,478
– Retained earnings	19,239	17,524
Total non-controlling interests	**35,240**	**33,093**

25 Reserves

CONSOLIDATED ($000)	Asset revaluation reserve	Foreign currency translation reserve	FVOCI reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2022	**245,448**	**27,572**	**20,490**	**13**	**10,921**	**(16,274)**	**288,170**
Revaluation of land & buildings	(23,824)	-	-	-	-	-	(23,824)
Tax effect of revaluation of land and buildings	6,011	-	-	-	-	-	6,011
Currency translation differences	-	30,290	-	-	-	-	30,290
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	(5,740)	-	-	-	(5,740)
Reverse expired or realised cash flow hedge reserves	-	-	-	(13)	-	-	(13)
Net loss on forward foreign exchange contracts	-	-	-	(53)	-	-	(53)
Tax effect on net loss on forward foreign exchange contracts	-	-	-	16	-	-	16
Net gain on interest rate swap contracts	-	-	-	3,755	-	-	3,755
Tax effect of net gain on interest rate swap contracts	-	-	-	(1,126)	-	-	(1,126)
Cost of share based payments	-	-	-	-	3,701	-	3,701
Utilisation of employee equity benefits reserve	-	-	-	-	(2,287)	-	(2,287)
At 30 June 2023	**227,635**	**57,862**	**14,750**	**2,592**	**12,335**	**(16,274)**	**298,900**

CONSOLIDATED ($000)	Asset revaluation reserve	Foreign currency translation reserve	FVOCI reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2021	**208,646**	**42,051**	**22,574**	**(3)**	**10,399**	**(16,274)**	**267,393**
Revaluation of land & buildings	41,311	-	-	-	-	-	41,311
Tax effect of revaluation of land and buildings	(4,509)	-	-	-	-	-	(4,509)
Currency translation differences	-	(14,479)	-	-	-	-	(14,479)
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	(2,084)	-	-	-	(2,084)
Reverse expired or realised cash flow hedge reserves	-	-	-	3	-	-	3
Net gain on forward foreign exchange contracts	-	-	-	19	-	-	19
Tax effect on net gain on forward foreign exchange contracts	-	-	-	(6)	-	-	(6)
Cost of share based payments	-	-	-	-	3,297	-	3,297
Utilisation of employee equity benefits reserve	-	-	-	-	(2,775)	-	(2,775)
At 30 June 2022	**245,448**	**27,572**	**20,490**	**13**	**10,921**	**(16,274)**	**288,170**

26 Cash and Cash Equivalents

(a) Reconciliation to the Statement of Cash Flows	CONSOLIDATED June 2023 $000	June 2022 $000
Cash and cash equivalents comprise the following:		
– Cash at bank and on hand	125,195	155,158
– Short-term money market deposits	93,555	93,646
	218,750	**248,804**
– Bank overdraft (refer to Note 17)	(16,694)	(14,446)
Cash and cash equivalents	**202,056**	**234,358**

(b) Reconciliation of profit after income tax to net operating cash flows

	June 2023 $000	June 2022 $000
Profit after tax	**546,843**	**817,879**
Adjustments for non-cash items:		
Net foreign exchange gain	(147)	(192)
Allowance for expected credit loss	(2,205)	703
Share of net profit from joint venture entities	(9,849)	(8,961)
Depreciation of property, plant and equipment	72,023	69,075
Depreciation of right-of-use assets	69,551	65,870
Fair value re-measurement of investment properties (leasehold): right-of-use assets	102,113	87,558
Amortisation	19,284	21,460
Impairment of ROU assets	-	2,148
Gain on disposal of leasehold ROU assets and lease liabilities	(1,568)	(3,428)
Revaluation of freehold investment properties	(118,750)	(213,679)
Executive remuneration expenses	7,592	7,326
(Profit) / Loss on disposal and sale of property, plant and equipment and the revaluation of listed securities	(3,216)	4,337
Changes in assets and liabilities:		
(Increase) / decrease in assets:		
– Receivables	60,638	(140,755)
– Inventories	(22,868)	(44,371)
– Other assets	(7,787)	(14,687)
Increase / (decrease) in liabilities:		
– Payables and other current liabilities	27,305	29,075
– Income tax payable	(58,330)	(80,201)
– Provisions	(372)	(1,857)
Net cash flows from operating activities	**680,257**	**597,300**

27 Investments Accounted for Using the Equity Method

	CONSOLIDATED June 2023 $000	CONSOLIDATED June 2022 $000
Total investments accounted for using the equity method	**1,904**	**1,502**

	Ownership Interest June 2023 %	Ownership Interest June 2022 %	Contribution to Profit/Loss before tax June 2023 $000	Contribution to Profit/Loss before tax June 2022 $000
Noarlunga (Shopping complex)	50%	50%	1,776	1,698
Perth City West (Shopping complex)	50%	50%	2,395	2,446
Warrawong King St (Shopping complex) (a)	62.5%	62.5%	1,230	1,008
Dubbo (Shopping complex)	50%	50%	486	725
Gepps Cross (Shopping complex)	50%	50%	3,415	3,074
Bundaberg (Land held for investment)	50%	50%	6	-
QCV (Miners residential complex)	50%	50%	-	10
Westgate (Shopping complex in New Zealand)	50%	50%	541	-
			9,849	**8,961**

(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.

28 Assets Held for Sale

The assets held for sale balance of $12.10 million as at 30 June 2022 represented the carrying amount of a warehouse in Singapore that was held for sale. This asset has been reclassified to property, plant and equipment during the year ended 30 June 2023.

Non-Cash Financing and Investing Activities

Details of financing and investing transactions which have had a material effect on the consolidated assets and liabilities but did not involve cash flows are: NIL

	CONSOLIDATED	
	June 2023	June 2022
Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	$3.96	$3.72

The NTA as at 30 June 2023 includes the right-of-use assets in respect of property, plant and equipment leases of $546.02 million and investment properties (leasehold) of $705.03 million, and the lease liabilities recognised under AASB 16 *Leases* of $1,328.81 million. If the right-of-use assets were excluded as at 30 June 2023, the NTA calculation would have been $2.96 per ordinary security (30 June 2022: $2.80).

Business Combination Having Material Effect

Name of business combination	N/A	N/A
Consolidated profit / (loss) after tax of the business combination since the date in the current year on which control was acquired	N/A	N/A
Date from which such profit has been calculated	N/A	N/A
Profit / (loss) after tax of the controlled business combination for the whole of the previous corresponding year	N/A	N/A
Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current year to the date of loss of control	N/A	N/A
Date from which such profit/(loss) has been calculated	N/A	N/A
Profit / (loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding year	N/A	N/A

Audit

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