Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

ANNUAL REPORT | 2023

Australia
New Zealand
Singapore
Slovenia
Ireland
Northern Ireland
Malaysia
Croatia

Key dates

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
Financial Highlights

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

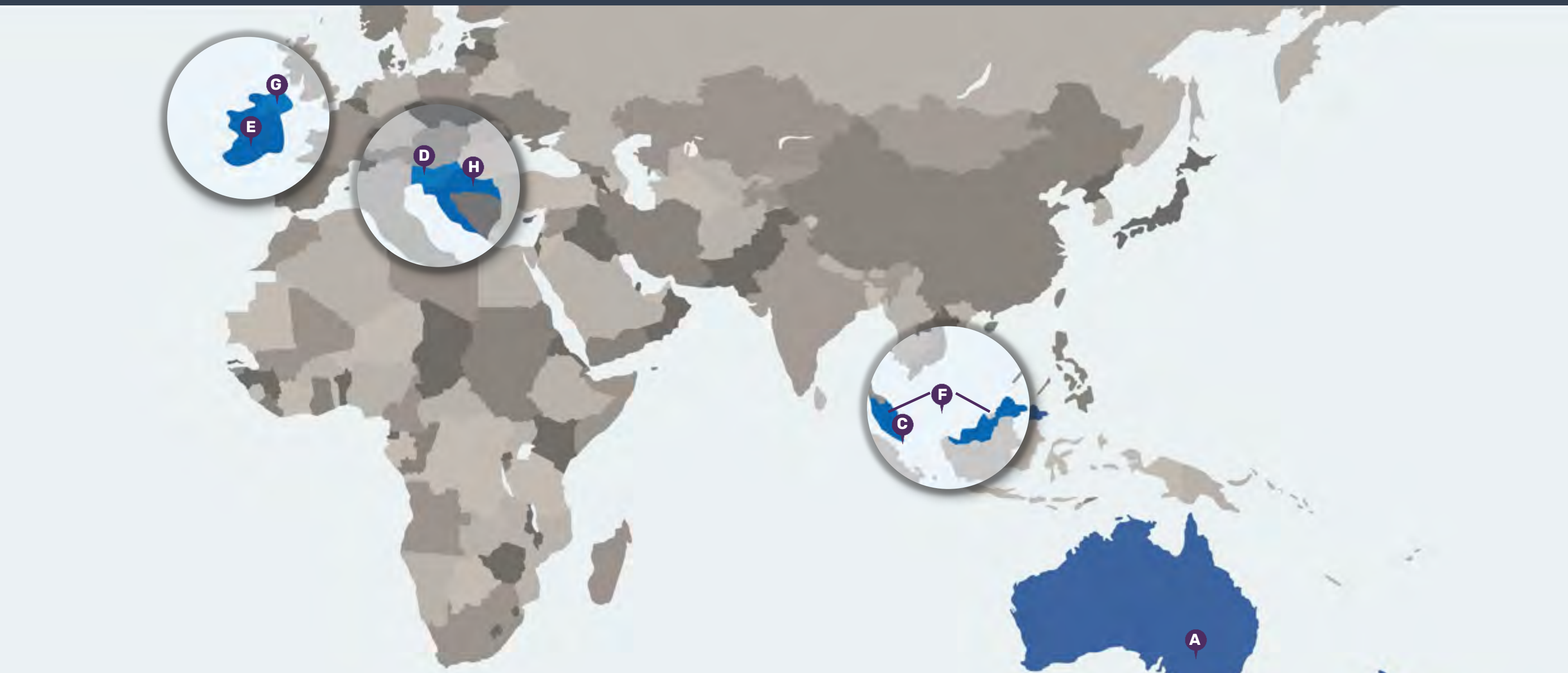
↓ from 65.13c in FY22
↑ from 34.70c in FY19

DIVIDENDS PER SHARE
(FULLY-FRANKED)

25.0c

↓ from 37.50c in FY22
↓ from 33.00c in FY19

Where: **EBITDA:** Earnings Before Interest, Tax, Depreciation & Amortisation | **EBIT:** Earnings Before Interest & Tax
PBT: Profit Before Tax | **PAT:** Profit After Tax | **CAGR:** Compound Average Growth Rate



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%.

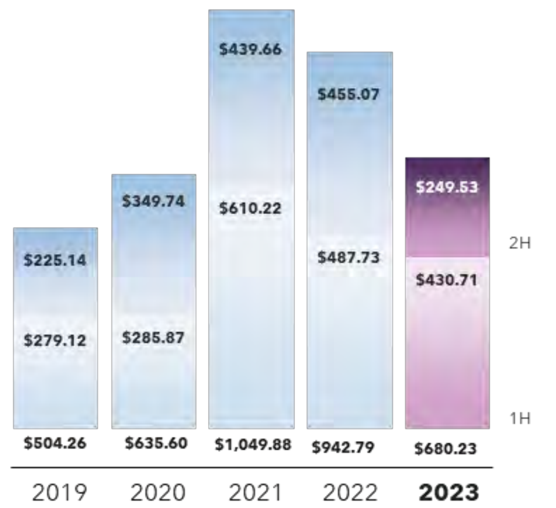
Operating expenses have normalised this year, rising by $121.74 million or 8.1%, after being abnormally low last year due to COVID restrictions. Total operating expenses of the consolidated entity as a percentage of total system sales revenue remain efficient at 17.68% for FY23, which is comparable to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

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.

G. HARVEY
Chairman
Sydney
29 September 2023

K.L. PAGE
Director and Chief Executive Officer
Sydney
29 September 2023

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

1H23	2H23
90.1%	108.4%

97.4%

Total Assets

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

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

$7.67bn

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.

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

$4.47bn

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%]

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

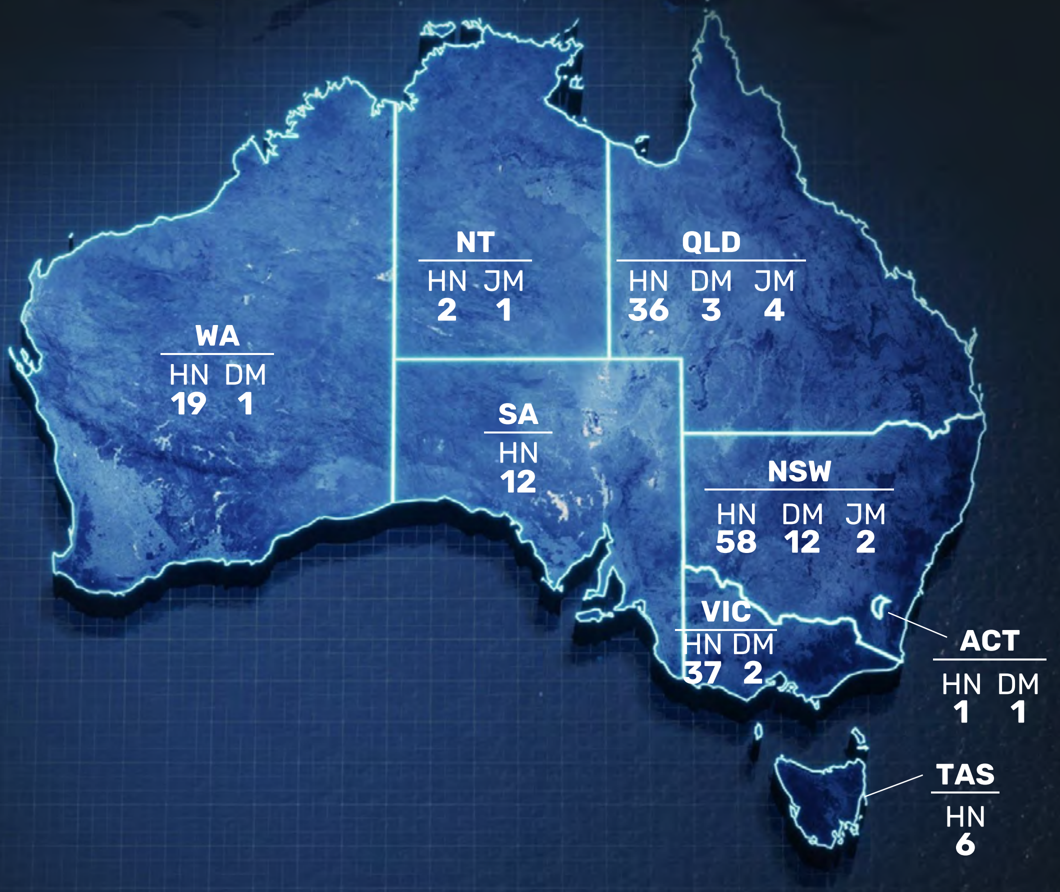
- Harvey Norman® Balgowlah, NSW
- Harvey Norman® Erina, NSW
- Harvey Norman® Preston, VIC
- Harvey Norman® Penrith, NSW
- Harvey Norman® Cannington, WA

171
Harvey Norman
Franchised Complexes

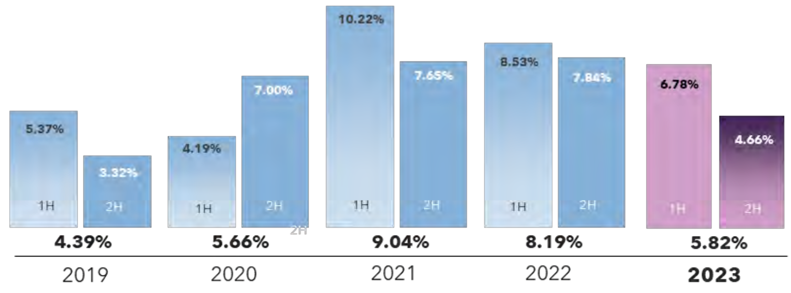
19
DOMAYNE
Franchised Complexes

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

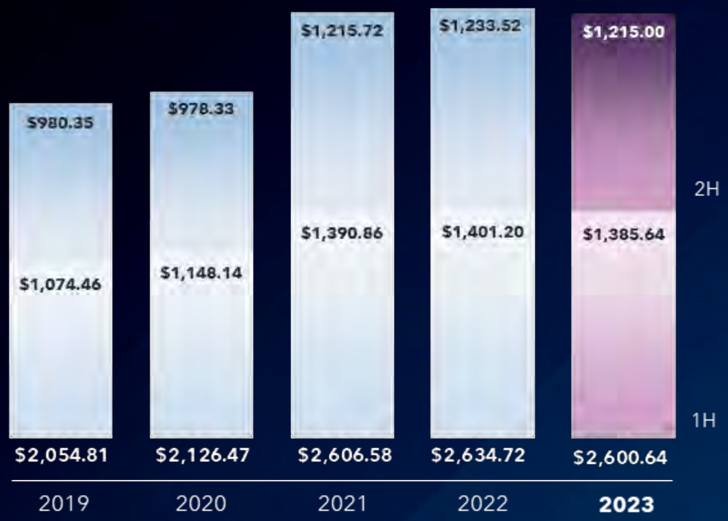
Operating and Financial Review

Overseas company-operated retail segment

Overseas Retail Segment Comprises

21% of PBT excluding property revaluations

[18% of Total PBT]



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

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

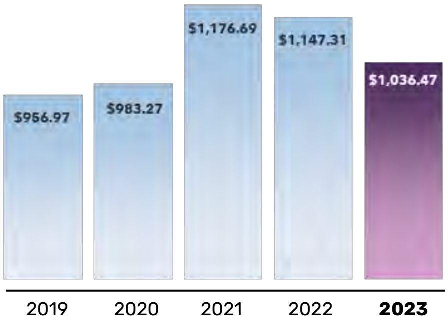
- Opened on **19 April 2023**
- Located in **Galerija Bakar, Rijeka**

Masterton, NZ

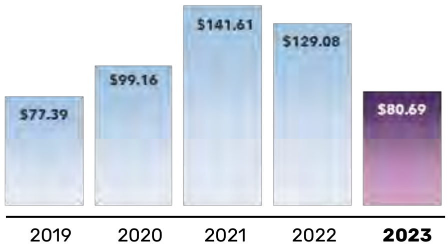
- Opened on **20 June 2023**
- Located in **Masterton, north of Wellington**

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%.

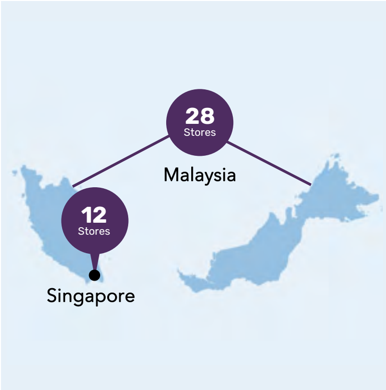
The fall in retail profit for FY23 was as a result of a decrease in sales turnover, a contraction in gross margin due to discounting and the normalisation of operating costs. Operating expenses for FY23 were inclusive of intercompany licence fees payable under the revised global transfer pricing policy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

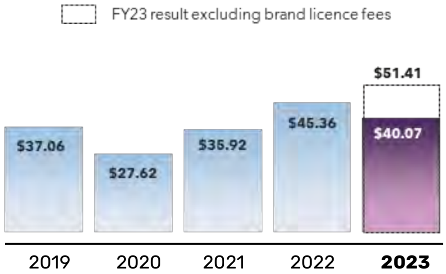


Singapore & Malaysia

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.

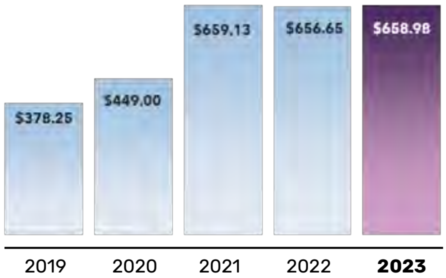
Operating expenses for FY23 are inclusive of intercompany brand licence fees payable under the revised global transfer pricing policy that was adopted in Malaysia and Singapore this year. The profitability of the Asian segment was reduced by $11.35 million due to the intercompany brand licence fees payable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

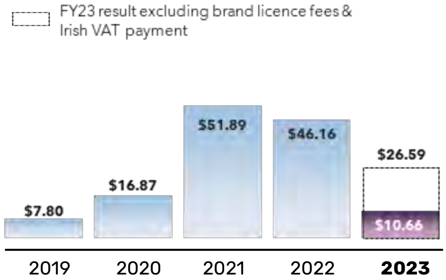
Ireland & Northern Ireland

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.

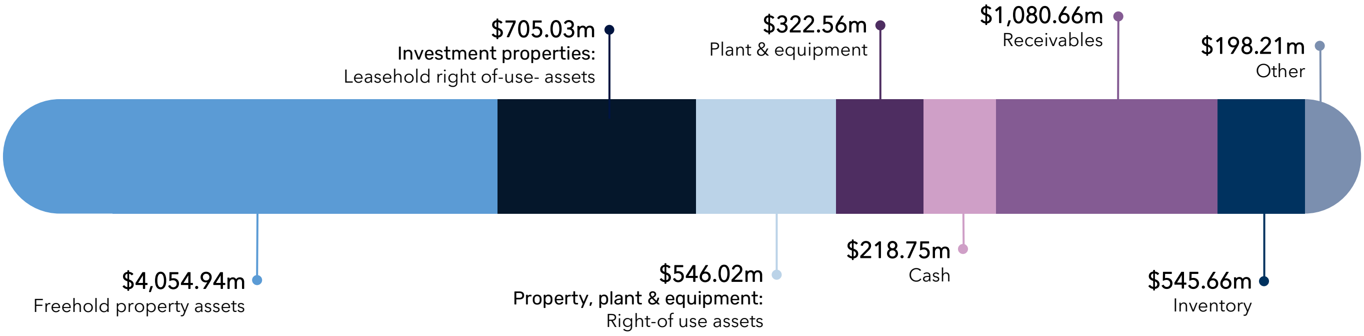
Interest-bearing loans and borrowings increased by $150.79 million mainly due to the higher utilisation of the Syndicated Facility by $150 million, from $610 million utilised as at 30 June 2022 to $760 million utilised as at 30 June 2023. Total liabilities were $3.21 billion as at 30 June 2023, rising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

Comprised of:

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, became a member of the Audit & Risk Committee on 25 November 2020, and became a member of the Remuneration Committee 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 financial 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. Since 14 January 2019, Ms Catanzaro has been a Non-Executive Director of Because Movement Foundation Limited, a registered charity. Since 20 August 2023, Ms Catanzaro has been a Non-Executive Director of the Museum of Contemporary Art Limited, where Ms Catanzaro is Chair of the Finance Committee.

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.

On 22 July 2022, a total of 109,000 performance rights under Tranche FY19 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	√

Corporate Governance

The board of directors (**Board**) of Harvey Norman Holdings Limited (the **Company**) is committed to a high standard of corporate governance, and is responsible for establishing, maintaining and monitoring the corporate governance framework of the Company.

The Board has benchmarked its practices against the ASX CGC published guidelines and the CGC corporate governance principles and recommendations (February 2019 edition) (**Principles**). The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable. The Corporate Governance Statement summarises the corporate governance practices of the Company, including the practices that are in alignment with the Principles for the year ended 30 June 2023. The Corporate Governance Statement has been approved by the Board. The full Corporate Governance Statement and further details about corporate governance policies adopted by the Company and the Board and committee charters may be accessed via the Company's website www.harveynormanholdings.com.au.

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 82 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 82 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 each member 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.

No indemnity payments have been made under the Indemnity Agreement referred to above during, or since, the end of the financial year.

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. 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.

Directors' Report

Remuneration Report

Audited

This remuneration report for the year ended 30 June 2023 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the Corporations Act 2001 (Cth), as amended, (the "Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

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Directors' Report | Remuneration Report (Audited)
Letter from the Chair of the Remuneration Committee

Dear Shareholders,

The Board continues to be confident that the remuneration policies support the financial and strategic goals of the consolidated entity. The directors and other members of the key management personnel (KMP) team continue to be committed to protecting and growing a sustainable business and creating long-term sustainable value for all stakeholders of the consolidated entity.

Remuneration Highlights at a Glance

- Results improved in comparison to pre-COVID FY19
  - Reported PBT of $776.08 million, down from FY22 and FY21 records, up $201.52 million (35%) on pre-COVID FY19
  - PBT return on net assets of 17.4% for FY23, with a 3-year rolling average return of 22.3%
- High correlation of remuneration outcomes with Company performance
- Risk managed in accordance with the risk management framework and risk appetite
- Independent expert continues to find that the level, mix, and structure is reasonable
- The remuneration outcomes remain reasonable
- Short-term incentive (STI) financial targets are informed by analyst consensus forecasts

Outcomes

- Executive directors achieved 59.8% of their 2023 STI maximum targets compared to 87.8% for FY22
- Return on Net Assets (RONA) of 15.96% for the year (FY22: 24.24%) resulted in Tranche FY21 of the 2016 LTI Plan to vest at 100% (3 year RONA at 23.1%)
- The total compensation for Key Management Personnel (KMP) Directors was $489,746 or 3.8% lower than the previous year
- The total "take-home" pay for KMP Directors was $1.36 million or 11.3% higher than the 2022 financial year due to timing of remuneration receipts between the financial years.
- The total "at risk" compensation expense for FY23 was $1.06 million (-18.5%) lower than the "at risk" expense in FY22.
- Each of the executive directors increased their significant shareholdings in the Company, so that the value of each respective shareholding at year-end exceeded the amount of their respective total fixed remuneration (TFR). There is clear alignment of executive management with shareholders.

Letter from the Chair of the Remuneration Committee (continued)

The Design of Executive Director Remuneration for Another Year of Uncertainty

At the beginning of the 2023 year, there was continued uncertainty as to the expectation of outcomes.

The Remuneration Committee (**Committee**) continue to apply the following settings to the remuneration framework for the executive directors, each of whom are employed by Yoogalu Pty Limited (**Yoogalu**) (a controlled entity of the Company):

- Consensus forecasts of market analysts informed the setting of the levels for the Short-Term Incentive (**STI**) Plan.
- The maximum outcomes for the STI Plan remained capped.
- The performance conditions for the STI Plan were based on financial outcomes as to 70%, non-financial performance conditions as to 30% and malus penalty provisions up to 30% in the assessment of 100% achievement.
- The outcomes for the Long-Term Incentive (**LTI**) Plan were subject to the achievement of Return on Net Assets (RONA) over a 3-year period, consistent with prior years.
- The maximum outcomes for the LTI Plan remained capped.

CONCLUSION: High correlation of remuneration outcomes with performance

Assessment of Conduct

Each participating executive director is subject to an over-riding non-financial performance condition that the executive directors managed risk in accordance with the risk management framework and risk appetite of each member of the consolidated entity. The Company recognises the critical connection between conduct and reward. The assessment of conduct is informed by the fundamental principles of:

- obeying the law
- acting fairly
- not to mislead or deceive
- provide goods and services that are fit for purpose
- delivery of goods and services with reasonable care and skill

CONCLUSION: Risk was managed in accordance with the risk management framework and risk appetite

Benchmarking for Reasonableness

An independent remuneration expert was engaged to review the level and reasonableness of remuneration of the executive directors during 2023. This included analyses and comparison of alternate peer groups, such as those used for internal analysis and by proxy advisors in their prior assessments of executive remuneration. It also included the remuneration structure and the components including the level of 'at risk' remuneration.

The critical findings of the independent remuneration expert review were as follows:

- The overall remuneration opportunity remains within a reasonable range given executive tenure and position responsibilities.
- The continuing significant shareholdings of the executive directors align with long-term interests of shareholders.
- The remuneration mix is reasonable.
- The STI framework is reasonable.
- The remuneration should continue to be positioned around the level that reflects the financial accountability and operational scope of the positions relative to the benchmark peer group, which was around the 75th percentile of the benchmark peer group.

The conclusions reached by the Committee, informed by the independent expert review, were that:

- The level of fixed remuneration was reasonable.
- The level of target and maximum remuneration from the short-term incentive (STI) was reasonable.
- The level of target and maximum remuneration from the long-term incentive (LTI) was reasonable.

CONCLUSION: The level, mix and structure remain reasonable

Evaluation of Performance of Executive Directors

An appraisal of the performance of each executive director and the executive director team was undertaken following the end of the 2023 year as part of the annual Participant Performance Review by the Remuneration Committee.

In this year, the appraisal focused on ensuring that executive remuneration for 2023 was fair and reasonable and was in line with performance.

The evaluation of the performance of executive directors linked with the design of the remuneration framework has led the Committee to the conclusion that the outcome of the "at risk" remuneration in respect of the 2023 STI Plan and the LTI Plan were appropriate recognition of the performance of the executive directors in dealing with the multi-faceted challenges imposed during the year, demonstrating resilience in management of the integrated retail, franchise, property and digital business through much uncertainty.

CONCLUSION: Remuneration was fair and reasonable and in line with performance

Improving the Framework for Remuneration in 2023

ACTION: Changes implemented for FY23

- **Fixed Remuneration:** The fixed remuneration for executive directors increased between 3% to 6% during the year, being the first increase of fixed remuneration for executive directors since 2014.

Letter from the Chair of the Remuneration Committee (continued)

Improving the Framework for Remuneration in 2023 (continued)

- **Short-Term Incentives:** The 2023 STI Pool increased by $0.50 million (12.5%). This was the first increase in the Pool since FY21 (11.1%). The average annual growth in net assets of the consolidated entity from FY20 was 11.2%

- **Long-Term Incentives (approved at 2022 AGM):** The number of performance rights granted to each executive director was increased with the setting as a proportion of the fixed remuneration base. Once vested, the value of the performance rights is maintained over the longer period for exercise recognising the value of dividends produced as well as share price changes.

  These changes align the components of the remuneration opportunities for executive directors, increasing the "at risk" proportion.

Financial Settings for the 2023 STI Plan

ACTION: Financial targets informed by analyst consensus forecasts

The minimum financial performance conditions (entry-level to the 2023 STI Plan) was set at APAT of $415 million (FY22 $429 million), the 100% achievement level at APAT of $518 million (FY22 $536 million), with a maximum over-achievement level at APAT of $575 million (FY2021 $595 million).

The levels were set by the Committee with reference to analyst consensus forecasts compiled by Visible Alpha from each of Goldman Sachs, CLSA, Macquarie, Jardin, JP Morgan, Marquee, UBS, Barrenjoey, Jeffries, Evans & Partners and Citi, updated in November 2022.

Achievement up to the 100% target, and between the 100% target and the over-achievement target remained on a straight-line basis, subject to achieving the entry threshold.

Remuneration Outcomes

The financial achievements of the consolidated entity for the 2023 financial year were reflected in the remuneration outcomes.

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

Yours sincerely,

KEN GUNDERSON-BRIGGS
Remuneration Committee Chair

01 Introduction

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

Each KMP is employed by Yoogalu and the remuneration details of each KMP during the 2023 financial year are set out below. For the purposes of this report, the term "executive" includes the Chief Executive Officer ("CEO"), executive directors and senior executives of the consolidated entity.

Key Management Personnel (KMP)	**Position**	**Term as KMP**
Executive Directors		
Gerald Harvey	Executive Chairman	Full financial year
Kay Lesley Page	Executive Director & Chief Executive Officer	Full financial year
John Evyn Slack-Smith	Executive Director & Chief Operating Officer	Full financial year
David Matthew Ackery	Executive Director	Full financial year
Chris Mentis	Executive Director, Chief Financial Officer & Company Secretary	Full financial year
Non-Executive Directors		
Christopher Herbert Brown OAM	Non-Executive Director	Full financial year
Michael John Harvey	Non-Executive Director	Full financial year
Kenneth William Gunderson-Briggs	Non-Executive Director (independent)	Full financial year
Maurice John Craven	Non-Executive Director (independent)	Full financial year
Luisa Catanzaro	Non-Executive Director (independent)	Full financial year
Senior Executives		
Thomas James Scott	General Manager–Property	Full financial year
Gordon Ian Dingwall	Chief Information Officer	Full financial year
Emmanuel Hohlastos	General Manager–Home Appliances	Full financial year
Glen Gregory	General Manager–Technology & Entertainment	Resigned 17 October 2022
Darren Salakas	General Manager–Technology & Entertainment	KMP from 10 October 2022
Richard Beaini	General Manager–Audio Visual	Full financial year
Carene Myers	General Manager–Small Appliances	Full financial year

02 Remuneration Principles and Strategy

The executive remuneration strategy in 2023 is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders. The relevant factors in determining the suitability of a board member, including the executive directors, are integrity, business savvy, an owner-oriented attitude and a deep genuine interest in the business of each member of the consolidated entity. In applying these principles to each member of the consolidated entity:

a. Integrity requires a level of fundamental honesty, candour and frankness in dealing with colleagues, regulators and other third parties. Integrity necessarily requires a director to bring an open mind and independent judgment to the discussion of any matter of concern to the Board.

b. Business savvy requires a deep understanding of one or more of the sectors of retail, property, franchising and digital.

c. An owner orientation or perspective of an owner requires the individual to either have:

   i. "skin in the game" by holding, controlling or benefitting from a significant parcel of shares where the financial interests of the director are aligned with the long term beneficial interest of shareholders; or

   ii. a perspective of advising owners of businesses and understanding that wealth generation is derived from the building of business interests that create long-term sustainable value.

d. Directors with an owner orientation retain an open mind to consider diverse views but are not strictly beholden to the whims of fashionable thinking and are able to form their own views as to what constitutes best practice in corporate governance.

e. Interest in and time to do the job means:

   i. the person has an executive role, meaning that the person's career is based on job performance at the Company; or

   ii. the individual has a limited number of outside interests (i.e., the person is not a professional non-executive director).

In both cases, the individual has an independence of mind and outlook.

02 Remuneration Principles and Strategy (continued)

Applying these criteria to the current Board, the Board is satisfied that each director, including the executive directors, bring to the Board the necessary skills and attributes specified.

The following table illustrates how the remuneration strategy of the consolidated entity in 2023 aligns with the strategic direction and links remuneration outcomes to performance.

Objective of the consolidated entity in 2023 To be recognised as a leader in the sectors in which the consolidated entity operates and build long-term sustainable value for shareholders			
Remuneration strategy linkages to objectives of the consolidated entity in 2023	Align the interests of executives with shareholders	The remuneration framework incorporates "at risk" components, through STI and LTI plans	Short-term performance is assessed against a suite of financial and non-financial measures relevant to the success of the consolidated entity in 2023 and generating returns for shareholders
	Long-term performance is assessed against financial performance conditions calculated exclusively in respect of RONA	Attract, motivate and retain high performing individuals Longer-term remuneration encourages retention and multi-year performance focus	The remuneration offering is competitive for companies of a similar sector, size and complexity
Component	**Vehicle**	**Purpose**	**Link to Performance**
Fixed remuneration	Comprises base salary, superannuation contributions and other benefits	To provide competitive fixed remuneration set with reference to role, market and experience	Consolidated entity and individual performance are considered during the annual remuneration review
Short-term incentive (STI)	Paid as cash as a performance cash incentive (**PCI**), subject to minimum shareholding of individual Executive Directors	Rewards executives for their contribution to achievement of consolidated entity outcomes	a. There is no STI award for an executive director unless the executive director satisfies the Participant Performance Review in terms of the Individual Executive Director Assessment Report. b. There is no STI award unless the Entry Level financial condition is achieved. c. The STI pool in respect of 100% achievement level is subject to performance criteria as to: i. 70% subject to financial conditions; ii.30% subject to business critical non-financial conditions; and iii.Malus reductions of up to 30% of the pool for non-achievement of further non-financial performance conditions. d. Financial achievement calculated over the 100% achievement level is subject to financial conditions only. e. Executive directors are to hold shares to the value equating to the level of fixed remuneration for that executive director at the end of the given financial year. f. If shares held are less than the benchmark, benefits are to be provided in the form of shares.
Where Annual Profit After Tax (APAT) is calculated as follows:	Annual Net Profit After Tax (**APAT**), excluding the after-tax effect of property revaluation increments or decrements and the after-tax effect of the net impact of AASB 16 *Leases*		
Long-Term Incentive (LTI)	Awards under the LTI Plan are granted in the form of performance rights, being a right to acquire one ordinary share in the Company at nil exercise price	Rewards executives for their contribution to the financial performance of the consolidated entity and the effective utilisation of net assets to generate wealth for shareholders	Vesting of LTI performance rights is conditional upon achievement, in aggregate, of minimum RONA over the 2023, 2024 and 2025 financial years of 16% (for 50% vesting) with full vesting (i.e. 100%) achieved at 21% RONA. If an amount of 16% RONA is achieved, 50% of the Performance Rights will vest, with a proportionate or partial vesting of the remaining 50% of the Performance Rights upon the achievement of RONA in the range of 16% to 21%.
Where Return on Net Assets (RONA) means the fraction:	APBT (annual net profit before income tax excluding property revaluation increments or decrements and the net impact of AASB 16 *Leases*) ——— Net Assets (excluding non-controlling interests) at the close of the preceding financial year		

03 Remuneration Governance

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements for executive directors and non-executive directors (**NEDs**). The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In 2023, independent remuneration experts provided remuneration benchmark information for consideration and analysis in respect of the level of executive director remuneration, including fixed remuneration, the short-term incentives and the long-term incentives, and the reasonableness of the remuneration framework. The Remuneration Committee comprises three NEDs, two of whom are independent NEDs. Further information on the Remuneration Committee's role, responsibilities and membership is located on the website: www.harveynormanholdings.com.au.

Remuneration Approval Process

The Board approves the remuneration arrangements of the CEO and executives and all awards made under the long-term incentive plans of the Company, following recommendations from, and certain determinations by, the Remuneration Committee. The Board sets the aggregate remuneration of NEDs, subject to shareholder approval of the NED remuneration cap. The Remuneration Committee approves, having regard to the recommendations made by the CEO, the level of the STI pool for executive directors. No Director participates in deliberations about, or decisions, in respect of the remuneration of that Director. No executive director was present at any meeting of directors which considered any short-term incentive plan or long-term incentive plan of the Company, and no executive director voted on those matters.

The Design of Executive Director Remuneration STI and LTI Plans

The Remuneration Committee continued to apply the following settings to the remuneration framework for the executive directors:

- Consensus forecasts of market analysts to establish the entry point, the full achievement and the over-achievement levels for the Short-Term Incentive (**STI**) Plan.
- Capped maximum outcomes for the STI Plan.
- The performance conditions for the STI Plan not exclusively based on financial outcomes, with both non-financial performance conditions and malus penalty reductions included in the assessment of achievement.
- The outcomes for the Long-Term Incentive (**LTI**) Plan subject to achievement over a 3-year period, and not specifically weighted in respect of any year.
- Capped maximum outcomes for the LTI Plan.

Evaluation of Performance of Executive Directors

An appraisal of the performance of each executive director and the executive director team was undertaken following the end of the 2023 year as part of the annual Participant Performance Review by the Remuneration Committee. This year, consistent with last year, the appraisal focused on ensuring that executive remuneration in respect of the FY23 financial result was fair and reasonable and was in line with performance.

The appraisal considered matters in respect of performance, including:

- The actions of the executive directors in protecting the business and reacting to the changes in market demand, including across the key functions of franchising, physical stores, on-line presence, supply chain management, logistics, marketing and advertising, government relations and property across the eight separate countries; and
- The management of risks to the business which included employee and stakeholder welfare.

The Remuneration Committee views the outcome of the 2023 STI Plan and the LTI Plan as appropriate recognition of the performance of the executive directors in dealing with the multi-faceted challenges imposed during the year, demonstrating resilience in the management of the integrated retail, franchise, property and digital business.

No Unfair Benefit

Both the annual STI Plan and the ongoing LTI Plan have provisions to prevent an 'unfair benefit' being obtained by any participant in respect of fraud or breach of obligation.

04 Remuneration Mix—Target

For the 2023 financial year, the executive remuneration framework comprised fixed remuneration, STI and LTI. The consolidated entity aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive.

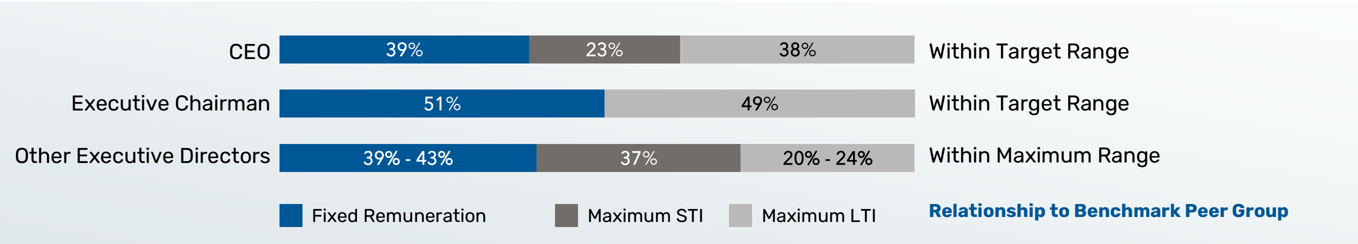
During FY23, a review by an independent remuneration expert was undertaken in respect of the remuneration benchmarking used by the Company, with reference to both sector peers and comparator groups comprising companies of comparable financial size and operations, and a reasonableness review, to ensure that the overall remuneration and the remuneration framework is reasonable. Informed by this independent review, the policy of the Company continued to position fixed remuneration against the level that reflects the financial accountability and operational scope of the position relative to peer group positions.

The determination of fixed remuneration of executive directors was subject to the following principles:

a. The performance of the Company, the longevity of the executive directors in their respective roles and the assessment of opportunity costs in respect of replacement;
b. Be in line with the remuneration policies of the Company for executive directors so as to position fixed remuneration reflective size relative to peers (i.e. 75th percentile of the peer group size); and
c. Target total remuneration to provide the opportunity for executive directors to earn top quartile rewards for outstanding performance.

Remuneration levels are considered annually, with consideration of market data and the performance of each member of the consolidated entity and individual. The remuneration mix is considered against the maximum total remuneration for each executive director compared to the size percentile relative to the benchmark (currently the 75th percentile) advised by the independent remuneration expert.

The following chart and table summarises the maximum remuneration mix of the executive directors.



Executive Directors: Maximum Remuneration for FY23

Executive Directors	Fixed Remuneration	% of Total	Maximum STI	% of Total	Maximum LTI	% of Total	Maximum Total Remuneration
Kay Lesley Page	$2,170,000	39%	$1,305,000	23%	$2,124,144	38%	$5,599,144
Gerald Harvey	$775,000	51%	-	-	$758,592	49%	$1,533,592
John Evyn Slack-Smith	$1,320,000	43%	$1,125,000	37%	$632,880	20%	$3,077,880
David Matthew Ackery	$1,320,000	43%	$1,125,000	37%	$632,880	20%	$3,077,880
Chris Mentis	$1,010,000	39%	$945,000	37%	$632,880	24%	$2,587,880
Total	**$6,595,000**	**42%**	**$4,500,000**	**28%**	**$4,781,376**	**30%**	**$15,876,376**

The remuneration expert was commissioned to review the level and reasonableness of the remuneration set for executive directors. The independent remuneration expert found the remuneration framework, the level of the remuneration and the remuneration mix to be reasonable. The maximum STI opportunity for the CEO has increased to equate to 60% (2022: 55%) of the fixed remuneration. For the other executive directors, the maximum STI opportunity is between 85% and 94% (2022: 80% and 88%) of the fixed remuneration. There is no STI opportunity for the Executive Chairman. The maximum LTI opportunity for the CEO and Executive Chairman has been increased to equate to 100% (2022: 80%) of the fixed remuneration. For the other executive directors, the maximum LTI opportunity is between 48% and 63% (2022: 40% and 52%) of the fixed remuneration.

05 Details of the Short-Term Incentive (STI) Plan

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

05 Details of the Short-Term Incentive (STI) Plan (continued)

2023 STI Plan

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

Who participates	Executive Directors
How is the STI delivered?	STI awards, in the form of a cash bonus as a performance cash incentive (**PCI**) or equity, have been made annually to executive directors in order to align remuneration with the achievement of a number of performance measures, targets and initiatives covering both financial and non-financial, corporate and individual measures of performance. Executive directors are to hold shares in the Company to the value of fixed remuneration for that executive director at the end of the given financial year (the Benchmark Shareholding Level), with any STI paid in equity or cash subject to the following: a. If the executive director is under the Benchmark Shareholding Level, the STI reward will be paid in equity, subject to shareholder approval and compliance with the ASX Listing Rules, to the value that increases the holding of the executive director to the Benchmark Shareholding Level, with any remaining balance of the STI reward paid in cash. b. If the executive director is over the Benchmark Shareholding Level, the STI reward will be paid in cash. The policy remains valid in the event of a new executive director, or if a present executive director wishes to sell-down.
When is the STI paid?	The payment of the 2023 STI Plan PCI to an executive director under the 2023 STI Plan is to be made on 29 September 2023, or as soon as reasonably practicable after that date, subject to the satisfaction of 2023 STI Plan Performance Conditions and 2023 STI Plan Service Conditions.
What is the 2023 STI opportunity?	Executive directors, excluding the Executive Chairman, have a maximum STI opportunity of between 60% to 94% of fixed remuneration. The target STI opportunity is set at a level so as to provide sufficient incentive to executive directors to achieve the operational targets and such that the cost to the consolidated entity is reasonable in the circumstances. For the year ended 30 June 2023, the 100% STI Pool for the 2023 STI Plan PCI was $3,650,000 allocated as follows: 1. Kay Lesley Page $1,058,500; 2. John Evyn Slack-Smith $912,500; 3. David Matthew Ackery $912,500; and 4. Chris Mentis $766,500 The maximum over-achievement pool for allocation was $850,000, with the maximum STI pool being $4,500,000. The over-achievement pool was allocated in proportion to the 100% STI Pool.
What are the STI performance conditions for FY23?	Actual STI payments awarded to each executive director depend on the extent to which specific measures, targets, initiatives and conditions for the 2023 financial year (STI Targets) were met. STI Targets cover financial and non-financial measures of performance. There is no STI award for an executive director unless the executive director satisfies the Participant Performance Review in terms of the Individual Executive Director Assessment Report. There is no STI award unless the Entry Level financial condition is achieved. The primary weighting of the 2023 STI Plan Performance Conditions are as follows: a. Financial Condition as to 70% entitlement to the 100% STI Pool; b. Non-Financial Conditions as to 30% entitlement to the 100% STI Pool; c. Malus reductions of up to 30% for non-achievement of certain other non-financial performance conditions; and d. Financial Condition as to the Over-Achievement Pool. Business as usual measures are included in the malus conditions. The financial and critical non-financial measures, as well as the malus measures, must be met for the STI conditions to be achieved.

(a) STI 70% Financial Condition

APAT was selected as the STI performance measure as it indicates the level of after-tax profit adjusted for the after-tax effects of net property revaluation adjustments and the net impact of AASB 16 *Leases*, and provides a basis for comparing profitability year-on-year.

The Financial Condition was calculated in respect of the year ended 30 June 2023 and was achieved at the following levels:

- Entry Level at APAT of $415 million, equating to 50% entitlement of the STI subject to the financial condition;
- 100% Level at APAT of $518 million, equating to 100% entitlement of the STI subject to the financial condition (i.e., 70% entitlement to the 100% STI pool = $2.555 million);
- Over-Achievement Level at APAT of $575 million, equating to 100% entitlement of the 100% STI Pool subject to the financial condition (i.e., 70% entitlement to the 100% STI pool = $2.555 million) and 100% entitlement to the Over-Achievement Pool Amount of $0.85 million, resulting in a total Over-Achievement entitlement of $3.405 million;
- Straight-line sliding scale for achievement of the 100% level, subject to achieving the Entry Level threshold; and
- Straight-line sliding scale for achievement between the 100% Level and the Over-Achievement Level.

The Financial Condition settings were determined in line with internal expectations and consensus forecasts of external market. analysts.

(b) STI 30% Non-Financial Conditions

The Non-Financial Conditions were assessed in respect of the following:

- Compliance Framework improvements equating to 33.33% entitlement of the STI subject to the non-financial conditions (i.e., 10% entitlement to the STI pool = $0.365 million); and
- Digital innovations equating to 66.67% entitlement of the STI subject to the non-financial conditions (i.e., 20% entitlement to the STI pool = $0.730 million).

Full achievement of the non-financial conditions will equate to 30% entitlement to the STI pool i.e., a total of $1.095 million.

(c) Malus adjustments of up to 30% for non-achievement

The malus (financial penalty) provisions could reduce the overall achievement of the STI award by 30%. The malus provisions were made up of the following items:

- Work, health & safety governance framework = 7.5% of the 30%
- Sustainability governance = 7.5% of the 30%
- Cyber security global security improvement program & policies = 6% of the 30%
- Tax governance, policies and documentation of tax reviews = 5% of the 30%
- Franchisor operations–documentation, risk management plans and recommendations = 4% of the 30%

The malus provisions could potentially reduce the overall achievement of the STI award by up to 30% of the 100% STI Pool i.e., a reduction of up to $1.095 million.

05 Details of the Short-Term Incentive (STI) Plan (continued)

How is performance assessed?	In respect of the 2023 STI, each participating Executive Director will be subject to an additional non-financial performance condition in the form of a Participant Performance Review which is to: • Measure the extent of the proper performance and discharge of the executive responsibilities and accountabilities of that Individual Participant Executive Director; and • Measure the extent of the proper performance and discharge of the duties of that Individual Participant Executive Director, as an officer and director of the Company. To determine whether an individual is eligible for the 2023 STI, in terms of performance, the following process is undertaken: • A report by the CEO in respect to which each Individual Participant Executive Director has satisfied the Participant Performance Review in the form of an Individual Executive Director Assessment Report. In respect of the assessment of the CEO, the Chair of the Remuneration Committee shall undertake the report and assessment in respect of the CEO. • An objective appraisal by the Internal Auditor of the process and conclusions reached in the Individual Executive Director Assessment Reports, to be provided to the Remuneration Committee promptly after 30 June 2023. Subject to a satisfactory Participant Performance Review, and after consideration of reports and performance against STI Targets, the Remuneration Committee makes a final determination of the amount of STI to be paid to the CEO and other Executive Directors. The extent to which the financial conditions and non-financial conditions have been satisfied will be documented in the Performance Report and an Internal Audit Report for consideration by the Remuneration Committee in accordance with the terms and conditions of the 2023 STI Plan. The Remuneration Committee (acting on behalf of the Company) may at any time, in its absolute discretion, decrease the amount of the STI which is, or may become, payable to an executive under the 2023 STI Plan by serving a written notice to the relevant executive at any time before the payment date.
What happens if an executive leaves?	For "Bad Leavers" (defined by the Company as resignation or termination for cause), any STI is forfeited, unless otherwise determined by the Board. For any other reason, the Board has discretion to award STI on a pro-rated basis taking into account time and the current level of performance against performance hurdles.

06 Details of the Long -Term Incentive (LTI) Plan

There were four (4) active tranches of the 2016 LTI Plan in the 2023 financial year. The FY20 Tranche was issued in FY20 and was measured over 2020, 2021, and 2022. The FY21 Tranche was issued in FY21 and was measured over 2021, 2022 and 2023. The FY22 Tranche was issued in FY22 and is measured over 2022, 2023 and 2024.

The FY23 Tranche was issued in FY23 as follows:

Tranche FY23 of the 2016 LTI Plan

Tranche FY23 of the 2016 LTI Plan	LTI grants are made annually to Executive Directors in order to align remuneration with the creation of sustainable shareholder value over the long-term.
Who participates?	Executive Directors which have an impact on the performance of the consolidated entity against the relevant long-term performance measures.
How is the LTI delivered?	Shareholders at the AGM held on 24 November 2015 approved the terms and conditions of the 2016 LTI Plan that permitted the grant of performance rights to executive directors in three separate tranches in the 2016, 2017 and 2018 financial years. At subsequent annual general meetings of the Company, shareholders had permitted the further grant of separate tranches of performance rights in respect of the 2019, 2020, 2021 and 2022 financial years to Executive Directors. Shareholders at the AGM held on 24 November 2022 permitted the grant of Tranche FY23 of performance rights to Executive Directors in the 2023 financial year, subject to the terms and conditions of the 2016 LTI Plan.
What is the LTI opportunity issued in FY23?	A performance right is the right to acquire one ordinary share in the Company at nil exercise price. No amount is payable in respect of the grant of a performance right. If exercised, each performance right will be converted into one ordinary share in the Company along with additional dividend equivalent shares. Executive directors have a maximum LTI opportunity of between 47% and 98% of fixed remuneration. A total of performance rights under Tranche FY23 of the 2016 LTI Plan were granted to executive directors on 1 December 2022. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date, with a fair value of $4.32 per entitlement share based on a share price of $4.32 as at grant date. The fair value was derived from a discounted cash flow technique where the value of the performance right is the face value of the share at grant date. Subject to the satisfaction of the financial performance condition and service conditions of the 2016 LTI Plan, the total fair value of Tranche FY23 performance rights amounted to $4,781,376 in aggregate.

Executive	Tranche FY23
G. Harvey	175,600
K.L Page	491,700
J.E. Slack-Smith	146,500
D.M. Ackery	146,500
C. Mentis	146,500
Total	1,106,800

Tranche FY23	Key Dates
Grant date	1 December 2022
Vesting date	31 December 2025
First exercise date	1 January 2026
Last exercise date	31 October 2037

06 Details of the Long -Term Incentive (LTI) Plan (continued)

Tranche FY23 of the 2016 LTI Plan

<table>
<tr><td>What are the performance conditions for Tranche FY23 of the 2016 LTI Plan</td><td colspan="2">Performance conditions are deemed to be an essential component of all variable reward entitlements. The proposed allocation of performance rights will be subject to service conditions and financial performance conditions. The Board (after consideration of the recommendations of the Remuneration Committee), may, in its discretion, impose additional non-financial performance conditions which must be satisfied as a condition of exercise of any performance rights by the Grantee.</td></tr>
<tr><td rowspan="6">100% Financial Condition</td><td colspan="2">The financial condition in respect of the achievement of Tranche FY23 of the 2016 LTI Plan is based on RONA, where Tranche FY23 RONA means the fraction: Tranche FY23 Aggregate APBT ÷ Tranche FY23 Aggregate Net Assets, expressed as a percentage.

Where:
• Tranche FY23 Financial Years means the financial years ending 30 June 2023, 2024 and 2025;
• Tranche FY23 Aggregate APBT means the aggregate amounts of the annual net profit before income tax of the consolidated entity for each of the Tranche FY23 Financial Years, but excluding amounts accounted for in the financial statements of the consolidated entity for increments or decrements arising from the revaluation of land or buildings and the net impact of AASB 16 Leases;
• Tranche FY23 Aggregate Net Assets means the aggregate amounts of the net assets of the consolidated entity, excluding non-controlling interests, as at each of 30 June 2022, 2023 and 2024 as described in the annual report of the consolidated entity in respect of each of the Tranche FY23 Financial Years.</td></tr>
<tr><td>Tranche FY23 RONA Achieved</td><td>Tranche FY23 % of Performance Rights that will become exercisable</td></tr>
<tr><td>Less than 16%</td><td>NIL</td></tr>
<tr><td>16%</td><td>50%</td></tr>
<tr><td>21%</td><td>100%</td></tr>
<tr><td colspan="2">RONA is a key financial metric link to performance. Full vesting of the Performance Rights is conditional upon achievement of RONA of at least 21%. If an amount of 16% is achieved, 50% of the Performance Rights will vest with a proportionate or partial vesting of the remaining 50% of the Performance Rights upon the achievement of RONA in the range of 16% to 21%. Achievement between the levels will be calculated on a straight-line basis.</td></tr>
<tr><td>How is performance assessed?</td><td colspan="2">Level of satisfaction of LTI Plan conditions is monitored by the Remuneration Committee, with assistance from Internal Audit, each year, with the vesting outcomes ultimately determined at the end of the three-year performance period.
The LTI award for each of the financial years will be measured over a three-year period, with Tranche FY23 of the 2016 LTI Plan measured over the period for financial years ending 30 June 2023, 30 June 2024 and 30 June 2025.</td></tr>
<tr><td>When does the LTI vest?</td><td colspan="2">Performance rights granted under Tranche FY23 of the 2016 LTI Plan will vest on 31 December 2025, subject to meeting the financial performance conditions and service conditions, and will be capable of exercise between 1 January 2026 and 31 October 2037.</td></tr>
<tr><td>How are potential LTI awards treated on termination?</td><td colspan="2">Subject to the rules of the 2016 LTI Plan at a relevant time, in general, where a participant resigns or is terminated for cause before a performance right vests, all unvested performance rights will lapse. The Board (after consideration of the recommendations of the Remuneration Committee of the Board), has discretion to determine the treatment of any unvested performance rights where a participant ceases employment in "good leaver" circumstances (such as by reason of death, disability or otherwise in circumstances approved by the Board). In the event of fraud, dishonesty or breach of obligations, the Board may make a determination, including lapsing an award of performance rights, to ensure no unfair benefit is obtained by a participant.</td></tr>
<tr><td>How are potential LTI awards treated if a change of control occurs?</td><td colspan="2">In the event of a takeover, scheme of arrangement or other transaction which may result in a person becoming entitled to exercise control over the Company, the Board has a discretion to determine whether any unvested performance rights should vest, lapse or become subject to different performance conditions, or whether any resulting shares that are subject to a restriction period, should become unrestricted.</td></tr>
<tr><td>Are executives eligible for dividends?</td><td colspan="2">Dividends will not be paid on unvested Performance Rights. If exercised, each vested Performance Right will convert into one share. In addition, on exercising the vested Performance Rights, the participant will receive a Dividend Equivalent Amount in relation to those exercised Performance Rights, delivered as additional Shares which are equal in value to the amount of dividends that would have been paid to the Participant and re-invested into Shares based on the close price on the ex-dividend date as if the Participant had been the owner of Shares from the grant date until the date of exercise. The Board retains a discretion to make a cash equivalent payment instead of an allocation of Shares.</td></tr>
</table>

07 Performance and Executive Remuneration Outcomes in FY23

7a. Actual Remuneration Earned by Key Management Personnel (KMP) in FY23

The compensation expensed in respect of KMP in FY23 is set out in Table 1 (for directors) and Table 2 (for senior executives) on pages 52 and 53 of this report. This provides shareholders with a view of the remuneration earned by KMP for performance in the 2023 financial year and the value of any LTIs expensed during the financial year.

The 'take-home pay' for KMP directors, representing the benefits paid to each director during the year ended 30 June 2023, or as soon as practicable after that date, is set out in Section 13 of the Remuneration Report on page 56.

7b. Fixed Remuneration

Executive contracts of employment do not include any guaranteed base pay increases. The fixed remuneration of executive directors is reviewed annually by the Remuneration Committee. In line with the independent review undertaken during the 2023 financial year by an independent remuneration expert, the determination of fixed remuneration of executive directors was subject to the following principles:

a. The performance of each member of the consolidated entity, the longevity of the executive directors in their respective roles and the assessment of opportunity costs in respect of replacement;
b. Be in line with the remuneration policies of the Company for executive directors so as to position fixed remuneration at around the 75th percentile of the peer group; and
c. Target total remuneration to provide the opportunity for executive directors to earn top quartile rewards for outstanding performance.

Remuneration levels are considered annually, with consideration of market data and the benchmark peer group. The process undertaken by the Remuneration Committee consisted of a review of each member of the consolidated entity, business unit and individual performance, relevant comparative remuneration, and external advice independent of management as to the reasonableness of the fixed remuneration of the executive directors. For FY2023, the Remuneration Committee proposed an increase in the level of fixed remuneration for the executive directors. This proposed increase in total fixed remuneration was the first increase since the 2014 financial year and was between 3% and 6% based on the level for the prior 10 years. The fixed component of the remuneration of executive directors is disclosed in Table 1 on page 52 of this report.

7c. Actual Performance Against Short Term Incentive (STI) Measures

A combination of financial and non-financial measures are used to measure performance for STI awards. The STI 100% opportunity pool was $3,650,000 (2022: $3,250,000). The pool for over-achievement was $850,000 (2022: $750,000). The maximum aggregate pool for allocation was $4,500,000 (2022: $4,000,000). 70% of the 100% STI was dependent on the satisfaction of financial performance conditions (based on APAT) and 30% was measured against the achievement of non-financial measures. The Over-Achievement Pool was subject to the financial performance condition only.

Actual performance against those measures is as follows for the 2023 financial year:

- 91.1% achievement of the 70% Financial Condition (score of 63.77 out of 70) of the 100% STI pool = $2,327,532
- 0% achievement of the Over-Achievement Pool subject to the Financial Condition (score of 0 out of 20) = $0
- 33.33% achievement of the 30% Non-Financial Conditions (score of 10 out of 30) = $365,000
- 0% reduction for malus penalties of up to -30% of the STI Pool (score of 30 out of 30) = reduction of $0

The total 2023 STI Plan payable in respect of the 2023 financial year is $2,692,532 (2022: $3,512,500). This represents a total achievement of 73.8% of the 100% Level (2022: 100%) or 59.8% of the maximum Over-Achievement Level (2022: 87.8%), as shown in the tables below.

Financial Conditions of the 2023 STI Plan

ACHIEVEMENT OF 70% FINANCIAL CONDITION					
Calculation of FY2023 APAT	Annual Net Profit After Tax (APAT) excluding the after-tax effects of property revaluation increments or decrements and the net impact of AASB 16 *Leases*				= $471.88 million for FY23
Directors	**100% Level 2023 STI PCI**	**% Financial Conditions**	**2023 STI PCI Financial Condition**	**% Financial Condition Satisfied**	**2023 STI PCI Payable**
Kay Lesley Page	$1,058,500	70%	$740,950	91.1% (63.77 out of 70)	**$674,984**
John Evyn Slack-Smith	$912,500	70%	$638,750	91.1% (63.77 out of 70)	**$581,883**
David Matthew Ackery	$912,500	70%	$638,750	91.1% (63.77 out of 70)	**$581,883**
Chris Mentis	$766,500	70%	$536,550	91.1% (63.77 out of 70)	**$488,782**
Total	$3,650,000		$2,555,000		**$2,327,532**

07 Performance and Executive Remuneration Outcomes in FY23 (continued)

ACHIEVEMENT OF 120% OVER-ACHIEVEMENT POOL					
Directors	**120% Level 2023 STI PCI**	**% Financial Conditions**	**2023 STI PCI Financial Condition**	**% Financial Condition Satisfied**	**2023 STI PCI Payable**
Kay Lesley Page	$246,500	100%	$246,500	0% (0 out of 20)	-
John Evyn Slack-Smith	$212,500	100%	$212,500	0% (0 out of 20)	-
David Matthew Ackery	$212,500	100%	$212,500	0% (0 out of 20)	-
Chris Mentis	$178,500	100%	$178,500	0% (0 out of 20)	-
Total	$850,000		$850,000		-

APAT for the 2023 financial year was $471.88 million (2022: $668.79 million) resulting in 91.1% achievement of the financial conditions for the STI 100% Pool (level required $518 million), and nil achievement of the financial conditions in respect of the Over-Achievement Pool (level required $575 million).

Non Financial Conditions of the 2023 STI Plan

ACHIEVEMENT OF 30% NON-FINANCIAL CONDITIONS

For 2023, 30% of the 100% opportunity pool i.e., $1,095,000 was subject to non-financial performance measures as to:

- Compliance framework improvements equating to 33.33% (10% entitlement to the STI pool = $365,000); and
- Digital innovations equating to 66.67% (20% entitlement to the STI pool = $730,000)

Directors	100% Level 2023 STI PCI	% Non-Financial Conditions	2023 STI PCI Non-Financial	% Non-Financial Condition Satisfied	2023 STI PCI Payable
Kay Lesley Page	$1,058,500	30%	$317,550	33.33% (10 out of 30)	$105,850
John Evyn Slack-Smith	$912,500	30%	$273,750	33.33% (10 out of 30)	$91,250
David Matthew Ackery	$912,500	30%	$273,750	33.33% (10 out of 30)	$91,250
Chris Mentis	$766,500	30%	$229,950	33.33% (10 out of 30)	$76,650
Total	$3,650,000		$1,095,000		**$365,000**

The Remuneration Committee had regard to certificates and reports from employees of Yoogalu, other Board committees and management, including the Individual Director Assessment Reports and Internal Audit Reports, and noted that 33.33% of the non-financial performance hurdles for the 2023 STI Plan were achieved, equating to a score of 10 points out of 30 points.

Achievement of the Non-Financial Performance Conditions for the 2023 STI Plan are set out in the following table:

ASSESSMENT OF NON-FINANCIAL CONDITIONS OF THE 2023 STI PLAN					
Measure	**Initiative**	**Primary Weighting**	**Achievement**	**Commentary**	**Score**
Compliance Framework Improvements	Establish compliance framework for Australian franchised complexes, Australian wholly-owned subsidiaries and overseas company-operated stores.	10%	100%	Full achievement	10%
Digital Innovations	Upgrade the operational and digital platform of the Australian Marketplace Franchisee and develop the global digital strategy for eCommerce including the Marketplace Franchisee.	20%	0%	Delayed execution due to resourcing availability and project timelines being reset.	0%
Total		**30%**			**10%**

07 Performance and Executive Remuneration Outcomes in FY23 (continued)

Malus Reduction in Respect of 2023 STI Plan

MALUS REDUCTIONS OF UP TO 30% OF THE 2023 STI

Malus (financial penalty) provisions to reduce the overall achievement of the 100% STI pool by up to 30% i.e. $1,095,000, in respect of:

- Work, health & safety governance framework = 7.5% of the 30%
- Sustainability governance = 7.5% of the 30%
- Cyber security global security improvement program and policies = 6% of the 30%
- Tax governance, policies and documentation of tax reviews = 5% of the 30%
- Franchisor operations–documentation, risk management plans and recommendations = 4% of the 30%

Directors	100% Level 2023 STI PCI	Maximum % Malus Reductions	2023 STI PCI Malus Reductions	% Malus Reductions (Score)	Reduction in 2023 STI PCI Payable
Kay Lesley Page	$1,058,500	-30%	($317,550)	-0% (30 out of 30)	-
John Evyn Slack-Smith	$912,500	-30%	($273,750)	-0% (30 out of 30)	-
David Matthew Ackery	$912,500	-30%	($273,750)	-0% (30 out of 30)	-
Chris Mentis	$766,500	-30%	($229,950)	-0% (30 out of 30)	-
Total	$3,650,000		($1,095,000)		-

There was no malus reduction for FY23.

	SUMMARY OF TOTAL ACHIEVEMENT OF 2023 STI				
	100% POOL AMOUNT			OVER-ACHIEVEMENT POOL	
Directors	**Financial**	**Non-Financial**	**Malus**	**Financial**	**TOTAL 2023 STI**
Kay Lesley Page	$674,984	$105,850	-	-	$780,834
John Evyn Slack-Smith	$581,883	$91,250	-	-	$673,133
David Matthew Ackery	$581,883	$91,250	-	-	$673,133
Chris Mentis	$488,782	$76,650	-	-	$565,432
Total	$2,327,532	$365,000	-	-	**$2,692,532**

Service Conditions of the 2023 STI Plan

The 2023 STI Plan Service Conditions will be deemed to be satisfied, if and only if, as at the relevant payment date (29 September 2023):

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

Shareholding Benchmark of the 2023 STI Plan

Executive directors are to hold shares in the Company to the value equating to the level of fixed remuneration for that executive director at the end of the financial year (the Benchmark Shareholding Level). If shares held by the executive director are less than the Benchmark Shareholding Level, the STI benefit is to be provided in the form of shares, subject to shareholder approval and compliance with ASX Listing Rules, to the value that increases the holding of the executive director to the Benchmark Shareholding Level. Each of the executive directors that participated in the 2023 STI Plan held shares in the Company of a value that was in excess of the Benchmark Shareholding Level. The STI benefit under the 2023 STI Plan is to be paid in cash.

07 Performance and Executive Remuneration Outcomes in FY23 (continued)

7d. Actual Performance Against Long Term Incentive (LTI) Measures for Tranche FY23 of the 2016 LTI Plan

A total of 1,106,800 performance rights were granted to executive directors on 1 December 2022. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date, with a fair value of $4.32 per entitlement share based on a share price of $4.32 as at grant date. Subject to the satisfaction of the financial performance condition and service conditions of the 2016 LTI Plan, the total fair value of Tranche FY23 performance rights amounted to $4,781,376 in aggregate.

The Remuneration Committee had regard to certificates and reports from employees of Yoogalu, other Board committees and management and Internal Audit Reports, and has estimated, based on the available evidence in respect of the 2023 financial year, the financial performance condition for Tranche FY23 of the 2016 LTI Plan may not be achieved by the end of the vesting period and it may not be probable for the estimated fair value of the performance rights to meet the performance condition.

The probability of nil vesting has been estimated based on the calculation of Tranche FY23 RONA for the 2023 financial year of 15.96%. The financial condition of the Tranche FY23 requires a minimum RONA of 16% to be achieved for 50% of Performance Rights to vest. No Performance Rights will vest if the RONA is less than 16%. Therefore the 15.96% RONA for FY23 would result in a nil vesting for year 1 of the three-year measurement period, but is available for re-measurement during the 2024 and 2025 financial years. No amount has been recognised as remuneration to executive directors and no expense has been recognised in the income statement in FY23 in respect of Tranche FY23.

ACHIEVEMENT OF 100% FINANCIAL CONDITION FOR TRANCHE FY23 OF 2016 LTI PLAN

CALCULATION OF FY23 RONA:	FY23 APBT (net profit excluding property revaluations and the net impact of AASB 16 *Leases*) / FY22 Net Assets (excluding non-controlling interests)	$ 680.23 MILLION / $4,261.03 MILLION	= 15.96% RONA

Directors	Number of Performance Rights	Fair Value Per Right	Fair Value of Performance Rights	Probability of Vesting %	Estimated Value of Tranche FY23 2016 LTI Plan to Vest	Tranche FY23 LTI Plan Expense in FY23
Gerald Harvey	175,600	$4.32	$758,592	0%	-	-
Kay Lesley Page	491,700	$4.32	$2,124,144	0%	-	-
John Evyn Slack-Smith	146,500	$4.32	$632,880	0%	-	-
David Matthew Ackery	146,500	$4.32	$632,880	0%	-	-
Chris Mentis	146,500	$4.32	$632,880	0%	-	-
Total	1,106,800		$4,781,376	0%	-	-

Subject to the satisfaction of the financial performance condition and service conditions of the 2016 LTI Plan, Tranche FY23 will vest on 31 December 2025.

The exercise price for each performance right will be nil. If exercised, each performance right will be converted into one ordinary share of the Company. Unexercised performance rights will lapse, irrespective of whether the performance rights have become exercisable on 31 October 2037 or:

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

7e. Reassessment of Tranche FY22 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY23

In the 2022 financial year, a total of 914,000 performance rights were granted to executive directors on 30 November 2021 under Tranche FY22 of the 2016 LTI Plan. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $4.12 per entitlement share, based on a share price of $5.07 as at grant date, resulting in a total fair value of Tranche FY22 of $3,765,680. Tranche FY22 of the 2016 LTI Plan will be measured over a three-year period for financial years ending 30 June 2022, 30 June 2023 and 30 June 2024.

In the 2022 Remuneration Report, it was reported that the estimated achievement of Tranche FY22 of the 2016 LTI Plan would have been 100% by the end of the vesting period and that 100% of the estimated fair value of the Tranche FY22 performance rights will meet the performance condition. The probability of 100% vesting had been estimated based on the calculation of Tranche FY22 RONA for the 2022 financial year of 24.24%.

07 Performance and Executive Remuneration Outcomes in FY23 (continued)

The financial performance condition of Tranche FY22 is subject to reassessment during each of the Tranche FY22 Financial Years being the financial years ending 30 June 2022, 2023 and 2024. A reassessment of the Tranche FY22 Aggregate APBT and Tranche FY22 Aggregate Net Assets for the 2022 and 2023 financial years has resulted in a revised RONA for the two-year aggregated period of 19.90%. The revised RONA of 19.90% has resulted in a reduced probability of vesting of 89%. Full vesting of the Performance Rights is conditional upon achievement of RONA of at least 21%. If an amount of 16% is achieved, 50% of the Performance Rights will vest with a proportionate or partial vesting of the remaining 50% of the Performance Rights upon the achievement of RONA in the range of 16% to 21%. Achievement between the levels will be calculated on a straight-line basis.

The cumulative expense in respect of Tranche FY22, as assessed in the 2023 financial year at a reduced probability of vesting of 89%, was $3,351,456. The total value of Tranche FY22 expense recognised in the 2023 financial year was $1,006,324, relating to the recognition of the Tranche FY22 expense on a straight-line basis for FY23 of $1,084,530, less an adjustment of ($78,206) due to the reduced probability of vesting from reassessment.

REASSESSMENT OF 100% FINANCIAL CONDITION FOR TRANCHE FY22 OF 2016 LTI PLAN			
Calculation of Aggregated RONA for Tranche FY22 Financial Years (FY22 and FY23)	Tranche FY22 Aggregated APBT (2022 + 2023) / Tranche FY22 Aggregated Net Assets (2020 + 2021)	$1,617.03 MILLION / $8,125.86 MILLION	= 19.90% RONA

Directors	Probability Vesting % in FY22	Tranche FY22 Estimated Fair Value in FY22	Revised Probability Vesting in FY23	Revised Estimated Tranche FY22 Fair Value in FY23	Adjustment due to Reassessment	Tranche FY22 LTI Plan Expense in FY23
Gerald Harvey	100%	$597,400	89%	$531,686	($65,714)	$159,647
Kay Lesley Page	100%	$1,672,720	89%	$1,488,721	($183,999)	$447,011
John Evyn Slack-Smith	100%	$498,520	89%	$443,683	($54,837)	$133,222
David Matthew Ackery	100%	$498,520	89%	$443,683	($54,837)	$133,222
Chris Mentis	100%	$498,520	89%	$443,683	($54,837)	$133,222
Total		$3,765,680		$3,351,456	($414,224)	$1,006,324

7f. Reassessment of Tranche FY21 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY23

In the 2021 financial year, a total of 549,500 performance rights were granted to executive directors on 4 December 2020 under Tranche FY21 of the 2016 LTI Plan. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $3.85 per entitlement share, based on a share price of $4.66 as at grant date, resulting in a total fair value of Tranche FY21 of $2,115,575. Tranche FY21 of the 2016 LTI Plan was measured over a three-year period for financial years ending 30 June 2021, 30 June 2022 and 30 June 2023.

In the 2022 Remuneration Report, the probability of vesting was reassessed, and it was reported that the estimated achievement of Tranche FY21 of the 2016 LTI Plan would have been 100% by the end of the vesting period and that 100% of the estimated fair value of the Tranche FY21 performance rights will meet the performance condition. This reassessment was based on a 2-year aggregated RONA, being the Tranche FY21 Aggregate APBT and Tranche FY21 Aggregate Net Assets for the 2021 and 2022 financial years. The reassessment in 2022 resulted in a revised 2-year aggregated RONA of 27.00%.

The financial performance condition of Tranche FY21 was subject to reassessment during each of the Tranche FY21 Financial Years being the financial years ending 30 June 2021, 2022 and 2023. A final reassessment of the Tranche FY21 Aggregate APBT and Tranche FY21 Aggregate Net Assets for the 2021, 2022 and 2023 financial years has resulted in a revised RONA for the three-year aggregated period of 22.93%. A revised aggregated RONA of 22.93% for the Tranche FY21 Financial Years has resulted in the actual achievement of 100% of the Tranche FY21 performance rights. This revised achievement calculation of 100% is consistent with the previous probability of vesting of 100% as calculated in FY22.

The cumulative expense in respect of Tranche FY21 has been reassessed in FY23 as $2,115,575, consistent with the amount reported in the 2022 Remuneration Report. The total value of Tranche FY21 expense recognised in FY23 was $687,609, relating to the recognition of the Tranche FY21 expense on a straight-line basis for FY23. FY23 was the final year of measurement for Tranche FY21 with the performance rights scheduled to vest at 31 December 2023.

07 Performance and Executive Remuneration Outcomes in FY23 (continued)

REASSESSMENT OF 100% FINANCIAL CONDITION FOR TRANCHE FY21 OF 2016 LTI PLAN			
Calculation of Aggregated RONA for Tranche FY21 Financial Years (FY21, FY22 & FY23)	Tranche FY21 Aggregated APBT (2021 + 2022 + 2023) / Tranche FY21 Aggregated Net Assets (2020 + 2021 + 2022)	$2,653.94 MILLION / $11,572.21 MILLION	= 22.93% RONA

Directors	Probability Vesting % in FY22	Tranche FY21 Estimated Fair Value in FY22	Revised Probability Vesting in FY23	Revised Tranche FY21 Fair Value in FY23	Adjustment due to Reassessment	Tranche FY21 LTI Plan Expense in FY23
Gerald Harvey	100%	$252,175	100%	$252,175	-	$81,962
Kay Lesley Page	100%	$704,550	100%	$704,550	-	$228,994
John Evyn Slack-Smith	100%	$419,650	100%	$419,650	-	$136,396
David Matthew Ackery	100%	$419,650	100%	$419,650	-	$136,396
Chris Mentis	100%	$319,550	100%	$319,550	-	$103,861
Total		$2,115,575		$2,115,575	-	**$687,609**

7g. Vesting of Tranche FY20 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY23

In 2020, a total of 549,500 performance rights were granted to executive directors on 2 December 2019 under Tranche FY20 of the 2016 LTI Plan. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $3.47 per share, based on a share price of $4.30 as at grant date, resulting in a total fair value of Tranche FY20 of $1,906,765. Tranche FY20 of the 2016 LTI Plan was measured over a three-year period for financial years ending 30 June 2020, 30 June 2021 and 30 June 2022.

In the 2022 Remuneration Report, it was reported that there was 100% actual achievement of Tranche FY20 of the 2016 LTI Plan in respect of the 2020, 2021 and 2022 financial years and that 100% of the performance rights were scheduled to vest at the end of the vesting period at 31 December 2022, and were exercisable from 1 January 2023. 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.

The cumulative expense in respect of Tranche FY20 was $1,906,765 as reported in the 2022 Remuneration Report. The 2022 financial year was the final year of Tranche FY20 measurement. During the 2023 financial year, an expense of $311,565 was recognised in respect of Tranche FY20 of the 2016 LTI Plan representing the remaining vesting period up to 31 December 2022.

ASSESSMENT OF 100% FINANCIAL CONDITION FOR TRANCHE FY20 OF 2016 LTI PLAN			
Calculation of Aggregated RONA for Tranche FY20 Financial Years (FY20, FY21 & FY22)	Tranche FY20 Aggregated APBT (2020 + 2021 + 2022) / Tranche FY20 Aggregated Net Assets (2019 + 2020 + 2021)	$2,572.64 MILLION / $10,478.59 MILLION	= 24.55% RONA

Directors	Actual Achievement in FY22	Actual Tranche FY20 Fair Value	Tranche FY20 LTI Plan Expense in FY23
Gerald Harvey	100%	$227,285	$37,138
Kay Lesley Page	100%	$635,010	$103,760
John Evyn Slack-Smith	100%	$378,230	$61,803
David Matthew Ackery	100%	$378,230	$61,803
Chris Mentis	100%	$288,010	$47,061
Total		$1,906,765	**$311,565**

07 Performance and Executive Remuneration Outcomes in FY23 (continued)

7h. Summary of Performance and Executive Remuneration Outcomes in FY23

REMUNERATION COMPONENT	VALUE OF STI AND LTI DISCLOSED IN 2023 AND 2022 REMUNERATION REPORTS						
	Maximum Over Achievement Amount	Achievement	Score	Amount Payable	Vesting Period	2023 Remuneration Amount	2022 Remuneration Amount
2023 STI Plan							
Financial conditions (70/100)	$2,555,000	91.10%	63.77%	$2,327,532	1 Year	$2,327,532	-
Over-achievement pool (20/20)	$850,000	0%	0%	-		-	-
Non-financial conditions (30/100)	$1,095,000	33.33%	10.00%	$365,000		$365,000	-
Malus Adjustments (up to 30/100)	-	0%	0%	-		-	-
Total	$4,500,000		73.77% or 59.8% of Over-Achievement Level	$2,692,532		$2,692,532	-
2022 STI Plan							
Financial conditions (70/100)	$2,275,000	100%	70.00%	$2,275,000	1 Year	-	$2,275,000
Over-achievement pool (20/20)	$750,000	100%	20.00%	$750,000		-	$750,000
Non-financial conditions (30/100)	$975,000	50%	15.00%	$487,500		-	$487,500
Malus Adjustments (up to 30/100)	-	0%	0%	-		-	-
Total	$4,000,000		105.00% or 87.8% of Over-Achievement Level	$3,512,500		-	$3,512,500
Total Short-Term Incentive PCI						**$2,692,532**	**$3,512,500**
Tranche FY23 of 2016 LTI Plan							
Financial conditions (100%)	$4,781,376	0%	0%	-	3.1 Years (01/12/22 to 31/12/25)	-	-
Non-financial conditions (0%)	-			-		-	-
Total	$4,781,376			-		-	-
Tranche FY22 of 2016 LTI Plan							
Financial conditions (100%)	$3,765,680	89%	89%	$3,351,455	3.1 Years (30/11/21 to 31/12/24)	$1,006,324	$710,962
Non-financial conditions (0%)	-			-		-	-
Total	$3,765,680			$3,351,455		$1,006,324	$710,962
Tranche FY21 of 2016 LTI Plan							
Financial conditions (100%)	$2,115,575	100%	100%	$2,115,575	3.1 Years (04/12/20 to 31/12/23)	$687,609	$687,609
Non-financial conditions (0%)	-			-		-	-
Total	$2,115,575			$2,115,575		$687,609	$687,609
Tranche FY20 of 2016 LTI Plan							
Financial conditions (100%)	$1,906,765	100%	100%	$1,906,765	3.1 Years (02/12/19 to 31/12/22)	$311,565	$618,173
Non-financial conditions (0%)	-			-		-	-
Total	$1,906,765			$1,906,765		$311,565	$618,173
Tranche FY19 of 2016 LTI Plan							
Financial conditions (100%)	$1,423,205	100%	100%	$1,423,205	3.1 Years (04/12/18 to 31/12/21)	-	$232,979
Non-financial conditions (0%)	-			-		-	-
Total	$1,423,205			$1,423,205		-	$232,979
Total LTI Performance Rights						**$2,005,498**	**$2,249,723**
Total Value of STI and LTI						**$4,698,030**	**$5,762,223**

The total value of STI and LTI expensed in the Income Statement for the 2023 financial year and disclosed in this remuneration report was $4.70 million compared to $5.76 million expensed in the 2022 financial year, a decrease of $1.06 million or -18.5%, relative to the previous year.

08 Executive Contractual Arrangements

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

Chief Executive Officer

The CEO, Ms. K.L. Page is employed under a rolling contract.
Under the terms of the present contract the CEO's total potential employment cost is $5,599,144 comprised of:

- fixed remuneration of $2,170,000 per annum;
- maximum STI opportunity in respect of the year ended 30 June 2023 of $1,305,000 (including the over-achievement level); and
- maximum LTI opportunity in respect of the year ended 30 June 2023 of $2,124,144.
- The CEO's termination provisions are as follows:

CEO's Termination Provisions	Notice Period	Payment in Lieu of Notice	Treatment of STI on Termination	Treatment of LTI on Termination
Employer initiated-termination	6 months	6 months	Pro-rated for time and performance	Board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee-initiated termination	6 months	6 months	Unvested awards forfeited subject to board discretion	Unvested awards forfeited subject to board discretion*

Minimum Shareholding Requirement

There are no minimum shareholding requirements imposed on the CEO. There is a Benchmark Shareholding Level in respect of the 2023 STI Plan to determine whether the reward is to be paid as cash or in shares. The CEO held 20,222,315 shares in the Company at 30 June 2023 equating to a value of $70.37 million.

Other Executive KMPs

All other Executive KMPs have rolling contracts.

Termination Provisions	Notice Period	Payment in Lieu of Notice	Treatment of STI on Termination	Treatment of LTI on Termination
Employer initiated-termination	6 months	6 months	Pro-rated for time and performance	Board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee-initiated termination	6 months	6 months	Unvested awards forfeited subject to board discretion	Unvested awards forfeited subject to board discretion*

* Subject to the rules of the 2016 LTI Plan at a relevant time.

09 Non-Executive Director Remuneration Arrangements

Remuneration Policy

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

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

The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. At the 2020 annual general meeting (AGM) held on 25 November 2020, shareholders approved the aggregate NED pool of $1,500,000.

Structure

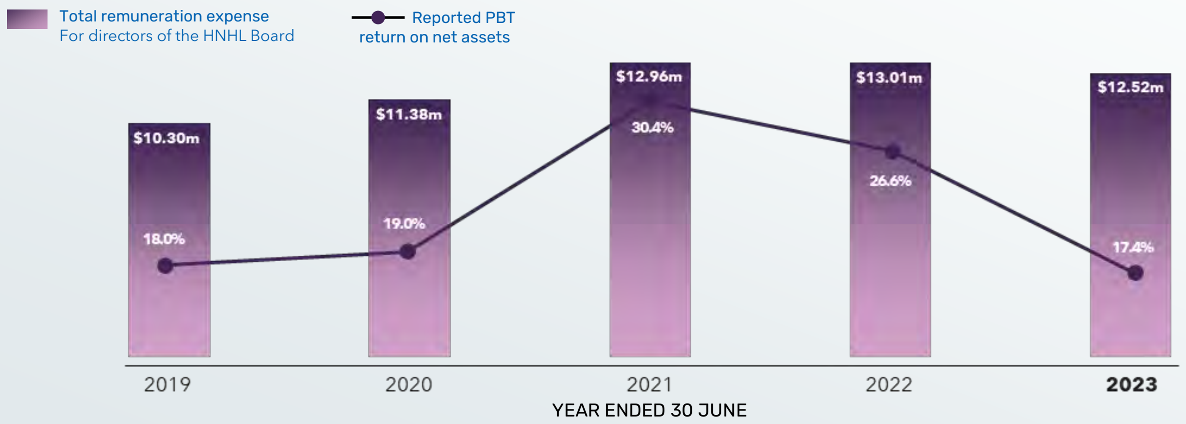
The remuneration of NEDs consists of directors' fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs. Each NED receives a fee for being a director of the Company. The structure of NED remuneration is separate and distinct from executive remuneration. The remuneration of NEDs for the years ended 30 June 2023 and 30 June 2022 are disclosed in Table 1 on page 52 of this report.

10 Relationship between Remuneration and Performance

The graphs below illustrate the performance of the consolidated entity for the past five financial years and the high level of correlation between remuneration and performance. Correlation is a calculation of the degree of relationship between two items with 100% being strongest and 0% being weakest. Correlation between the indicators of performance and remuneration remain strong.

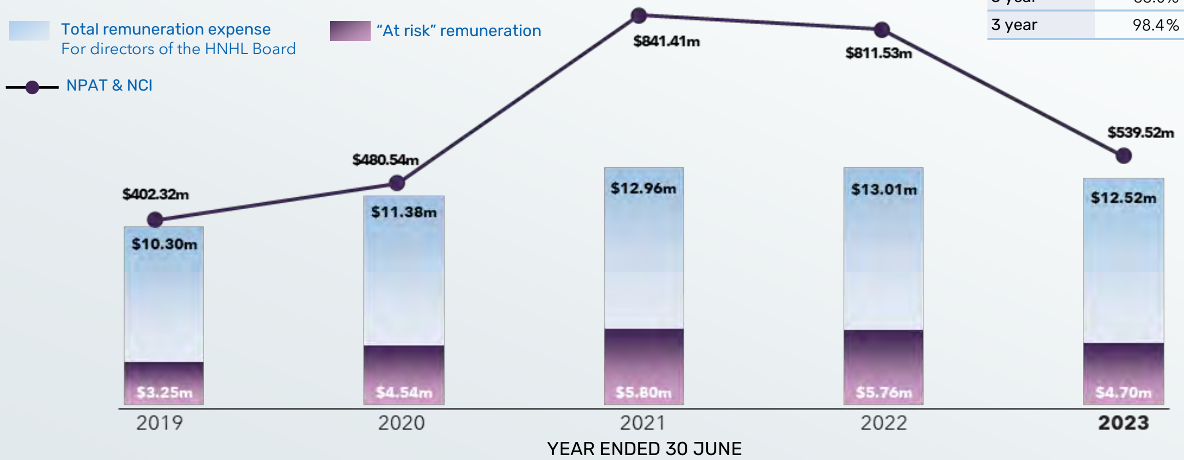
Reported PBT return on net assets (%) vs Total remuneration expense*

Correlation	5-YEAR: 68.9%	3-YEAR: 93.0%



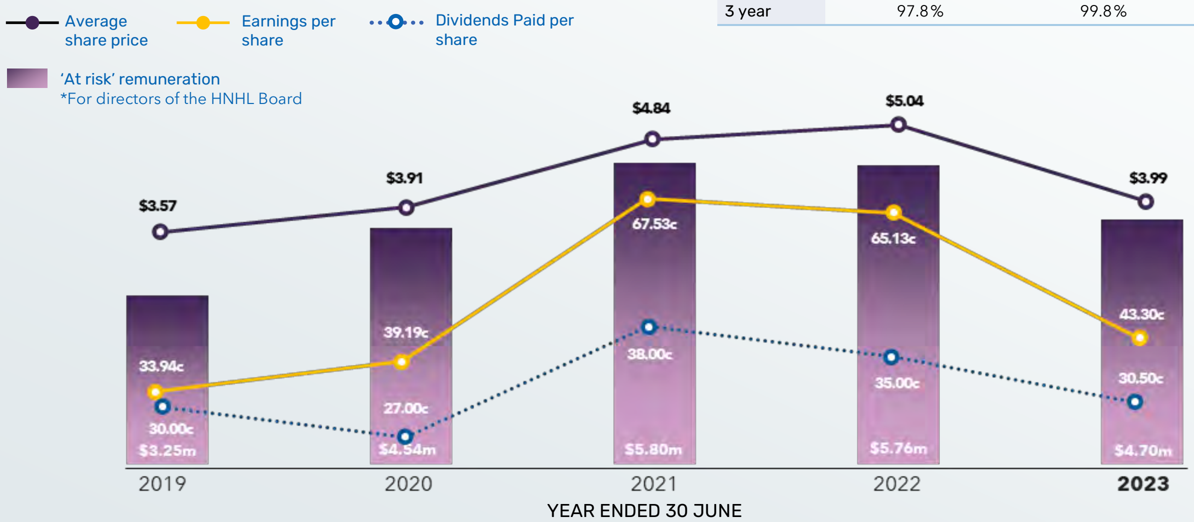
Total remuneration expense* and "At risk" remuneration vs NPAT & NCI

Correlation	Total remuneration	"At risk" remuneration
5 year	88.0%	94.1%
3 year	98.4%	99.8%



Average share price, earnings per share and dividends paid per share vs "At risk" remuneration

Correlation	Average share price	Earning per share	Dividends paid
5 year	94.3%	93.2%	73.3%
3 year	97.8%	99.8%	93.0%



11 Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2023 Directors of Harvey Norman Holdings Limited:

		SHORT-TERM BENEFITS				**POST EMPLOYMENT**	**LONG TERM INCENTIVES**	**OTHER**		
In $AUD		**Salary & Fees**	**Performance Cash Incentive**	**Other Short Term (a)**	**Non-Monetary Benefits (a)**	**Super-annuation**	**Performance Rights**	**Long Service Leave (b)**	**Total Remuneration**	***% earned at risk***
Gerald Harvey	2023	739,308	-	10,400	-	25,292	278,747	-	**1,053,747**	***26.5%***
Executive Chairman	2022	716,032	-	10,400	-	23,568	296,208	-	1,046,208	*28.3%*
Kay Lesley Page	2023	2,120,446	780,834	-	24,262	25,292	779,765	-	**3,730,599**	***41.8%***
Executive Director/CEO	2022	2,048,090	1,018,625	-	28,342	23,568	828,263	-	3,946,888	*46.8%*
John Evyn Slack-Smith	2023	1,294,708	673,133	-	-	25,292	331,421	21,578	**2,346,132**	***42.8%***
Executive Director/COO	2022	1,226,432	878,125	-	-	23,568	399,353	20,441	2,547,919	*50.1%*
David Matthew Ackery	2023	1,276,708	673,133	18,000	-	25,292	331,421	21,578	**2,346,132**	***42.8%***
Executive Director	2022	1,208,432	878,125	18,000	-	23,568	399,353	20,441	2,547,919	*50.1%*
Chris Mentis	2023	945,834	565,432	-	38,874	25,292	284,144	15,764	**1,875,340**	***45.3%***
Executive Director/CFO	2022	881,354	737,625	-	45,078	23,568	326,546	14,689	2,028,860	*52.5%*
Michael John Harvey	2023	54,299	-	-	-	5,701	-	-	**60,000**	-
Non-Executive Director	2022	54,545	-	-	-	5,455	-	-	60,000	-
Christopher Herbert Brown	2023	144,796	-	-	-	15,204	-	-	**160,000**	-
Non-Executive Director	2022	145,455	-	-	-	14,545	-	-	160,000	-
Kenneth William Gunderson-Briggs	2023	615,856	-	-	-	25,292	-	-	**641,148**	-
Non-Executive Director	2022	341,482	-	-	-	23,568	-	-	365,050	-
Maurice John Craven	2023	131,222	-	-	-	13,778	-	-	**145,000**	-
Non-Executive Director	2022	131,818	-	-	-	13,182	-	-	145,000	-
Luisa Catanzaro	2023	144,796	-	-	-	15,204	-	-	**160,000**	-
Non-Executive Director	2022	145,455	-	-	-	14,545	-	-	160,000	-
Total for the 2023 Financial Year		**7,467,973**	**2,692,532**	**28,400**	**63,136**	**201,639**	**2,005,498**	**58,920**	**12,518,098**	***37.5%***
Total for the 2022 Financial Year		**6,899,095**	**3,512,500**	**28,400**	**73,420**	**189,135**	**2,249,723**	**55,571**	**13,007,844**	***44.3%***

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

a. Short-term benefits includes car allowances paid (Other Short Term) and the cost of fully-maintained motor vehicles (Non-Monetary Benefits)

b. Table 1 includes the accrual for long service leave entitlements in respect of the years ended 30 June 2023 and 30 June 2022.

11 Compensation of Key Management Personnel (continued)

Table 2: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2023 Senior Executives of Harvey Norman Holdings Limited:

In $AUD		SHORT-TERM BENEFITS				POST EMPLOYMENT	OTHER			
		Salary & Fees	Performance Cash Incentive	Other Short Term	Non-Monetary Benefits	Super-annuation	Termination Benefits (e)	Long Service Leave (f)	Total Remuneration	*% earned at risk*
Thomas James Scott GM – Property	2023 2022	669,708 571,285	- -	- -	- -	25,292 23,568	- -	11,162 9,521	**706,162** 604,374	**-** -
Gordon Ian Dingwall Chief Information Officer	2023 2022	547,708 530,000	- -	- -	- -	25,292 23,568	- -	9,128 8,833	**582,128** 562,401	**-** -
Lachlan Roach (a) GM – Home Appliances	2023 2022	- 163,771	- -	- 3,511	- -	- 11,784	- 36,447	- 1,062	**-** 216,575	**-** -
Emmanuel Hohlastos GM – Home Appliances	2023 2022	441,628 428,764	- -	- -	- -	25,292 23,568	- -	7,360 7,146	**474,280** 459,478	**-** -
Glen Gregory (c) GM – Technology & Entertainment	2023 2022	131,857 463,069	- -	3,548 12,000	- -	7,479 23,568	126,357 -	- 7,718	**269,241** 506,355	**-** -
Richard Beaini (b) GM – Audio Visual	2023 2022	387,725 85,191	- -	- -	- -	25,292 5,892	- -	6,462 327	**419,479** 91,410	**-** -
Carene Myers GM – Small Appliances	2023 2022	352,527 301,964	- -	- -	35,198 34,189	25,292 23,568	- -	5,875 5,033	**418,892** 364,754	**-** -
Darren Salakas (d) GM – Technology & Entertainment	2023 2022	291,651 -	- -	- -	25,314 -	18,357 -	- -	3,516 -	**338,838** -	**-** -
Total for the 2023 Financial Year		**2,822,804**	**-**	**3,548**	**60,512**	**152,296**	**126,357**	**43,503**	**3,209,020**	**-**
Total for the 2022 Financial Year		**2,544,044**	**-**	**15,511**	**34,189**	**135,516**	**36,447**	**39,640**	**2,805,347**	**-**

a. Resigned as General Manager–Home Appliances on 19 November 2021
b. Appointed to General Manager–Audio Visual on 8 April 2022
c. Resigned as General Manager–Technology & Entertainment on 17 October 2022
d. Appointed to General Manager–Technology & Entertainment and is a new KMP effective from 10 October 2022
e. This amount represents the cash payment of employee leave entitlements upon resignation
f. This amount represents the accrual for long service leave entitlements in respect of the years ended 30 June 2023 and 30 June 2022

12 Additional Disclosures Relating to Options, Performance Rights & Shares

Options Granted to Executive Directors as Part of Remuneration:

There were no options granted to any executive director during the year ended 30 June 2023. There were no movements in option holdings during the year ended 30 June 2023.

Options Holdings of Key Management Personnel for the Year Ended 30 June 2023:

There were no options held by any director or senior executive during the year ended 30 June 2023.

Table 3: Performance Rights Granted to Executive Directors as Part of Remuneration:

The table below discloses the number of performance rights granted to executive directors as remuneration during the year ended 30 June 2023 as well as the number of performance rights that vested, were exercised or lapsed during the year. Performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

	PERFORMANCE RIGHTS GRANTED AS REMUNERATION DURING THE YEAR (a)		PERFORMANCE RIGHTS VESTED DURING THE YEAR (b)		PERFORMANCE RIGHTS LAPSED DURING THE YEAR		UNVESTED PERFORMANCE RIGHTS AT 30 JUNE 2023 (c)		PERFORMANCE RIGHTS EXERCISED DURING THE YEAR (d)	
	Number Granted	Fair Value Granted $	Number Vested	Fair Value Vested $	Number Lapsed	Fair Value Lapsed $	Number Unvested	Fair Value Unvested $	Number Exercised	Fair Value Exercised $
Gerald Harvey	175,600	$758,592	65,500	$227,285	-	-	386,100	$1,608,167	65,500	$227,285
Kay Lesley Page	491,700	$2,124,144	183,000	$635,010	-	-	1,080,700	$4,501,414	183,000	$635,010
John Evyn Slack Smith	146,500	$632,880	109,000	$378,230	-	-	376,500	$1,551,050	109,000	$378,230
David Matthew Ackery	146,500	$632,880	109,000	$378,230	-	-	376,500	$1,551,050	218,000	$660,540
Chris Mentis	146,500	$632,880	83,000	$288,010	-	-	350,500	$1,450,950	83,000	$288,010
Total	1,106,800	$4,781,376	549,500	$1,906,765	-	-	2,570,300	$10,662,631	658,500	$2,189,075

a. A total of 1,106,800 performance rights under Tranche FY23 of the 2016 LTI Plan were granted to executive directors on 1 December 2022. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date with a fair value of $4.32 per entitlement on 1 December 2022, based on a share price of $4.32 at grant date, resulting in a total fair value of Tranche FY23 performance rights of $4,781,376 in aggregate.

b. On 31 December 2022, 549,500 performance rights representing 100% of Tranche FY20 of the 2016 LTI Plan vested after all financial conditions and service conditions were satisfied.

c. As at 30 June 2023, a total of 2,570,300 performance rights were outstanding, unvested and not capable of exercise comprised of:
   i. 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan (FY21);
   ii. 914,000 performance rights under Tranche FY22 of the 2016 LTI Plan (FY22); and
   iii. 1,106,800 performance rights under Tranche FY23 of the 2016 LTI Plan (FY23).

d. On 3 January 2023, 549,500 performance rights under Tranche FY20 of the 2016 LTI Plan were exercised, reducing the unexercised performance rights under Tranche FY20 of the 2016 LTI Plan to nil. On 22 July 2022, 109,000 performance rights under Tranche FY19 were exercised, reducing the unissued ordinary shares under Tranche FY19 of the 2016 LTI Plan to nil.

Table 4: Performance Rights of Key Management Personnel for the Year Ended 30 June 2023

The table below discloses the number of performance rights granted to executive directors as remuneration during the year ended 30 June 2023 as well as the number of performance rights that vested, were exercised or lapsed during the year. Performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

						VESTED DURING THE YEAR ENDED 30 JUNE 2023		
	1 July 2022 Balance at beginning of the year	Granted as Remuneration	Performance Rights Exercised	Performance Rights Lapsed	30 June 2023 Balance at end of the year	Total	Exercised	Lapsed
Gerald Harvey	276,000	175,600	(65,500)	-	386,100	**65,500**	65,500	-
Kay Lesley Page	772,000	491,700	(183,000)	-	1,080,700	**183,000**	183,000	-
John Evyn Slack Smith	339,000	146,500	(109,000)	-	376,500	**109,000**	109,000	-
David Matthew Ackery	448,000	146,500	(218,000)	-	376,500	**109,000**	218,000	-
Chris Mentis	287,000	146,500	(83,000)	-	350,500	**83,000**	83,000	-
Total	2,122,000	1,106,800	(658,500)	-	2,570,300	**549,500**	658,500	-

12 Additional Disclosures Relating to Options, Performance Rights & Shares (continued)

Apart from the KMPs disclosed above, comprised of the executive directors, each of the non-executive directors or senior executives did not have any performance rights during the year ended 30 June 2023.

The closing balance of the 2,570,300 performance rights in the Company as at 30 June 2023 is comprised of:

a. 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan (FY20) at a fair value at grant date of $3.85 to vest on 31 December 2023. The FY21 Tranche is exercisable between 1 January 2024 and 30 June 2026.

b. 914,000 performance rights under Tranche FY22 of the 2016 LTI Plan (FY21) at a fair value at grant date of $4.12 to vest on 31 December 2024. The FY22 Tranche is exercisable between 1 January 2025 and 31 October 2026.

c. Granted as remuneration during the 2023 financial year: 1,106,800 performance rights under Tranche FY23 of the 2016 LTI Plan (FY23) at a fair value at grant date of $4.32 to vest on 31 December 2025. The FY23 Tranche is exercisable between 1 January 2026 and 31 October 2037.

Table 5: Shareholdings/Relevant Interests of Key Management Personnel for the Year Ended 30 June 2023

	1 July 2022 Balance at Beginning of the Year	On Exercise of Performance Rights (a)	Net Change Other (b)	30 June 2023 Balance at End of the Year
Gerald Harvey	393,787,754	65,500	21,113,183	414,966,437
Kay Lesley Page	20,039,315	183,000	-	20,222,315
John Evyn Slack Smith	1,252,893	109,000	-	1,361,893
David Matthew Ackery	683,471	218,000	-	901,471
Chris Mentis	1,244,297	83,000	40,000	1,367,297
Michael John Harvey	-	-	-	-
Christopher Herbert Brown	205,525,565	-	-	205,525,565
Kenneth William Gunderson-Briggs	10,059	-	-	10,059
Maurice John Craven	40,473	-	12,953	53,426
Luisa Catanzaro	-	-	-	-
KMP: Senior Executives				
Thomas James Scott	10,000	-	-	10,000
Carene Myers	3,000	-	-	3,000
Darren Salakas	-	-	250	250
Total	**622,596,827**	**658,500**	**21,166,386**	**644,421,713**

a. On 16 December 2022, the Company announced that 549,500 performance rights, representing 100% of the performance rights issued in accordance with Tranche FY20 of the 2016 LTI Plan, will vest and become exercisable from 1 January 2023. A member of the consolidated entity acquired shares in the Company via an 'on-market trade' at an average price of $4.16 per share for the purposes of satisfying the entitlements of each Executive Director to the performance rights in respect of Tranche FY20 of the 2016 LTI Plan.

On 22 July 2022, 109,000 performance rights under Tranche FY19 of the 2016 LTI Plan were exercised. A member of the consolidated entity had previously acquired 109,000 shares in the Company via an 'on-market' trade at an average price of $5.05 per share for the purposes of satisfying the entitlements of each Executive Director to the performance rights in respect of Tranche FY19.

b. The 'Net Change Other' column discloses the number of shares acquired or disposed by each KMP via an 'on-market trade' in accordance with the prevailing market conditions on the ASX at the time of the transaction. These trades were on no more favourable terms and conditions than those that would be reasonably expected of an arm's length transaction, and have been conducted in accordance with the Company's Share Trading Policy.

13 'Take-Home Pay' for KMP Directors

The below table shows the 'take-home pay' for each KMP director, representing the benefits paid to each director during the year ended 30 June 2023, or as soon as practicable after that date.

Total 'take-home pay' for the KMP directors amounted to $13.46 million for the year ended 30 June 2023. The total value of remuneration expensed for KMP directors in respect of the 2023 financial year was $12.52 million (refer to Table 1 on page 52 of this report). For the 2023 financial year, total 'take-home pay' was $0.94 million higher than the value of remuneration expensed to the income statement mainly due to the higher STI amount paid in FY23 in respect of FY22.

In $AUD	Salary & Fees	Other Short Term	Non-Monetary Benefits	Super-annuation	Short-term Performance Cash Incentive (a)	Exercise of Tranche FY19 2016 LTI Plan (b)	Exercise of Tranche FY20 2016 LTI Plan (b)	FY23 Total Take-Home Pay	FY22 Total Take-Home Pay
Gerald Harvey	739,308	10,400	-	25,292	-	-	227,285	**1,002,285**	919,645
Kay Lesley Page	2,120,446	-	24,262	25,292	1,018,625	-	635,010	**3,823,635**	3,666,676
John Evyn Slack Smith	1,294,708	-	-	25,292	878,125	-	378,230	**2,576,355**	2,474,298
David Matthew Ackery	1,276,708	18,000	-	25,292	878,125	282,310	378,230	**2,858,665**	2,191,988
Chris Mentis	945,834	-	38,874	25,292	737,625	-	288,010	**2,035,635**	1,956,240
Michael John Harvey	54,299	-	-	5,701	-	-	-	**60,000**	60,000
Christopher Herbert Brown	144,796	-	-	15,204	-	-	-	**160,000**	160,000
Kenneth William Gunderson-Briggs	615,856	-	-	25,292	-	-	-	**641,148**	365,050
Maurice John Craven	131,222	-	-	13,778	-	-	-	**145,000**	145,000
Luisa Catanzaro	144,796	-	-	15,204	-	-	-	**160,000**	160,000
Total Take-Home Pay 2023 Financial Year	**7,467,973**	**28,400**	**63,136**	**201,639**	**3,512,500**	**282,310**	**1,906,765**	**13,462,723**	
Total Take-Home Pay 2022 Financial Year	6,899,095	28,400	73,420	189,135	3,767,952	1,140,895	-		12,098,897

a. The short-term incentive of $3.51 million represented the payment of the 2022 STI Plan that was earned in respect of the 2022 financial year, and was paid to Executive Directors in September 2022.

b. The aggregate fair value of the performance rights exercised during the 2023 financial year was $2.19 million, calculated as the fair value at grant date of $3.47 per right multiplied by 549,500 performance rights exercised for Tranche FY20, and the fair value as at grant date of $2.59 per right multiplied by 109,000 performance rights exercised for Tranche FY19.

14 Other Matters for Disclosure

The previous AGM of the Company was held on 24 November 2022. The Company received 97.5% support in favour of the votes cast for Item 2. Adoption of the Remuneration Report.

15 Loans to Key Management Personnel and their Related Parties

There were no loans granted to key management personnel and their related parties during the year ended 30 June 2023 (2022: nil). There were no loans outstanding from key management personnel and their related parties as at 30 June 2023 (2022: nil).

16 Other Transactions & Balances with Key Management Personnel and their Related Parties

	CONSONLIDATED	
	June 2023 $	June 2022 $
i. Lease of business premises from Ruzden Pty Limited		
The consolidated entity leases business premises at Bundall, Queensland from Ruzden Pty Limited. Mr G. Harvey, Ms K.L. Page, Mr M.J. Harvey and I.J. Norman Nominees Pty Limited (C.H. Brown) have an equity interest in Ruzden Pty Limited. The lease arrangements were approved by shareholders in the General Meeting held 25 May 1993, and in the General Meeting held 31 August 1999. The lease is subject to normal commercial terms and conditions. Lease payments and outgoings made by the consolidated entity to Ruzden Pty Limited were:	5,448,983	5,357,095
ii. Legal fees paid to a director-related entity		
Legal fees were paid to the firm of which Mr C.H. Brown is a partner for professional services rendered to the consolidated entity in the normal course of business.	3,255,548	2,705,847
iii. Other income derived by related entities of key management personnel		
Certain franchises are operated by entities owned or controlled by relatives of key management personnel under normal franchisee terms and conditions. Aggregated net income derived by entities owned or controlled by relatives of key management personnel were:	1,128,455	1,917,960

iv. Perth City West Complex

Gerald Harvey has a 50% equity interest and a subsidiary of Harvey Norman Holdings Limited has a 50% equity interest in the Perth City West Property. The property was subject to a lease of part of the property in favour of a subsidiary of Harvey Norman Holdings Limited (the "P.C.W. Lessee"). Gerald Harvey is entitled to one-half of the lease payments and outgoings paid by the P.C.W. Lessee. The amount of lease payments and outgoings paid by the P.C.W. Lessee to Gerald Harvey and the subsidiary of Harvey Norman Holdings Limited for the year ended 30 June 2023 was $1.00 million (2022: $1.00 million). Each of the above transactions were executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

v. Gepps Cross Home HQ

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

By a contract for sale dated 23 December 2010, GH Gepps Cross Pty Limited, an entity associated with Gerald Harvey ("Gerald Harvey Entity") and MJH Gepps Cross Pty Limited, an entity associated with Michael Harvey ("Michael Harvey Entity") and, M&S Gepps Cross Pty Limited, purchased the one-half share as tenants in common of the G.C. Co-Owner in the G.C. Land and retail complex. The sale was subject to the G.C. Lease. In the financial statements of the consolidated entity, the day-to-day management of the Gepps Cross Joint Venture has been accounted for as equity accounted investment as disclosed in Note 27. The Gerald Harvey Entity is entitled to one-quarter of the lease payments and outgoings paid by the G.C. Lessee. The Michael Harvey Entity is entitled to one-eighth of the lease payments and outgoings paid by the G.C. Lessee. The application of AASB 16 *Leases* resulted in the recognition of a lease liability of $17.10 million by the G.C. Lessee as at 30 June 2023 (2022: $17.80 million). The amount of lease payments and outgoings paid by the G.C. Lessee to the Gepps Cross Joint Venture for the year ended 30 June 2023 was $4.16 million (2022: $3.96 million).

Each of the above transactions were executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

Sustainability Report

FY23 has been a year of maturation for our approach to sustainability, with activities undertaken throughout the year to provide key information about the preparedness of each member of the consolidated entity for the changes and challenges ahead.

Subject to the oversight of the Executive Sustainability Committee and with local initiatives in a number of controlled entities, the Sustainability Framework first revealed in the FY22 Annual Report informs the activities across the three pillars of People, Places and Products.

People

We empower our people through a fair and inclusive culture and support our local community

Places

We operate our places to enhance customer experience, awareness and engagement while minimising our environmental impact

Products

We deliver quality products encompassed by ethical supply chains and consideration of natural resource use

While this report looks back at the challenges and achievements of FY23, the Executive Sustainability Committee is already looking beyond FY24 in anticipation of the changing reporting landscape both in Australia and internationally. It is acknowledged that, while members of the consolidated entity are in a strong position to meet these challenges, there is work to be done to close gaps on some of the expected actions and reporting requirements anticipated.

Sustainability Governance

Yoogalu Pty Limited **(Yoogalu)**, a controlled entity of the Company, has established an Executive Sustainability Committee, which has oversight of the sustainability framework of each relevant member of the consolidated entity.

Each relevant member of the consolidated entity has established a sustainability framework and is responsible for monitoring and measuring its performance against that sustainability framework.

The Executive Sustainability Committee meets regularly to review the performance of each relevant member of the consolidated entity in relation to matters relevant to the relevant sustainability framework and identify areas where additional focus and resource should be placed.

Where appropriate, the Executive Sustainability Committee seeks external expertise to review data and assess the sustainability performance of each relevant member of the consolidated entity. For example, external assistance was sought in relation to better understanding alignment to the Recommendations of the Taskforce on Climate-related Disclosure **(TCFD)** and readiness to prepare a Climate Statement. This work will continue throughout FY24 before publication of an inaugural Climate Statement in line with expected Federal Government reporting requirements in FY25.

There is a growing awareness of the value of sustainability as a strategic advantage. A number of relevant controlled entities have committed to the formalisation of sustainability governance committees to address sustainability issues in a more coordinated manner. As these structures mature, the Board, informed by the Executive Sustainability Committee and with oversight of the Audit and Risk Committee, will see a more consistent flow of information about these initiatives.

An example of the success of such a sustainability governance committee is the establishment of a New Zealand Sustainability Committee. Established in FY22, the New Zealand Sustainability Committee has undertaken reviews of the impact on sustainability of various business operations including energy consumption, waste management, packaging and supplier approaches to product production. The initiatives have not only produced beneficial sustainability related outcomes but have driven efficiencies and cost savings in the New Zealand business.

These outcomes are consistent with the sustainability purpose outlined in the FY22 Annual Report:

"to create long term sustainable value for shareholders, taking account of the interests of relevant stakeholders, informed by the Statement of Values of the Company."

People

Members of the consolidated entity employ globally more than 6,500 employees. Further to that, approximately 10,000 employees are employed by independent Harvey Norman®, Domayne® and Joyce Mayne® Franchisee businesses in Australia.

Globally, each member of the consolidated entity seeks to provide customers with an outstanding shopping experience, delivered by engaged and well-trained employees, working in a diverse and inclusive environment.

Diversity & Inclusion

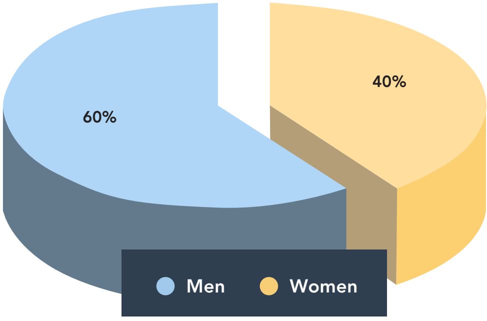
The Company and each controlled entity recognises and values the contribution of people from a range of diverse backgrounds. That is as much about cultural factors as it is about age, gender, life experience and ability.

Each relevant member of the consolidated entity provides opportunities to people of all backgrounds to join the business and contribute across the range of roles at both store and support office level. In FY23, gender balance was achieved across both the global employee teams and the global senior executive teams. The consolidated entity continues its focus on actively supporting and building a diverse pipeline of future leaders and Senior Executive successors from a diverse talent pool of current employees.

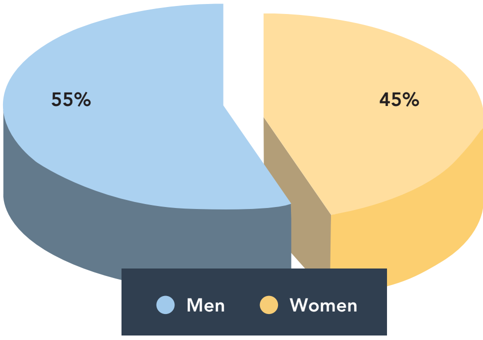
The Board of HNHL has remained unchanged since FY22. The CEO, Kay Lesley Page, is an Executive Director of the Company, and is one of only 20 women CEO's in ASX200 companies.
The breakdown of the HNHL Board and each member of the consolidated entity as a whole by gender as at the end of FY23 is as opposite:

	Percentage		YoY Change	
30-Jun-23	**Men**	**Women**	**Men**	**Women**
Chair	100%		-	-
CEO		100%	-	-
Board	80%	20%	-	-
Senior Executives	60%	40%	-	-
All Employees	55%	45%	-	-

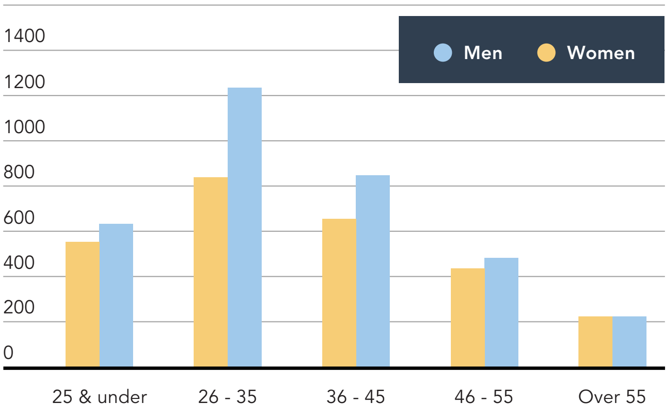
Gender Balance - Senior Executives



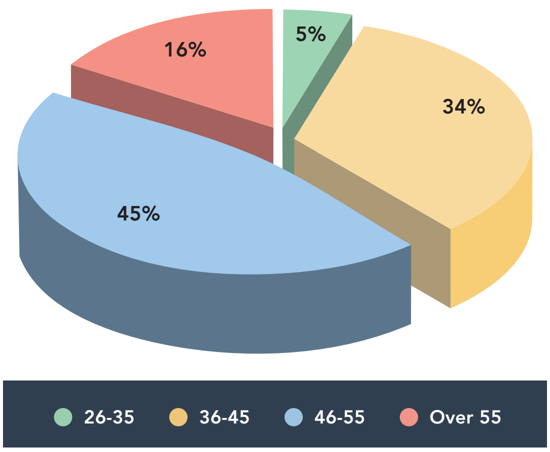
Gender Balance - All Employees



Gender & Age Balance - All Employees



Age Balance - Senior Executives



In our FY22 Sustainability Report, we committed to a review of our Parental Leave Policy. The retention of skilled employees is a priority. One measure in Australia is the extent to which parents of any gender can take leave following the welcoming of a new family member and then return to the workplace and resume employment. In FY23, we report the following statistics in relation to parental leave and return to work, reporting a 92% return to work ratio following parental leave by men and women.

	Female	Male	Total
Take Parental Leave	135	61	196
Returned from parental leave	120	60	180
Return rate	89%	98%	92%

Senior managers at our global headquarters, situated at Homebush West, conducted a review program to work on diversity strategies and engage a wider group of employees to provide input to that program. That review identified a range of areas where performance could be improved which have informed the development of the refreshed Diversity & Inclusion Framework and the FY24 Diversity and Inclusion Action Plan, under the four pillars of Lead, Build, Embed and Belong.

The Human Resources and Health and Safety team are working through this data and including targets in planned projects.

Staff engagement

Each member of the consolidated entity recognises the value of an engaged workforce, including the benefits to productivity, attendance, achievement of team and company goals and retention. In FY23, employees had the opportunity to participate in engagement activities focussing on training, future opportunities within the business and their thoughts on the working environment, tools provided by relevant controlled entities and its progress on sustainability matters.

In Australia, the Connect Intranet site is a source of information for staff. New staff joining the business are also highlighted here, including a story about one new employee each month, asking them questions about themselves and their hobbies.

Training

Across the business of each relevant member of the consolidated entity, employees are required to participate in training programs, with different groups required to undertake targeted training programs including privacy, sexual harassment, WHS, company policies and consumer protection. The amount of time invested in undertaking training is influenced greatly by the role the individual plays within the business.

Employee health and safety

We care about our people and the communities that we serve around the world, we continually strive to learn, improve and positively influence their physical and psychological health and safety.

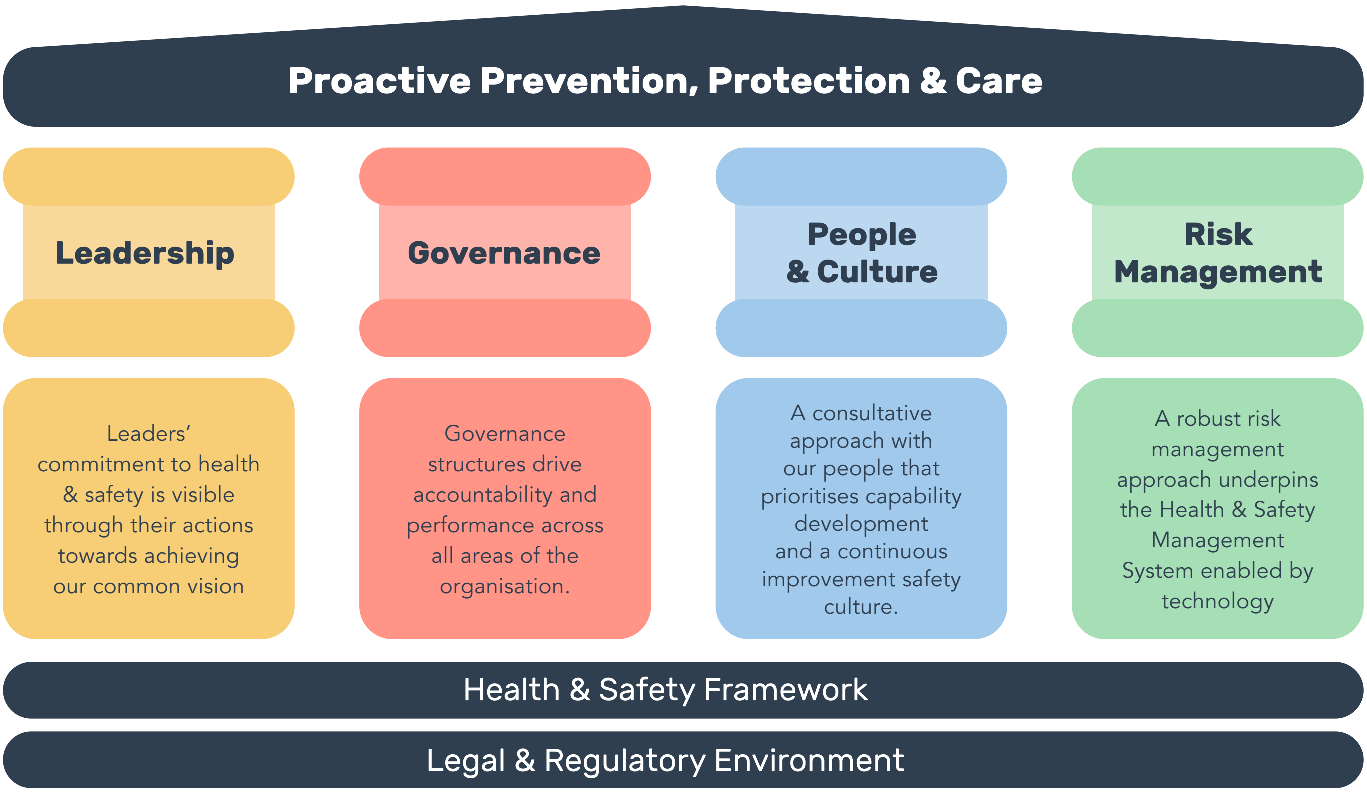
During FY23, we continued to work towards this vision through enhancing our Health and Safety Framework and 2022-2025 Health and Safety Strategy under the four pillars of Leadership, Governance, People & Culture and Risk Management.

Enhanced governance, planning and reporting has been implemented within each country in which we operate and improvements continued to be implemented across our controlled entities in Australia. A focus on reviewing critical risks and enhancing controls has been conducted, with the controlled entities in Australia. Proactive Health & Safety audits and inspections have been completed in Australia, New Zealand, Singapore, Malaysia, Slovenia, Croatia, Ireland and Northern Ireland and enhanced reporting continues through standardisation of criteria and metrics across the global operations.

A range of training and education opportunities have been undertaken with leadership teams, management and employees, to continue encouraging participation as an important foundation of continuous improvement and safety improvement. In Australia, a Wellbeing Working Group has been formed to participate actively in consultation around Wellbeing and Engagement initiatives.

In FY23, a technology solution was approved that will support management and reporting of Health & Safety programs across the global operations, to further enhance capability and performance. Implementation of this solution will commence in FY24.

In FY23, relevant controlled entities continued to undertake a range of training opportunities across Health and Safety. Focus areas included mental health, discrimination, harassment and workplace bullying, workplace drugs, alcohol and gambling, identifying hazards and managing risks.



Global Health and Safety Framework

Data Security and Privacy

Each member of the consolidated entity is committed to the safe handling of personal information of customers and staff and the maintenance of confidentiality of data in systems used by the business globally. We maintain a strong governance structure to support and provide oversight of privacy and security related activities, comprising senior management of Yoogalu Pty Limited and representatives from certain controlled entities.

Given the exponential growth in cybercrime and the advent of more rigorous privacy regimes such as General Data Protection Regulation, having and maintaining an effective and efficient Information Security/Cyber framework is of vital importance.

In FY23, the global data security controls of the consolidated entity continued to be improved as part of an ongoing global security strategy.

Staff in each of our relevant controlled entities participate in privacy awareness training programs which focus on operational activities involving privacy compliance risk. Any new software initiative and the renewal of any software subscription is required to undergo a privacy impact assessment before approval is provided for that initiative.

Community Engagement and Sponsorship

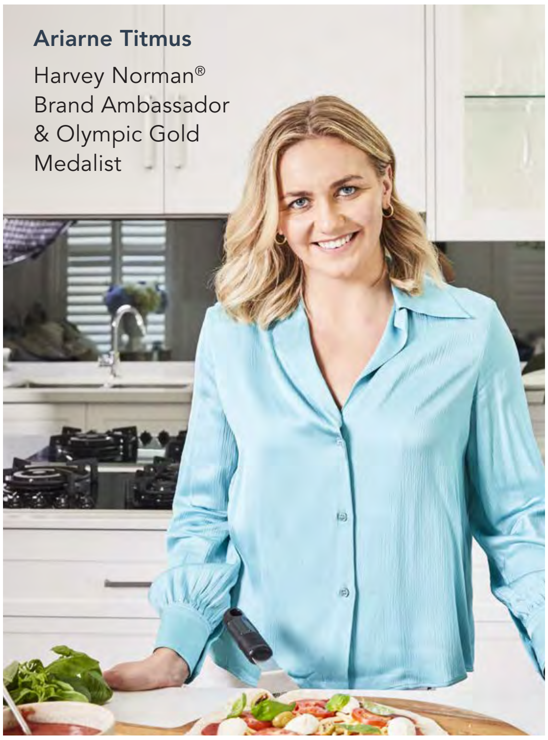
Members of the consolidated entity have invested in the following sponsorships throughout FY23 to bolster engagement with local communities to continue to enhance and promote the brands.

Women in Sport

Harvey Norman® is one of the largest corporate sponsors of Australian women's sport with support that spans over a dozen sports, teams, clubs and individual athletes, from the juniors through to the elite levels. This sponsorship is complemented by an extensive investment in broadcast sponsorships aimed at expanding the audience and fan base of women's sports.

Amongst the progress made in FY23, the NRL Women's State of Origin increased to a two game series with record attendees at both games plus broadcast audiences of over 650,000. The NRLW expanded to a 10 team Premiership with the addition of four new teams.

As we head into a Paralympic and Olympic cycle with Paris 2024, Harvey Norman® will amplify support to ensure our teams, women and men, are able to perform at their best on a world stage.



Ariarne Titmus

Harvey Norman® Brand Ambassador & Olympic Gold Medalist

Montana Atkinson

Harvey Norman® Brand Ambassador & Para-swimmer

Alicia Eva

Captain of the GIANTS AFLW Team

NRL Harvey Norman National Championships

2023 Team of the Tournament

Sally Fitzgibbons

Harvey Norman® Brand Ambassador & World Surf League Surfer

NRLW 2023 /Players

Canberra Raiders: Zahara Temara, Cowboys: Francesca Goldthorp, Titans: Taliah Fuimaono, St George: Tyla Nathan-Wong, Roosters: Isabelle Kelly, Eels: Kennedy Cherrington , Broncos: Jasmine Fogavini, Tigers: Kezie Apps, Sharks: Emma Tonegato, Knights: Tamika Upton

WESTERN SYDNEY
UNIVERSITY

Harvey Norman® Scholarship - Western Sydney University

Since 2015, Harvey Norman® has created nearly 100 Student Scholarships at Western Sydney University. 83 students have graduated to date with another 11 to graduate by the end of 2024. The Scholarship program has supported refugee women, high achieving women, and women from low socio- economic backgrounds. Many of these women, predominately from Western Sydney, have worked hard to overcome social and economic disadvantage and have found the support of a Harvey Norman® Scholarship to be life changing for themselves, and their families.

Legacy

In 1923, Legacy made a promise to help veterans' families carry on with their lives after the loss or injury of their loved one. It was a simple promise that Legacy keeps today; providing the same stability, guidance and assistance that a partner would normally provide to his or her family. In 2023, Legacy is celebrating their centenary with The Legacy Centenary Torch Relay with Harvey Norman® coming on board as a 'Leading Light' sponsor, providing funding and technology equipment for the journey. Beginning in Pozieres, France in the lead up to ANZAC Day in 2023, the Centenary Torch travelled around the world, stopping at all 45 Legacy Clubs worldwide.

Good360 Australia

The past 12 months have seen Australian communities begin the long recovery from floods and the COVID-19 pandemic directly into the cost-of-living crisis. Harvey Norman® has continued to sponsor Good360 Australia and their national network of charities and disadvantaged schools. During FY23, Harvey Norman® has donated furniture which was purposefully directed to charities engaged in Flood Recovery, Domestic Violence, Homelessness, and Youth Foster Care, addressing some of the most pressing social issues faced by Australian communities today.

What Ability

What Ability

Harvey Norman® is proud to sponsor What Ability, an NDIS registered disability support service that exists to bring happiness to people living with a disability. What Ability supports ages 4 to 65 with community-based day programs and overnight camps across the country.

Currently What Ability has over 600 participants living with a disability and over 500 registered support workers including over 80 athletes.

Harvey Norman® supports What Ability's vision to build an inclusive world that supports all abilities in all communities. Our sponsorship includes facilitating camps, in store experiences, support to families, accessible shopping times and other exciting opportunities.

AOC & Paralympics Australia

The Australian Olympic and Paralympic teams are well advanced in their preparations for the Paris 2024 Olympic and Paralympic Games. The culmination of years, sometimes decades of training, it's an exciting time for all Australians who reap the benefits of the efforts and tenacity of our athletes. Harvey Norman® is proud to support the Australian Olympic Committee for the first time and the extension of the three year Harvey Norman® sponsorship with Paralympics Australia.

The sponsorship with AOC will assist sending three teams overseas in the next two years.

- 2023 Australian Pacific Games Team (Solomon Islands)
- 2024 Australian Winter Youth Olympic Team (Gangwon 2024)
- 2024 Australian Olympic Team (Paris 2024)

The multi-faceted sponsorship between Harvey Norman® and Paralympics Australia will continue to drive the Paralympic movement through education and breaking down stigmas surrounding disabilities. We will continue to expand exclusive content production for profiling athletes and their sports, the development of internal education modules and ongoing support for Paralympics Australia's grassroots Multi-Sport Days program.

Sydney Kings and Sydney Flames Sponsorship

In FY24, Harvey Norman® will activate a new sponsorship 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.

Spark Futbol

For the second year, Harvey Norman® has supported Spark Futbol as part of the 'Partnership 4 Purpose' Program by donating registration fees and providing financial relief for players and parents plus assisting with program development costs. The 2023 Academy Player Development Accelerator program allows players the opportunity to reach long term potential and accelerate development as individuals and groups.

Surfing Australia – Rising 7 Camp

Through the Harvey Norman® sponsorship of Surfing Australia, a group of seven athletes were chosen as representatives of the top female talent of their age group. The objective of this camp was to help High-Performance females in this age group, to retain them in the pathway as they transition through an often-challenging period. Hosted by seven time World Champion Layne Beachley, this camp was about challenging, empowering and inspiring the next generation of Female surfers. Young Ellie Harrison took out the title and won $10,000 support from Harvey Norman® and a year's mentoring from Layne.

GIANTS – More than Sponsorship

Harvey Norman® is proud to continue its sponsorship with the GIANTS women's football program and men's football program, focusing on supporting the community and fostering diversity through grassroots clubs. With shared Western Sydney origins and common values of inclusion and integrity, Harvey Norman® and the GIANTS are working together to make a positive impact across Greater Western Sydney.

Harvey Norman® has worked with the GIANTS to highlight the profiles of their draftees during the 2023 season, with Harry Rowston and Nick Madden both being products of the GIANTS Academy program.

As presenting sponsor of the GIANTS Kids Take Over Round, Harvey Norman® collaborated with both the GIANTS and What Ability to deliver unique game day experiences for What Ability participants at GIANTS Stadium. The participants took part in pre-game on field experiences such as the coin toss, ball delivery and guard of honour, then stayed to watch the game with their support workers and families.

NRL All-Stars

Harvey Norman® has been the proud naming rights sponsor of the NRL All-Stars since its inception in 2010. In 2023, The NRL Harvey Norman® All-Stars match was played for the first time outside of Australia in Rotorua, New Zealand. In the week leading up to the match the Harvey Norman® Rotorua store hosted all 80 players from all four teams, the Male and Female, Indigenous and Maori sides. The afternoon began with an Indigenous and Maori Cultural performance which created a powerful atmosphere and a great start to the event. The local community were able to get up close and personal with their favourite players while having their team photos signed as well as the opportunity to have their photo taken with team members. The event was a huge success with over 300 fans in attendance.

The Men's Indigenous All-Stars took the Arthur Beetson Trophy from the Maori All-Stars for the first time in 4 years with a 28-24 victory in Rotorua, while in the Women's match the Maori All-Stars defeated the Indigenous Women's All-Stars 16-12.

Harvey Norman® Brand Ambassadors

Ariarne Titmus

Harvey Norman® is proud to continue to support Australian swim champion Ariarne Titmus from her journey to Tokyo 2020, her success at the 2022 Commonwealth Games, her recent World Championship gold and her ongoing preparation for Paris 2024.

Since her Olympic debut, Ariarne has achieved Gold Medallist status in multiple events and the success has continued in her preparation for the 2024 Olympics achieving gold in both the 400m and 800m at the 2023 World Championship Trials and the Australian Swimming Championships. Her 400m freestyle win at the 2023 World Swimming Championships, was feted by media as the 'race of the century' in which Ariarne defeated both recent world record holders in Katie Ledecky & Summer McIntosh with a new world record to secure her place as the undisputed champion of middle-distance swimming. This garnered worldwide media attention and has set the scene for what will no doubt again be the race to watch at the upcoming Olympics in Paris 2024.

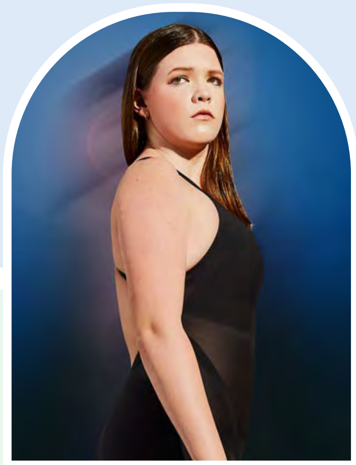
Outside of the pool, Ariarne has established herself as a consummate media performer and swimming commentator recently co-presenting the 2022 World Swimming Short Course event for Channel 9. A keen foodie with a passion for the culinary arts, Ariarne is also a fan of other sports, especially AFL & Tennis. Ariarne is looking forward to the opportunity to make history in Paris 2024 & become our greatest ever individual gold medal winner.

Jye Edwards

Harvey Norman® continues to support Paris 2024 hopeful Jye Edwards. Jye is an Australian middle distance runner who overcame injury and illness to compete at the Tokyo 2020 Olympic Games.

Jye has also faced injury in his preparations for Paris 2024 however has since hit his stride, recently winning the Run the Tan in Melbourne with a time which puts him at 7th all-time for the track.

Jye has been training in Europe and will continue to work towards his goal of representing Australia for the second time at the Paris 2024 Olympic Games.



Montana Atkinson

Harvey Norman® continues to support Montana Atkinson on her journey as she strives to compete at the Paris 2024 Paralympic Games. Harvey Norman® has supported Montana since 2022 following on from her receiving the Champions of Sport award at the 2021 Harvey Norman Gold Coast Women of the Year.

Montana has achieved great success already as a para-swimmer, setting State Records and winning medals in multiple events plus being named the Commonwealth Games Australia Emerging Athlete of the Month in April 2023 and Swimming Gold Coast Awards' Female Para Swimmer of the Year, among other achievements.

Montana's main goal is to make her Paralympic debut at Paris 2024.

Places

The Places in which Harvey Norman® operates are incredibly important to us. They serve multiple purposes, from a place of work for the people employed by the business operating from the site, to being the place in which we meet consumers and strive to provide the best possible experience that allows customers to engage with and understand the benefits to them of the products that are sold there. Each site then has a responsibility to minimise the environmental impact of their operations, whether that is via energy efficient operations or managing waste streams generated at the site, through to engagement with suppliers about the products that are available to be sold.

The warehouses supporting these sites also play an important role in controlling the environmental footprint. That can be as simple as the waste takeback programs operated by sites for used consumer goods that are included in recycling programs, through to the efficient planning of delivery schedules to minimise the usage of fuel in delivery vehicles.

To assist the consolidated entity to obtain advice and provide influence in areas relevant to the operation of the places, Harvey Norman® is a member of the following organisations and associations to support our commitment to environmental and social responsibility:

- Energy Users Association of Australia
- National Retailers Association
- Australian Bedding Stewardship Council (founding member and Board representation)
- Consumer Electronics Association

1. Waste and circular economy

Governments and consumers in the countries in which Harvey Norman® operates continue to increase expectations on the makers and sellers of goods to create and participate in product stewardship programs. Some jurisdictions are moving faster than others to ban certain items, such as expanded polystyrene, in packaging for products.

Relevant members of the consolidated entity has continued to work with suppliers and recycling / product stewardship schemes globally to provide consumers with simple solutions to recycle their old products and to divert waste from landfill. Each region has reported the successful diversion of a substantial portion of their waste streams from landfill and the operation of product stewardship schemes.

New Zealand	New Zealand sites divert more than 22% of waste collected from landfill, including cardboard, plastic and polystyrene waste. This figure has remained stable in recent years and is below the outcomes from franchised complexes in Australia. The New Zealand Sustainability Committee is currently seeking advice from waste management experts about how to increase this diversion percentage.
Singapore	Singapore continues to participate in the E-waste Extended Producer Responsibility scheme, taking back air conditioners, fridges, washers and televisions and providing e-waste collection bins in store for mobile phones and tablets, desktop computers, batteries, light bulbs and computer peripherals.
Malaysia	Company-operated stores in Malaysia report a 45% diversion rate for waste at retail sites, recycling cardboard, plastic and polystyrene.
Ireland and Northern Ireland	Our Irish business participates in the Waste Electrical and Electronic Equipment (WEEE) scheme, recycling kitchen appliances including fridges, washing machines, dishwashers, cookers etc as well as smaller items like kettles, toasters, blenders, remote controls, batteries or electric toothbrushes, which allows valuable resources including plastics, metals and glass to be recovered for further use in manufacturing, and ensures hazardous waste is disposed of safely. Company-operated stores in Ireland also recycled more than 11,000 mattresses in FY23, partnering with Eco Mattress Recycling and Bounce Back Recycling. For every three mattresses sold by Harvey Norman in Ireland, one is recycled.
Croatia	Company-operated stores in Croatia divert more than 2/3 of their waste from landfill. Stores collect and recycle items such as paper, cardboard, wood, damaged goods and construction waste. Municipal waste collections in Croatia cater for other waste streams such as e-waste and plastics.
Slovenia	Company-operated stores in Slovenia are included within a national program administered by the Slopak company, which includes programs for recycling products such as electrical and electronic equipment, batteries and product packaging. Waste stream separation occurs at the store and is collected by waste management companies.

In Australia, independent franchisee businesses provide a range of recycling services for their customers, particularly for e-waste, mattresses and polystyrene collected from the packaging of consumer goods.

Mattress recycling by Harvey Norman® and Domayne® independent franchisees resulted in the recovery of 178 tonnes of steel, 37 tonnes of foam and 64 tonnes of timber that may otherwise have gone to landfill.

Franchisee businesses also recycle polystyrene collected from the packaging of consumer goods.

In FY23, independent franchisees in Australia recycled more than 4,000 tonnes of cardboard and paper and more than 11 tonnes of soft plastics.

During FY23, each independent Harvey Norman®, Domayne® and Joyce Mayne® franchisee made the choice to cease to provide plastic bags to their customers. By the end of FY24, no customer of a franchisee business in Australia will receive a soft plastic bag with their purchase of goods. Paper bags are available for customers at each franchised complex.

Climate Change impact and resilience

As an owner of property across many regions and a customer of landlords in many locations, relevant controlled entities regularly undertake and update risk assessments in respect of our global portfolio of stores, warehouses and support offices. We use scenario planning and analysis to identify and mitigate flooding, cyclone and bushfire climate change risk.

Our risk assessments also address product and supply chain risk as it relates to climate change. The diverse and geographically dispersed nature of our business model provides us some insulation from major financial impact from climate risks in our properties and supply chains, but we remain acutely aware of the constantly changing nature of the impacts of climate change on the world economy.

Risk Description and Impact	Category of Risk	Treatment/Mitigation Plan and Actions
Regulatory Change - Climate Change Risk Description: Regulatory changes resulting in increased reporting and emissions reduction requirements, posing a risk of non-compliance.	**Compliance**	**Current Control** Mapping current and emerging regulatory changes for each jurisdiction Harvey Norman® operates. Implementing a framework to ensure compliance by each controlled entity with regulatory obligations.
Shifting market sentiment - Climate Change Risk Description: In the transition to a low carbon economy, consumer and investor sentiment shifts towards more ethical and sustainable products, resulting in potential reputational risks for the brand should Harvey Norman® fail to respond to market signals.	**Environment**	**Current Control** Considering climate change resilience as an active part of our long-term strategy, planning and business model discussions. Enhancing our value creation story, communicating our climate-related actions and performance to stakeholders. Creating disaster recovery and business continuity response and contingency plans.
Property risks - Climate Change Risk Description: Increased frequency and severity of acute climate impacts, such as storms, floods and bushfires, resulting in increased risk of damage to the consolidated entity's owned and leased assets and/or unavailability of insurance / rising cost of insurance premiums.	**Environment**	**Current Control** Performing likelihood and consequence assessments of climate change hazards for future property investments. Conducting regional climate change risk modeling across our global property portfolio and implement appropriate climate change risk mitigation strategies. Developing environmental and social risk policies for the Property function specifically. Monitor insurance availability.
Supply Chain risks - Climate Change Risk Description: In the transition to a low carbon economy, the costs of items and materials from suppliers may significantly increase, resulting in reduced availability of goods and increased costs passed through from our suppliers.	**Environment**	**Current Control** Monitoring of unexpected or significant price increases from suppliers. Market trend analysis of sectors most exposed to transition and physical climate risks. Suppliers making their own arrangements to mitigate this risk.
Impacts to business operations - Climate Change Risk Description: Physical acute climate impacts such as storms, floods, bushfires, earthquakes and tsunamis may disrupt trade and logistics from suppliers to Harvey Norman® complexes and company-operated stores.	**Environment**	**Current Control** Asset management program including strategic positioning of suppliers to Harvey Norman® complexes and company-operated stores. Awareness raising and climate capability exercises. Monitor insurance availability.
Carbon Management Risk Description: Risks relating to carbon reduction efforts across our value chain, including interruptions and/or increased costs within the supply chain, increased operational costs utilised for energy efficiency improvements, and carbon-related liability from imposed mandates or regulations.	**Environment**	**Current Control** Utilising existing asset management processes to reduce carbon footprint (e.g., installing solar technologies, energy efficiency improvements) Obtaining Power Purchase Agreements (PPAs). Purchasing of carbon offsets.

Energy usage and emissions

While energy usage has been tracked extensively in Australia for Harvey Norman®, Domayne® and Joyce Mayne® franchisees, consumption of energy in other company-owned businesses overseas has been closely tracked for the past four years.

In that timeframe, energy consumption has risen by 13% for company owned operations, driven largely by increases in Malaysia and Ireland. This has had a limited impact on emissions, mainly due to the Irish business contracting 100% renewable electricity for that region.

In FY23, the Scope 1 and 2 emissions measured for Harvey Norman® complexes and company-operated stores include fuel use in company owned vehicles and energy usage at sites. Relevant controlled entities are in the process of setting up further information capture programs to include emissions from air conditioning for subsequent reporting periods. Relevant controlled entities will soon have in place improved methods of information capture across all other Scope 1 and 2 emissions sources from international company owned operations to ensure completeness of data sets and auditability of data, as we do already in Australia.

The Slovenian business has demonstrated a reduction in consumption (12%) from the installation of solar arrays on four (soon to be five) sites.

The solar panel installation program for company owned property in Australia slowed in FY23, with only one site and four more arrays added to the program. Production of energy from installed solar arrays improved with the reduction in rain across large parts of eastern Australia, with output growing to 7,800 megawatt hours against last year's figure of 6,848 megawatt hours. Average generation per array also improved to 116.7 megawatt hours, up from 113 megawatt hours per annum.

Solar panels installed on the roof of the Ljubljana store in Slovenia.

Ambient lighting

Ambient lighting accounts for approximately 30% of electricity consumption in a typical Harvey Norman® complex or company-operated store.

In FY23, a global review of the approach to lighting grid placement and technology was commenced, with a view to standardising the grid for better lighting efficacy, light colour and life span, compliant with the BCA standard.

The project has identified options to treat the identified issues, including discoloration of diffusers and heat, while delivering a decrease to energy consumption and maintenance costs by increasing the use of LED fixtures across a broader part of the store.

In FY23, relevant controlled entities commenced the collection of fuel data from all company owned operations with a view to more accurately calculating Scope 1 carbon emissions from these sources.

Relevant controlled entities are preparing to enhance external climate related financial reporting requirements over the next few years, with programs underway to commence measurement of Scope 3 emissions. Under present assumptions, the Scope 3 emissions are likely to comprise most of the carbon footprint globally, with these emissions embedded in goods purchased from suppliers and resold at Harvey Norman® complexes and company-operated stores.

Scope 3 emissions – Space Furniture

Launched in 1993, Space Furniture® is the leading voice in design retailing across South East Asia. Five architect-designed showrooms – Sydney, Melbourne, Brisbane, Singapore and Kuala Lumpur, feature collections curated to meet the specific needs of design lovers and the broader requirements of the architecture and interiors industry, with design scope for residences, multi-residential developments, hotels, restaurants and workplace interiors.

In FY23, Space Furniture® undertook a project to calculate the carbon emissions, including Scope 3 emissions across a sub-section of their overall product supply chain.

For Space Furniture, the process had a very positive outcome, where not only were the emissions able to be calculated, but working with the suppliers, Space Furniture® was able to identify opportunities for consolidation of freight to both reduce emissions and costs for the business.

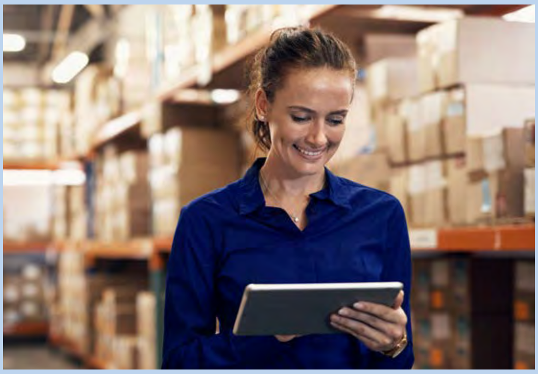
Space Furniture® is also working with suppliers to identify alternative transport channels for goods.

Task Force on Climate related Financial Disclosures (TCFD)

The Executive Sustainability Committee is closely monitoring the Australian Federal Government's consultation process in relation to mandatory reporting of climate-related financial information in Australia.

Products

Harvey Norman® takes great pride in the quality of the products that are sold through complexes and company-operated stores representing our brands. We are consistently mindful of the need to be working with suppliers to ensure that products offered to consumers are safe and come from ethical supply chains, including the sourcing of raw materials through to manufacture and delivery.



Product safety and sustainability

Packaging / supply chain waste

Most Harvey Norman® complexes and company-operated stores operate with recycling facilities for packaging associated with products. Suppliers to Harvey Norman® franchisees and company-operated stores are making changes to their own product packaging, targeting the removal of plastics and expanded polystyrene from product packaging.

Franchised complexes in Australia and company-operated stores in New Zealand have undertaken reviews of the packaging offered to consumers in-store or online. Sourcing activities for packaging product are guided in the Pacific region by the Sustainable Packaging Guidelines published by the Australian Packaging Covenant. A relevant controlled entity reports publicly under the Australian Packaging Covenant and progress over time is able to be viewed in these documents.

Engagement with suppliers on product sustainability / safety

There is a significant shift in sentiment from both consumers and regulators, about product durability, repairability and claims made about the sustainability credentials of the product. Governments in the EU particularly, have taken a strong position about durability and the right to repair products in the electrical and electronics industries. This will have an impact around the globe as manufacturers adapt to these requirements.

Furniture and bedding products offered for sale by company owned stores in New Zealand and franchisees in Australia are subject to an external quality assurance program that includes assessment of the compliance of the product with mandatory safety standards and sourcing of timbers, against the Forestry Stewardship Council standards. Some suppliers are also now including recycled textiles as part of their product offering and these claims are also tested by the quality assurance process.

Human Rights

At the core of our Statement of Values is our commitment to act with integrity and behave responsibly. This extends beyond our own business and shapes how we interact with other businesses, including suppliers. A controlled entity operates a central program to comply with reporting requirements under the Modern Slavery laws in Australia. This program enables each controlled entity to undertake its own due diligence activities with suppliers as part of any ongoing relationship.

In FY23, a relevant controlled entity has taken a deeper look at the supply chains of a range of electrical and electronics suppliers, as well as manchester manufacturers and suppliers globally.

The responses from the suppliers surveyed indicated that there is a level of recognition of modern slavery issues. Many of the supplier businesses require an adherence to a supplier Code of Conduct, which is audited, and others require an audit of the operations of the supply chain member to prove the correct treatment of people working in that supply chain.

In addition, relevant controlled entities conducted their own modern slavery compliance reviews with suppliers, including engaging with suppliers about recognition of modern slavery issues and obligations of suppliers within supply chains.

Auditor Independence and Non-Audit Services

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

Details of the amounts paid or payable to the auditor, Ernst & Young, for the provision of non-audit services during the year ended 30 June 2023 are outlined in Note 30. Remuneration of Auditors of this annual report.

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

Building a better working world

Ernst & Young
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Auditor's Independence Declaration to the Directors of Harvey Norman Holdings Limited

As lead auditor for the audit of the financial report of Harvey Norman Holdings Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
b. No contraventions of any applicable code of professional conduct in relation to the audit; and
c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

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

Ernst & Young

Ernst & Young

James Karekinian
Partner
Sydney
29 September 2023

Signed in accordance with a resolution of the directors.

K.L. Page

G.HARVEY
Chairman
Sydney
29 September 2023

K.L. PAGE
Director and Chief Executive Officer
Sydney
29 September 2023

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Independent auditor's report to the members of Harvey Norman Holdings Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Harvey Norman Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

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

Building a better working world

1. Valuation of Freehold Investment Properties and Owner-Occupied Properties

<table>
<tr><th>Why significant</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>
Freehold Investment properties and owner-occupied properties (collectively, “properties”) represent 53% of the Group’s total assets at 30 June 2023.
Investment properties are carried at fair value with changes in fair value recognised in the income statement. Note 14 of the financial report describes the basis upon which fair value has been determined.
Owner-occupied properties, represented as Land and Buildings are carried at fair value, with fair value increments / decrements above cost recognised in equity and increments / decrements lower than cost recognised in the profit and loss. Note 12 of the financial report describes the basis upon which fair value has been determined.
Fair value is assessed by the Directors with reference to external independent property valuations, internal valuations or management review and are based on market conditions existing at the reporting date.
Valuation of investment properties and owner-occupied properties was considered a key audit matter given:

the value of the properties relative to total assets of the Group;
the extent of judgement exercised by both independent valuation specialists and the Directors in determining fair value; and
by their nature, the use of Directors’ valuations.

</td><td>
Our audit procedures included the following:

Assessed the Group’s accounting policies with respect to investment properties and owner-occupied properties for compliance with Australian Accounting Standards.
Assessed the work of those responsible for the internal valuations and the work of the independent valuation specialists, upon which the Directors’ valuations are based, by considering their qualifications, competence and objectivity.
For a sample of properties subject to external independent property valuations, internal valuations or management review we:

Assessed the reasonableness of key assumptions used in these valuations with reference to external market evidence;
We involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies used;
Tested the mathematical accuracy of both internal and external valuations;
Assessed the accuracy of tenancy schedules which are used as source data in the property valuations by testing a sample of leases to signed lease documents.

Evaluated the suitability of the valuation methodology across the portfolio based on the type of asset.
Considered the disclosures included in Note 1, Note 12 and Note 14 of the financial report.

</td></tr>
</table>

2. Recoverability of Receivables from Franchisees

Why significant	How our audit addressed the key audit matter
At 30 June 2023, the value of receivables due from franchisees was $840.9 million representing 11% of the Group's total assets. Note 7 of the financial report describes the nature of the balances receivable from franchisees and outlines the accounting policy in relation to receivables from franchisees. The recoverability of receivables from franchisees was considered a key audit matter given the value of the balance and the judgements exercised by the Group in making their recoverability assessment.	Our audit procedures included the following: ► Evaluated the Group's assessment of the recoverability of receivables from franchisees. ► Performed a range of scenario analysis in considering assumptions applied by management in determining the recoverability of receivables from franchisees. ► For a sample of franchisee receivables, we obtained confirmation from the franchisees acknowledging the amounts owing to the Group at year end. ► Reviewed a sample of General Security Deeds between the franchisees and the Group that provides the Group with security over the assets of franchisees, consisting mainly of franchisee inventory. ► Considered the value of assets provided as security by the franchisees against the franchisee receivable balances. ► Enquired of management and considered any evidence arising post year end of adverse performance of the franchisees, which could impact the recoverability of receivables from franchisees. ► Considered the adequacy of the disclosures included in Note 7 of the financial report.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 Annual Report but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on the audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 57 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Harvey Norman Holdings Limited for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

James Karekinian
Partner
Sydney
29 September 2023

Directors' Declaration

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

In the opinion of the directors:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

   ii. complying with Accounting Standards and the Corporations Regulations 2001; and

b. the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board; and

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

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2023.

In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 37. Deed of Cross Guarantee will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.

G. HARVEY
Chairman
Sydney
29 September 2023

K.L. PAGE
Director and Chief Executive Officer
Sydney
29 September 2023

Annual Report
30 June 2023

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	Note	CONSOLIDATED June 2023 $000	CONSOLIDATED 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	CONSOLIDATED 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	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.

01 Statement of Significant Accounting Policies

(a) Corporate Information

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

(b) Basis of Preparation

The financial report has been prepared on a historical cost basis, except for freehold investment properties, leasehold investment properties: right-of-use assets, land and buildings, derivative financial instruments and equity financial assets, which have been measured at fair value. Certain comparative amounts have been re-presented to align with the presentation in the current year. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

The consolidated financial statements of the Company and its subsidiaries (the "consolidated entity") for the year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 29 September 2023.

(c) Statement of Compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2023. For details on the impact of future accounting standards, refer to page 89.

(d) Basis of Consolidation

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

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

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

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

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

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

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

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

01 Statement of Significant Accounting Policies (continued)

(e) Summary of Significant Accounting Policies

i. Changes in accounting policy, disclosures, standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2022. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

ii. Significant accounting judgements and estimates

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

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

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

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

At least on an annual basis, the directors of HNHL assess the requirements of control in accordance with AASB 10 Consolidated Financial Statements. During the 2023 financial year, after considering both the legal arrangements in place between the consolidated entity and Harvey Norman®, Domayne® and Joyce Mayne® franchisees and the practical application of those arrangements, the directors have continued to conclude that HNHL, or any subsidiary of HNHL, does not control the business operations of franchisees. In particular, HNHL, or any subsidiary of HNHL, does not have any existing rights that give the consolidated entity the current ability to direct the relevant activities that most significantly affect the returns of the franchisee. The ability to direct the relevant activities that most significantly affect the returns of the franchisee, rest with the franchisee.

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

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

- Impairment of Non-Financial Assets

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

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

01 Statement of Significant Accounting Policies (continued)

- **Recovery of Deferred Tax Assets** – refer to Note 5. Income Tax
- **Expected Credit Loss Assessment for Financial Assets** – refer to Note 7. Trade and Other Receivables
- **Valuation of Freehold Owner-Occupied Properties** – refer to note 12. Property, Plant and Equipment
- **Valuation of Freehold Investment Properties** – refer to Note 14. Investment Properties (Freehold)
- **Valuation of Investment Properties (Leasehold): Right-of-Use Assets** – refer to Note 15. Investment Properties (Leasehold): Right-of-Use Assets
- **Determining the Incremental Borrowing Rate and Lease Term** – refer to Note 19. Lease Liabilities
- **Provision for Lease Make Good** – refer to Note 21. Provisions
- **Measurement of the Cost of Equity – Settled Transactions** – refer to Note 25. Reserves

iii. Taxes

Refer to Note 5. Income Tax for accounting policy on current income tax and deferred tax.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from operating, investing and financing activities, which is recoverable from, or payable to, the taxation authority, is classified as operating cash flows.

iv. Foreign Currency Translation

The consolidated entity's financial statements are presented in Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at balance date. Differences arising on settlement or translation of monetary items are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(f) Future Accounting Standards

The table below lists the Australian Accounting Standards which have recently been issued or amended but not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2023. The consolidated entity does not expect a material impact on the application of the below standards.

Reference	New Standard	Effective Date	Application Date
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2023
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 July 2023
AASB 2022-1	Amendments to Australian Accounting Standards– Initial Application of AASB 17 and AASB 9– Comparative information	1 January 2023	1 July 2023
AASB 2022-6	Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants	1 January 2023	1 July 2023
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2024	1 July 2024
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	1 July 2025

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 (continued)

2023 Result	CONSOLIDATED ($000)					
Operating segment 30 June 2023	**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	CONSOLIDATED ($000)					
Operating segment 30 June 2022	**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	Intercompany eliminations	Segment assets after eliminations	Segment liabilities	Intercompany 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	Intercompany eliminations	Segment assets after eliminations	Segment liabilities	Intercompany 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.

SIGNIFICANT ACCOUNTING POLICIES

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

Operating segments have been identified based on the information provided to the chief operating decision makers—being the executive management team. The consolidated entity aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services;
- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and, if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 *Operating Segments* are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category as "other segments".

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**

SIGNIFICANT ACCOUNTING POLICIES

Revenue from Franchisees

The application of AASB 15 *Revenue from Contracts with Customers* to franchise agreements with franchisees requires the consolidated entity to recognise revenue from franchisees based on the amount it expects to receive in exchange for the provision of franchising operations' activities to franchisees, pursuant to a franchise agreement.

Sale of goods

The customer obtains control over the product upon delivery and revenue is therefore recognised at the point in time the product is delivered or handed over to the customer. Revenue is measured based on the consideration expected to be received, net of trade rebates and discounts paid.

Revenue from services

The consolidated entity provides repair services, installation services and delivery services to customers. These services are sold either in their own contracts with the customers or bundled together with the sale of products. The consolidated entity recognises revenue when the service is rendered. For bundled packages, the consolidated entity accounts for individual products and services separately, if they are distinct.

03 Revenues (continued)

	TYPES OF CONTRACTS $000			
Operating segment 30 June 2023	**Sale of products to customers**	**Services to customers**	**Franchisee fees from franchisees**	**Total revenue from contracts with customers & franchisees**
Franchising operations	-	-	860,695	**860,695**
– New Zealand (retail)	1,005,109	15,821	-	1,020,930
– Singapore & Malaysia (retail)	682,415	8,083	-	690,498
– Slovenia & Croatia (retail)	201,518	3,229	-	204,747
– Ireland & Northern Ireland (retail)	650,967	8,896	-	659,863
– Other non-franchised retail	246,877	442	-	247,319
Total retail	2,786,886	36,471	-	**2,823,357**
– Retail property	-	-	-	-
Total property	-	-	-	**-**
Equity investments	-	-	-	**-**
Other	3,119	-	-	**3,119**
Intercompany eliminations	(13,935)	-	-	**(13,935)**
Total	2,776,070	36,471	860,695	**3,673,236**

	TYPES OF CONTRACTS $000			
Operating segment 30 June 2022	**Sale of products to customers**	**Services to customers**	**Franchisee fees from franchisees**	**Total revenue from contracts with customers & franchisees**
Franchising operations	-	-	1,033,166	**1,033,166**
– New Zealand (retail)	1,119,089	17,737	-	1,136,826
– Singapore & Malaysia (retail)	621,230	6,094	-	627,324
– Slovenia & Croatia (retail)	189,319	2,867	-	192,186
– Ireland & Northern Ireland (retail)	645,285	8,017	-	653,302
– Other non-franchised retail	242,040	380	-	242,420
Total retail	2,816,963	35,095	-	**2,852,058**
– Retail property	385	-	-	385
Total property	385	-	-	**385**
Equity investments	-	-	-	**-**
Other	1,872	-	-	**1,872**
Intercompany eliminations	(11,891)	-	-	**(11,891)**
Total	2,807,329	35,095	1,033,166	**3,875,590**

03 Revenues (continued)

	PRIMARY GEOGRAPHICAL MARKETS $000				
Operating segment 30 June 2023	**Australia**	**New Zealand**	**Asia**	**Europe**	**Total revenue from contracts with customers & franchisees**
Franchising operations	860,695	-	-	-	**860,695**
– New Zealand (retail)	-	1,020,930	-	-	1,020,930
– Singapore & Malaysia (retail)	-	-	690,498	-	690,498
– Slovenia & Croatia (retail)	-	-	-	204,747	204,747
– Ireland & Northern Ireland (retail)	-	-	-	659,863	659,863
– Other non-franchised retail	236,748	10,571	-	-	247,319
Total retail	236,748	1,031,501	690,498	864,610	**2,823,357**
– Retail property	-	-	-	-	-
Total property	-	-	-	-	**-**
Equity investments	-	-	-	-	**-**
Other	3,119	-	-	-	**3,119**
Intercompany eliminations	(3,554)	(9,242)	(1,139)	-	**(13,935)**
Total	1,097,008	1,022,259	689,359	864,610	**3,673,236**

	PRIMARY GEOGRAPHICAL MARKETS $000				
Operating segment 30 June 2022	**Australia**	**New Zealand**	**Asia**	**Europe**	**Total revenue from contracts with customers & franchisees**
Franchising operations	1,033,166	-	-	-	**1,033,166**
– New Zealand (retail)	-	1,136,826	-	-	1,136,826
– Singapore & Malaysia (retail)	-	-	627,324	-	627,324
– Slovenia & Croatia (retail)	-	-	-	192,186	192,186
– Ireland & Northern Ireland (retail)	-	-	-	653,302	653,302
– Other non-franchised retail	229,836	12,584	-	-	242,420
Total retail	229,836	1,149,410	627,324	845,488	**2,852,058**
– Retail property	385	-	-	-	385
Total property	385	-	-	-	**385**
Equity investments	-	-	-	-	**-**
Other	1,872	-	-	-	**1,872**
Intercompany eliminations	-	(11,153)	(738)	-	**(11,891)**
Total	1,265,259	1,138,257	626,586	845,488	**3,875,590**

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

(a) Income tax recognised in the Income Statement:

	CONSOLIDATED	
	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**

05 Income Tax (continued)

(b) Income tax recognised in the Statement of Changes in Equity :

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Deferred income tax:		
– Net gain on revaluation of cash flow hedges	1,105	7
– Net (loss) / gain on revaluation of land and buildings	(6,011)	4,509
Total income tax expense reported in other comprehensive income	**(4,906)**	**4,516**

(c) Reconciliation between income tax expense and prima facie income tax:

	June 2023 $000	June 2022 $000
Accounting profit before tax	**776,082**	**1,140,443**
At the Australian statutory income tax rate of 30% (2022: 30%)	232,825	342,133
Adjustments to arrive at total income tax expense recognised for the year:		
– Brand licence fees charged to overseas controlled entities	-	3,174
– Adjustments in respect of current income tax of previous year	(461)	(1,086)
– Share-based payment expenses	397	196
– Expenditure not allowable for income tax purposes	1,826	712
– Income not assessable for income tax purposes	(150)	(201)
– Unrecognised tax losses	1,280	455
– Derecognition / (Recognition) of previously unrecognised tax losses	1,355	(5,322)
– Difference between tax capital gain and accounting profit on revaluation of pre-CGT properties	(97)	(642)
– Non-allowable building and motor vehicle depreciation	1,186	(571)
– Receipt of fully franked dividends	(884)	(993)
– Sundry items	(108)	(51)
– Effect of different rates of tax on overseas income and exchange rate differences	(7,930)	(15,240)
Total adjustments	**(3,586)**	**(19,569)**
Total income tax reported in the Income Statement	**229,239**	**322,564**
Effective income tax rate (%)	**29.54%**	**28.28%**

SIGNIFICANT ACCOUNTING POLICIES

Tax consolidation

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

Wholly-owned companies of the tax consolidated group have entered into a tax funding agreement. The funding agreement provides for the allocation of current and deferred taxes on a modified standalone basis in accordance with the principles as outlined in UIG Interpretation 1052 *Tax Consolidation Accounting*. The allocation of taxes under the tax funding agreement is recognised as an increase or a decrease in the inter-company accounts of the subsidiaries with the tax consolidated head entity.

05 Income Tax (continued)

(d) Deferred income tax assets and liabilities:

Deferred income tax at 30 June relates to the following:

	STATEMENT OF FINANCIAL POSITION		DEFERRED TAX EXPENSES IN THE INCOME STATEMENT	
	June 2023 $000	June 2022 $000	June 2023 $000	June 2022 $000
Deferred tax liabilities:				
– Revaluations of freehold investment properties to fair value	(332,596)	(296,796)	35,800	63,442
– Revaluations of owner-occupied land and buildings to fair value	(40,829)	(45,325)	-	-
– Non-allowable building depreciation in respect of properties in New Zealand	-	-	-	(1,924)
– Reversal of building depreciation expense for freehold investment properties	(160,219)	(144,842)	15,377	14,388
– Research and development	(1,660)	(2,973)	(1,313)	(1,969)
– Other items	(17,707)	(10,831)	4,572	2,053
Total Deferred tax liabilities	**(553,011)**	**(500,767)**		
Deferred tax assets:				
– Employee provisions	10,522	11,354	832	(474)
– Unused tax losses and tax credits	5,188	8,033	2,846	497
– Right-of-use assets and lease liabilities	31,503	24,452	(7,052)	(5,172)
– Capital losses	6,944	8,836	300	300
– Other provisions	6,310	7,178	868	238
– Provisions for lease makegood	590	511	(79)	(45)
– Provision for executive remuneration	1,029	946	(83)	22
– Revaluations of owner-occupied land and buildings to fair value	550	550	-	-
Total deferred tax assets*	**62,636**	**61,860**		
Total deferred tax	**(490,375)**	**(438,907)**	**52,068**	**71,356**

* Of the total deferred tax assets of $62.64 million (2022: $61.86 million), $57.55 million (2022: $53.96 million) was offset with the deferred tax liabilities in accordance with the deferred income tax accounting policy outlined below.

The consolidated entity has not recognised deferred tax assets relating to tax losses of $108.66 million (2022: $97.64 million) which are available for offset against taxable profits of the companies in which the losses arose. At 30 June 2023, no deferred tax liability has been recognised (2022: nil) in respect of the unremitted earnings of certain subsidiaries, associates or joint ventures.

SIGNIFICANT ACCOUNTING POLICIES

Current income tax

Current income tax assets and liabilities are measured at the amount expected to the be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the consolidated entity operates and generates taxable income. Current income tax relating to items recognised directly in equity are recognised in equity, and not in the income statement.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and the carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities, and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority. Deferred tax items recognised outside the income statement are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all, or part of, the deferred tax asset to be utilised.

Deferred tax assets and liabilities are not recognised if temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

05 Income Tax (continued)

SIGNIFICANT ACCOUNTING JUDGEMENTS & ESTIMATES

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences as the consolidated entity considers that it is probable that future taxable profit will be available to utilise those temporary differences. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits.

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 (a)	1,246,006,654	1,246,006,654
Effect of dilutive securities (b)	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**

(a) Weighted average number of ordinary shares

No new shares issued during the current year, the weighted average number of ordinary shares used in calculating basic earnings per share for the 2023 financial year was the number of shares on issue as at 30 June 2023.

(b) Effect of dilutive securities

Performance rights pursuant to Tranche FY21, Tranche FY22 and Tranche FY23 of the 2016 LTI Plan that have been granted to Executive Directors have been included in the calculation of dilutive earnings per share. Refer to Table 4. Performance Rights of Key Management Personnel for the Year Ended 30 June 2023 on page 54 of this report for further information.

There have been no conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date.

SIGNIFICANT ACCOUNTING POLICIES

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

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the year that would result from the dilution of potential shares, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

07 Trade and Other Receivables

	CONSOLIDATED	
Current	**June 2023** $000	**June 2022** $000
Receivables from franchisees	**840,996**	**892,917**
– Trade receivables (a)	107,211	119,099
– Consumer finance loans (b)	2,567	2,669
– Allowance for expected credit loss (a) (b)	(4,206)	(3,493)
Trade receivables, net	**105,572**	**118,275**
Amounts receivable in respect of finance leases (c)	**3,125**	**3,155**
Non-trade debts receivable from (d):		
– Related parties (including joint ventures and joint venture partners)	368	4,407
– Unrelated parties	43,195	46,676
– Allowance for expected credit loss (d)	(126)	(126)
Non-trade debts receivable, net	**43,437**	**50,957**
Total trade and other receivables (current)	**993,130**	**1,065,304**
Non-current		
– Trade receivables (a)	7,080	7,087
– Consumer finance loans (b)	549	570
– Allowance for expected credit loss (a) (b)	(5)	(5)
Trade receivables, net	**7,624**	**7,652**
Amounts receivable in respect of finance leases (c)	**762**	**537**
Non-trade debts receivable from (d):		
– Related parties (including joint ventures and joint venture partners)	42,426	46,345
– Unrelated parties	53,793	19,628
– Allowance for expected credit loss (d)	(17,078)	(20,668)
Non-trade debts receivable, net	**79,141**	**45,305**
Total trade and other receivables (non-current)	**87,527**	**53,494**

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

Trade and other receivables are classified, at initial recognition, and subsequently measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cashflows, and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subjected to an expected credit loss assessment. Gains or losses are recognised in the income statement when the asset is derecognised, modified or impaired. The financial assets at amortised cost of the consolidated entity includes receivables from franchisees, trade receivables, consumer finance loans, non-trade debts receivable from related entities and unrelated entities and finance lease receivables.

07 Trade and Other Receivables (continued)

SIGNIFICANT ACCOUNTING JUDGEMENTS & ESTIMATES

Allowance for expected credit losses

The consolidated entity recognises an allowance for expected credit losses (ECLs) for financial assets measured at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the consolidated entity expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For receivables from franchisees, consumer finance loans and non-trade debts receivable from related entities and unrelated entities, the consolidated entity applies the general approach, as prescribed in AASB 9 *Financial Instruments*, in calculating ECLs. For trade receivables and finance leases, the consolidated entity applies the simplified approach, as prescribed in AASB 9, in calculating ECLs. The consolidated entity has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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.

(a) Trade receivables and allowance for expected credit loss

Trade receivables are non-interest bearing and are generally on 30-day terms. An allowance has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $1.02 million (2022: $0.56 million) has been recognised by the consolidated entity in the current year for trade receivables. This amount has been included in the other expenses line item in the Income Statement.

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

- $83.55 million of the trade receivables balance as at 30 June 2023 (2022: $102.24 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- $26.56 million of the trade receivables balance as at 30 June 2023 (2022: $20.48 million) are past due but not impaired as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances as at 30 June 2023 (2022: nil).
- $4.18 million of the trade receivables balance as at 30 June 2023 (2022: $3.47 million) are past due and impaired, and have been provided for in full as at balance date.

		PAST DUE BUT NOT IMPAIRED			PAST DUE AND IMPAIRED			
Ageing Analysis	**Neither past due or impaired**	**31-60 Days**	**61-90 Days**	**+90 Days**	**31-60 Days**	**61-90 Days**	**+90 Days**	**Total**
2023 ($000)	83,549	13,251	5,274	8,035	85	146	3,951	**114,291**
2022 ($000)	102,238	8,525	2,307	9,647	244	129	3,096	126,186

07 Trade and Other Receivables (continued)

	CONSOLIDATED June 2023 $000	CONSOLIDATED June 2022 $000
Reconciled to:		
– Trade receivables (current)	107,211	119,099
– Trade receivables (non-current)	7,080	7,087
Total trade receivables	**114,291**	126,186
Movement in the allowance for expected credit loss for trade receivables were as follows:		
– At 1 July	3,469	3,560
– Charge for the year	1,023	561
– Foreign exchange translation	48	(35)
– Amounts written off	(358)	(617)
At 30 June	**4,182**	**3,469**

(b) Consumer finance loans and allowance for expected credit loss

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

- $1.16 million of the consumer finance loans at 30 June 2023 (2022: $1.05 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- If a customer has missed a repayment in a consumer finance loan, the remaining balance of the consumer finance loan is treated as past due. $1.93 million of the consumer finance loans balance as at 30 June 2023 (2022: $2.16 million) are past due but not impaired. The consolidated entity does not hold any collateral over these balances and believes that these amounts will be recovered.
- $0.03 million of the consumer finance loans at 30 June 2023 (2022: $0.03 million) are past due and impaired, and have been provided for in full as at balance date.

		PAST DUE BUT NOT IMPAIRED			PAST DUE AND IMPAIRED			
Ageing Analysis	**Neither past due or impaired**	**31-60 Days**	**61-90 Days**	**+90 Days**	**31-60 Days**	**61-90 Days**	**+90 Days**	**Total**
2023 ($000)	1,155	605	501	826	-	-	29	**3,116**
2022 ($000)	1,053	605	523	1,029	-	-	29	3,239

	CONSOLIDATED June 2023 $000	CONSOLIDATED June 2022 $000
Reconciled to:		
– Consumer finance loans (current)	2,567	2,669
– Consumer finance loans (non-current)	549	570
Total consumer finance loans	**3,116**	**3,239**
Movement in the allowance for expected credit loss for consumer finance loans were as follows:		
– At 1 July	29	21
– Charge for the year	-	8
– Amounts written off	-	-
At 30 June	**29**	**29**

(c) Finance lease receivables and allowance for expected credit loss

Finance lease receivables are reconciled as follows:

Aggregate of minimum lease payments and guaranteed residual values:		
– Not later than one year	3,245	3,264
– Later than one year but not later than five years	843	594
	4,088	**3,858**

07 Trade and Other Receivables (continued)

	CONSOLIDATED June 2023 $000	CONSOLIDATED June 2022 $000
Future finance revenue:		
– Not later than one year	(120)	(109)
– Later than one year but not later than five years	(81)	(57)
	3,887	**3,692**
Reconciled to:		
– Amounts receivable in respect of finance leases (current)	3,125	3,155
– Amounts receivable in respect of finance leases (non-current)	762	537
Total finance lease receivables	**3,887**	**3,692**

The consolidated entity offers finance lease arrangements as part of the consumer finance business. Finance leases are offered in respect of motor vehicles and livestock with lease terms not exceeding 4 years. All finance leases are at fixed rates for the term of the lease. An expected credit loss allowance is made for estimated unrecoverable finance lease receivable amounts. No expected credit loss was recognised in the 2023 financial year (2022: nil). The ageing analysis of current and non-current finance lease receivables is as follows:

- $1.17 million of the finance lease receivable balance as at 30 June 2023 (2022: $0.97 million) are neither past due nor impaired.
- $2.72 million of the finance lease receivable balance as at 30 June 2023 (2022: $2.72 million) are past due but not impaired. These receivables are subject to regular monitoring to ensure that they are recoverable. As at balance date, there were no events that required the consolidated entity to sell or re-pledge the secured leased assets.
- There was no finance lease receivable balance as at 30 June 2023 that was past due and impaired (2022: nil).

(d) Non-trade debts receivable and allowance for expected credit loss

Non-trade debts receivable are generally interest-bearing and are normally payable at call. The aggregate balance of current and non-current non-trade debts receivable as at 30 June 2023 was $139.78 million (2022: $117.06 million) as follows:

- $104.80 million of the non-trade debts receivable balance as at 30 June 2023 (2022: $78.06 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- $17.77 million of the non-trade debts receivable balance as at 30 June 2023 (2022: $18.20 million) are past due but not impaired. These receivables are subject to regular monitoring and periodic impairment testing to ensure that they are recoverable.
- $17.20 million of the non-trade debts receivable balance as at 30 June 2023 (2022: $20.79 million) are past due and impaired, and have been provided for in full as at balance date.

		PAST DUE BUT NOT IMPAIRED			PAST DUE AND IMPAIRED			
Ageing Analysis	**Neither past due or impaired**	**31-60 Days**	**61-90 Days**	**+90 Days**	**31-60 Days**	**61-90 Days**	**+90 Days**	**Total**
2023 ($000)	104,804	-	-	17,774	-	-	17,204	**139,782**
2022 ($000)	78,062	-	-	18,200	-	-	20,794	117,056

	CONSOLIDATED June 2023 $000	CONSOLIDATED June 2022 $000
Reconciled to:		
– Non-trade receivables (current)	43,563	51,083
– Non-trade receivables (non-current)	96,219	65,973
Total non-trade receivables	**139,782**	**117,056**
Movement in the allowance for expected credit loss for non-trade receivables were as follows:		
– At 1 July	20,794	20,896
– Charge for the year	-	134
– Reversal during the year (i)	(3,227)	-
– Utilisation of allowance for expected credit loss	(363)	(236)
At 30 June	**17,204**	**20,794**

07 Trade and Other Receivables (continued)

i. Non-trade debts receivable from mining camp joint venture:

The consolidated entity has non-trade debts receivable from the mining camp joint ventures totalling $17.43 million (2022: $25.16 million) in aggregate as at 30 June 2023. The total balance of the allowance for expected credit loss relating to non-trade receivables from the mining camp joint ventures was $3.23 million as at 30 June 2022. During FY23, the $3.23 million expected credit loss allowance was reversed in full as the result of the recoverability assessment conducted during the year. No impairment loss or reversal was recognised in FY22.

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**

SIGNIFICANT ACCOUNTING POLICIES

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include listed shares held for trading and derivative receivables. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the income statement.

Financial assets at fair value through other comprehensive income (OCI) (equity instruments)

Upon initial recognition, the consolidated entity can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis. Gains and losses on these financial assets are not recycled to the income statement. Dividends are recognised as other income in the income statement when the right of payment has been established. Equity instruments designated at fair value through OCI are not subject to an impairment assessment.

09 Inventories

Current	**CONSOLIDATED** June 2023 $000	**CONSOLIDATED** 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**

SIGNIFICANT ACCOUNTING POLICIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs of completion and all costs to be incurred in marketing, selling and distribution.

10 Other Assets

Current	**CONSOLIDATED** June 2023 $000	**CONSOLIDATED** 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

Current	**CONSOLIDATED** June 2023 $000	**CONSOLIDATED** 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**
Reconciliation of non-current computer software is as follows:		
– Opening balance	56,537	61,597
– Additions	17,462	15,876
– Disposals	(90)	(384)
– Amortisation	(17,867)	(20,778)
– Net foreign currency differences arising from foreign operations	39	226
Net computer software (non-current)	**56,081**	**56,537**

11 Intangible Assets (continued)

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

Intangible assets, consisting of capitalised computer software assets, capitalised development expenditure and licence property are carried at cost less any accumulated amortisation and accumulated impairment losses. Intangible assets are amortised on a straight line basis over their estimated useful lives, but not greater than a period of eight and a half (8.5) years.

SaaS arrangements are service contracts providing the consolidated entity with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

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

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset, and is recognised in the income statement when the intangible asset is derecognised.

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 (a)	**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**

12 Property, Plant and Equipment (continued)

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Reconciliation of the carrying amounts of property, plant & equipment were as follows:		
Land at fair value:		
– Opening balance	219,802	185,916
– Additions	37,651	10,613
– (Decrease) / increase resulting from revaluation	(5,340)	28,516
– Transfers from other asset categories	5,898	-
– Net foreign currency differences arising from foreign operations	6,803	(5,243)
Closing balance	**264,814**	**219,802**
Building at fair value:		
– Opening balance	274,319	265,173
– Additions	46,659	12,353
– Disposals	(3,176)	-
– (Decrease) / Increase resulting from revaluation	(18,594)	14,699
– Transfers from other asset categories	5,202	-
– Depreciation for the year	(8,976)	(10,131)
– Net foreign currency differences arising from foreign operations	9,199	(7,775)
Closing balance	**304,633**	**274,319**
Net land and buildings at fair value (a)	**569,447**	**494,121**

(a) The net book value of land and buildings (other than land and buildings classified as freehold investment properties) would have been $278.84 million (2022: $201.22 million) if measured on a historical cost basis.

Plant and equipment at cost:		
– Opening balance	836,313	798,335
– Additions	97,170	73,616
– Disposals	(33,163)	(39,620)
– Transfers from other asset categories	3,139	9,732
– Net foreign currency differences arising from foreign operations	15,035	(5,750)
Closing balance	**918,494**	**836,313**
Plant and equipment accumulated depreciation:		
– Opening balance	551,217	519,577
– Depreciation for the year	62,465	58,896
– Disposals	(29,257)	(31,383)
– Transfers from other asset categories	1,330	8,102
– Net foreign currency differences arising from foreign operations	10,181	(3,975)
Closing balance	**595,936**	**551,217**
Net book value plant and equipment	**322,558**	**285,096**
Total written down amount of property, plant and equipment	**892,005**	**779,217**

12 Property, Plant and Equipment (continued)

SIGNIFICANT ACCOUNTING POLICIES

Freehold owner-occupied properties

Following initial recognition at cost, owner-occupied land and buildings are carried at fair value less any subsequent accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Land – not depreciated
- Buildings – 20 to 40 years

Any revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, the increase is recognised in the income statement. Any revaluation deficit is recognised in the income statement, except to the extent that it offsets a previous surplus of the same asset in the asset revaluation reserve. Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the fair value of the asset. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the asset at the balance date.

Plant and equipment assets

Plant and equipment assets are recognised at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the plant and equipment assets (3 to 20 years). The residual values, useful lives and amortisation methods of plant and equipment assets are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition and disposal

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

SIGNIFICANT ACCOUNTING JUDGEMENTS & ESTIMATES

Valuation of freehold owner-occupied properties

The consolidated entity values land and buildings at fair value. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date.

The Board of Directors make an assessment of the fair value of each freehold owner-occupied 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 in the last internal 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 owner-occupied property portfolio is valued by an Independent Valuer at least once every two (2) years on a rotational basis.

Internal Valuation and Reviews

Freehold owner-occupied 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. The key assumptions used to determine the fair value of freehold owner-occupied properties, and the relevant sensitivity analysis, are disclosed in Note 12(b) and Note 12(c).

12 Property, Plant and Equipment (continued)

(a) Reconciliation of owner occupied properties—land and building at fair value

	New Zealand		Slovenia		Singapore		Ireland	Australia	Total	
	Retail $000	**Warehouse** $000	**Retail** $000	**Warehouse** $000	**Office** $000	**Warehouse** $000	**Retail** $000	**Retail** $000	**2023** $000	**2022** $000
Opening balance	**355,598**	**6,115**	**78,158**	**1,847**	**13,303**	**-**	**25,600**	**13,500**	**494,121**	**451,089**
Additions	72,634	10,358	-	1,166	-	-	132	20	**84,310**	22,966
Transfer	(1,809)	-	-	-	-	12,909	-	-	**11,100**	-
Disposals	(3,116)	(60)	-	-	-		-	-	**(3,176)**	-
Fair value adjustments	(22,218)	-	-	-	-	(668)	(1,048)	-	**(23,934)**	43,215
Depreciation for the year	(5,971)	(102)	(2,227)	-	(48)	-	(490)	(138)	**(8,976)**	(10,131)
Net foreign currency differences	6,671	115	6,155	148	885	-	2,028	-	**16,002**	(13,018)
Closing balance	**401,789**	**16,426**	**82,086**	**3,161**	**14,140**	**12,241**	**26,222**	**13,382**	**569,447**	**494,121**

(b) Fair value measurement, valuation techniques and inputs

Class of property	**Fair value hierarchy***	**Fair value** $000 **30 June 2023**	**Valuation Technique**	**Key unobservable inputs**	**2023 Range of unobservable inputs**	**2022 Range of unobservable inputs**
Retail	Level 3	523,479 (Jun-22: 472,856)	Discounted cash flow	Terminal Yield	3.1% - 8.3%	3.1% - 7.8%
				Discount Rate	5.5% - 8.8%	4.0% - 8.0%
			Income capitalisation	Net market rent per sqm p.a	$23 - $550	$53 - $550
				Capitalisation Rate	4.8% - 9.3%	4.0% - 8.0%
			Direct sale comparison	Price per sqm of lettable area	$10,235	$10,235
Warehouse	Level 3	31,828 (Jun-22: 7,962)	Discounted cash flow	Terminal Yield	5.3% - 8.0%	5.3%
				Discount Rate	6.5% - 7.5%	6.5%
			Income Capitalisation	Net market rent per sqm p.a	$98 - $101	$111
				Capitalisation Rate	5.0% - 7.3%	5.0%
			Direct sale comparison	Price per sqm of lettable area	$816	N/A
Office	Level 3	14,140 (Jun-22: 13,303)	Discounted cash flow	Terminal Yield	N/A	N/A
				Discount Rate	N/A	N/A
			Income capitalisation	Net market rent per sqm p.a	N/A	N/A
				Capitalisation Rate	N/A	N/A
			Direct sale comparison	Price per sqm of lettable area	$12,624 - $16,723	$12,101 - $16,030
Total		**569,447** (Jun-22: 494,121)				

* Level 3 - fair value is estimated using inputs that are not based on observable market data.

12 Property, Plant and Equipment (continued)

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

The income capitalisation method of valuation was used for the valuation of retail and warehouse properties in New Zealand. A discounted cash flow method was undertaken in respect of the same properties as a secondary method. There were no material differences between the income capitalisation method result and the discounted cash flow method result. The income capitalisation method of valuation was used for the valuation of one (1) retail owner-occupied property in Australia. A direct sale comparison method was used for the same property as a secondary method. There were no material differences between the income capitalisation method result and the direct sale comparison method result. The average result of income capitalisation method, discounted cash flow method and direct sale comparison method of valuation was used for the valuation of one (1) warehouse property in Singapore and the direct sale comparison method was used for the valuation of the office properties in Singapore. The income capitalisation method of valuation was used for the valuation of retail properties in Slovenia and one (1) retail property in Ireland.

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

Income capitalisation method

Under the income capitalisation method, a property's fair value is estimated using the current market rental value generated by the property, which is divided by the appropriate market capitalisation rate.

Discounted cash flow ("DCF") method

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

Direct sale comparison method

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

Net market rent

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

Capitalisation rate

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

Terminal yield

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

Discount rate

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

Price per square metre

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

(c) Sensitivity information

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

The net market rent of a property and the capitalisation rate are key inputs of the income capitalisation valuation method. The income capitalisation valuation method incorporates a direct interrelationship between the net market rent of a property and its capitalisation rate. This methodology involves assessing the total net market income generated by the property and capitalising this in perpetuity to derive a capital value. Significant increases (or decreases) in rental returns and rent growth per annum in isolation would result in a significantly higher (or lower) fair value of the properties. There is an inverse relationship between the capitalisation rate and the fair value of properties. Significant increases (or decreases) in the capitalisation rate in isolation would result in a significantly lower (or higher) fair value of the properties. The discount rate and terminal yield are key inputs of the discounted cash flow method. The discounted cash flow method incorporates a direct interrelationship between the discount rate and the terminal yield as the discount rate applied will determine the rate in which the terminal value is discounted to present value. Significant increases (or decreases) in the discount rate in isolation would result in a significantly lower (or higher) fair value. Similarly, significant increases (or decreases) in the terminal yield in isolation would result in a significantly lower (or higher) fair value. In general, an increase in the discount rate and a decrease in the terminal yield could potentially offset the impact on the fair value of the properties.

(d) Highest and best use

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

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

	CONSOLIDATED		
	Leasehold properties: (a) **ROUA** $000	**Plant & equipment: ROUA** $000	**Total: ROUA** $000
As at 1 July 2021	**507,290**	**3,877**	**511,167**
New, modified leases	36,266	2,652	38,918
Leases exited	(14,648)	-	(14,648)
Impairment	(2,148)	-	(2,148)
Depreciation	(63,668)	(2,202)	(65,870)
Foreign currency	5,125	(34)	5,091
As at 30 June 2022	**468,217**	**4,293**	**472,510**

	CONSOLIDATED		
	Leasehold properties: (a) **ROUA** $000	**Plant & equipment: ROUA** $000	**Total: ROUA** $000
As at 1 July 2022	**468,217**	**4,293**	**472,510**
New, modified leases	128,700	2,033	130,733
Leases exited	(7,689)	(7)	(7,696)
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**

(a) The leasehold properties relate to leases of owner-occupied properties.

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Australia	39,974	25,792
New Zealand	104,677	118,485
Singapore & Malaysia	255,915	218,386
Slovenia & Croatia	27,399	14,947
Ireland & Northern Ireland	118,054	94,900
Total property, plant and equipment: right-of-use assets	**546,019**	**472,510**

SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment: Right-of-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**

Below is a list of the top 20 freehold investment properties ranked in order of fair value as at 30 June 2023:

Property	Last independent valuation date	Independent valuation at last valuation date $000	Fair value 30 June 2023 $000	Cap rate 30 June 2023 %
Penrith Homemaker Centre - Harvey Norman®, Domayne®	31 Dec 2021	240,000	243,054	5.50%
Springvale Homemaker Centre - Harvey Norman®, Domayne®	30 Jun 2022	170,000	170,852	5.75%
Maroochydore Homemaker Centre - Harvey Norman®, Domayne®, Joyce Mayne®	30 Jun 2023	106,000	106,000	6.25%
Watergardens Homeplace - Harvey Norman®	30 Jun 2023	102,000	102,000	5.00%
Silverwater Warehouse Complex	31 Dec 2022	99,000	99,133	5.50%
The Cambridge Park Centre - Harvey Norman®	31 Dec 2022	87,250	87,565	7.75%
Alexandria Complex - Harvey Norman®, Domayne®	30 Jun 2022	81,200	83,718	4.25%
Toowoomba Centre Complex - Harvey Norman®	31 Dec 2021	71,000	71,283	7.00%
Macgregor Homemaker Centre - Harvey Norman®	30 Jun 2023	64,600	64,600	5.75%
Perth City West Complex - Harvey Norman®, Domayne® (a)	30 Jun 2022	61,250	62,205	6.00%
Albury Homemaker Centre - Harvey Norman®	30 Jun 2023	59,500	59,500	7.00%
Auburn Flagship Store Complex - Harvey Norman®	30 Jun 2023	55,500	55,500	5.75%
Auburn Complex - Harvey Norman®, Domayne®	30 Jun 2022	55,000	55,193	4.75%
Rutherford (Maitland) Complex - Harvey Norman® , Domayne®	31 Dec 2022	54,500	54,524	7.00%
Alexandria Harvey Norman Warehouse Complex	31 Dec 2021	46,600	54,134	4.75%
Maribyrnong Complex - Harvey Norman®	31 Dec 2022	54,000	54,125	6.00%
Browns Plains Homemaker Centre - Harvey Norman®	31 Dec 2022	53,000	53,363	6.75%
Devonport Homemaker Centre - Harvey Norman®	31 Dec 2021	47,500	50,384	6.25%
Munno Para Shopping City - Harvey Norman®	31 Dec 2022	46,500	46,591	6.75%
Bendigo Rocklea Homemakers Centre	30 Jun 2023	46,500	46,500	6.25%
Total top 20 freehold investment properties			**1,620,224***	

The fair value of the top 20 freehold investment properties amounted to $1.62 billion as at 30 June 2023, representing 46.51% of the total fair value of freehold investment properties of $3.48 billion. The fair value of the remaining 120 freehold investment properties as at 30 June 2023 totalled $1.86 billion, representing 53.49% of the portfolio as at balance date.

(a) Balances represent the consolidated entity's 50% ownership interest in the investment property.

* The difference between the fair value of the freehold investment property as at 30 June 2023 and the independent valuation as at the last valuation date mainly relates to Internal Valuations and Reviews and capital additions in respect of the freehold investment property between the periods.

14 Investment Properties: Freehold (continued)

SIGNIFICANT ACCOUNTING POLICIES

Valuation of Freehold Investment Properties

Each freehold investment property, which is property held to earn rentals and/or for capital appreciation is initially measured at cost, including transaction costs, and subsequently valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses arising from changes in fair value of freehold investment properties are recognised in the income statement in the period in which they arise. An investment property is derecognised when the property has been disposed of. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Each freehold investment property is the subject of a lease or licence in favour of independent third parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees.

SIGNIFICANT ACCOUNTING JUDGEMENTS & ESTIMATES

Valuation Approach

The Board of 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 in Australia is valued by an Independent Valuer at least once every two (2) years on a rotational basis.

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.

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, using 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.

14 Investment Properties: Freehold (continued)

(a) Reconciliation of investment properties: freehold

	New Zealand		Ireland	Australia			Total	
	Retail $000	Warehouse $000	Retail $000	Retail $000	Warehouse $000	Office $000	2023 $000	2022 $000
Opening balance	**6,259**	**4,640**	**28,970**	**2,856,779**	**290,225**	**43,340**	**3,230,213**	**2,905,509**
Additions	-	-	250	129,971	13,857	26	144,104	115,481
Disposals	-	-	-	(11,390)	-	-	(11,390)	(4,066)
Fair value adjustments*	(496)	(951)	-	62,757	57,440	-	118,750	213,684
Depreciation for the year	(57)	(5)	(519)	-	-	-	(581)	(48)
Net foreign currency differences	112	87	2,298	-	-	-	2,497	(347)
Closing balance	**5,818**	**3,771**	**30,999**	**3,038,117**	**361,522**	**43,366**	**3,483,593**	**3,230,213**

* Fair value adjustments totalling $118.75 million for the year ended 30 June 2023 are included in other income (2022: $213.68 million).

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy*	Fair value $000 30 June 2023	Valuation Technique	Key unobservable inputs	2023 Range of unobservable inputs	2022 Range of unobservable inputs
Retail	Level 3	Metropolitan = 1,870,594 (Jun-22: 1,755,018) Regional=1,204,340 (Jun-22: 1,136,990) Total =3,074,934 (Jun-22: 2,892,008)	Income capitalisation	Net market rent per sqm p.a	$74 - $323	$70 - $326
				Capitalisation Rate - Metropolitan	4.3% - 9.3%	4.3% - 9.3%
				- Regional	5.8% - 8.8%	5.8% - 9.3%
			Discounted cash flow	Terminal Yield	4.5% - 8.8%	4.5% - 9.0%
				Discount Rate	5.0% - 9.0%	5.0% - 9.0%
			Direct sale comparison	Price per sqm of lettable area	$847 - $5,778	$710 - $5,664
Warehouse	Level 3	365,293 (Jun-22: 294,865)	Income capitalisation	Net market rent per sqm p.a	$65 - $255	$69 - $160
				Capitalisation Rate	4.8% - 9.0%	4.8% - 9.5%
			Discounted cash flow	Terminal Yield	4.8% - 7.0%	5.0% - 7.0%
				Discount Rate	5.5% - 7.3%	5.5% - 7.3%
			Direct sale comparison	Price per sqm of lettable area	$766 - $5,009	$709 - $3,151
Office	Level 3	43,366 (Jun-22: 43,340)	Income capitalisation	Net market rent per sqm p.a	$144 - $233	$115 - $233
				Capitalisation Rate	6.5% - 8.0%	6.5% - 8.0%
			Discounted cash flow	Terminal Yield	6.5%	6.5%
				Discount Rate	7.0%	7.0%
			Direct sale comparison	Price per sqm of lettable area	$1,695 - $3,545	$1,676 - $3,545
Total		**3,483,593** (Jun-22: 3,230,213)				

*Level 3 - fair value is estimated using inputs that are not based on observable market data.

The income capitalisation method of valuation was primarily used for the valuation of all Retail, Warehouse and Office investment properties in Australia and the Retail and Warehouse investment properties in New Zealand. A discounted cash flow valuation or a direct sale comparison valuation was undertaken, excluding property for development in Australia, as a secondary method. There were no material differences between the income capitalisation method result, the discounted cash flow method result and the direct sale comparison method result. The descriptions and definitions relating to valuation techniques and key unobservable inputs used in determining the fair value of investment properties are the same as those for freehold owner-occupied properties detailed in Note 12(b).

14 Investment Properties: Freehold (continued)

(c) Sensitivity information

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

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

Included in rent and outgoings received from franchisees and rent and outgoings received from other tenants as disclosed in Note 3. Revenues is rent and outgoings received from investment properties of $252.89 million for the year ended 30 June 2023 (2022: $231.31 million). Operating expenses, including rates and taxes and repairs and maintenance, recognised in the income statement in relation to investment properties amounted to $61.70 million for the year ended 30 June 2023 (2022: $55.43 million).

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**

(a) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy*	Fair value $000 30 June 2023	Valuation Technique	Key unobservable inputs	2023 Range of unobservable inputs	2022 Range of unobservable inputs
Retail	Level 3	452,207 (Jun-22: 487,593)	Discounted cash flow	Discount rate	5.99% - 6.64%	4.69% - 5.48%
				Market rental ranges:		
				– Gross	$60 - $575 per sqm	$50 - $575 per sqm
				– Net	$25 - $350 per sqm	$80 - $265 per sqm
Warehouse	Level 3	252,827 (Jun-22: 188,007)	Discounted cash flow	Discount rate	5.99% - 6.64%	4.69% - 5.48%
				Market rental ranges:		
				– Gross	$30 - $800 per sqm	$25 - $750 per sqm
				– Net	$45 - $230 per sqm	$30 - $190 per sqm
Total		**705,034** (Jun-22: 675,600)				

* Level 3 - fair value is estimated using inputs that are not based on observable market data.

(b) Sensitivity information

Key unobservable inputs	Impact on fair value for significant increase in input	Impact on fair value for significant decrease in input
Discount rate	Decrease	Increase
Market rent ranges	Increase	Decrease

(c) Rent and outgoings received and operating expenses of leasehold investment properties

Included in rent and outgoings received from franchisees as disclosed in Note 3. Revenues is rent and outgoings received from leasehold investment properties of $135.54 million for the year ended 30 June 2023 (2022: $117.53 million). Operating expenses, excluding interest on lease liabilities and fair value re-measurements on leasehold investment properties: ROU Assets, recognised in the income statement in relation to leasehold investment properties amounted to $21.22 million for the year ended 30 June 2023 (2022: $27.73 million).

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

SIGNIFICANT ACCOUNTING POLICIES

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

Subsidiaries of Harvey Norman Holdings Limited (HNHL) enter into leases of properties in Australia (each a **Leasehold Investment Property**) with third party landlords. After entry into a lease with an external landlord, the relevant subsidiary of HNHL grants a sub-lease or licence to a Harvey Norman®, Domayne® and Joyce Mayne® franchisee, to occupy an area of that Leasehold Investment Property.

The consolidated entity recognises a right-of-use asset in respect of each subsidiary's right to use each Leasehold Investment Property for the respective lease term (each an **IP Leasehold ROU Asset**) in accordance with the requirements of AASB 16 *Leases*. As each IP Leasehold ROU Asset meets the definition of investment property under AASB 140 *Investment Property*, the consolidated entity is required to measure each IP Leasehold ROU Asset at fair value. The consolidated entity has adopted the fair value model in AASB 140 and each IP Leasehold ROU Asset is measured at fair value.

In respect of each lease of a Leasehold Investment Property, the present value of the lease payments is determined and carried as a lease liability and the fair value of the lessee's right to use the Leasehold Investment Property over the lease term is recorded as an IP Leasehold ROU Asset. Gains or losses arising from re-measurement of the fair value of an IP Leasehold ROU Asset are included in the Income Statement of the consolidated entity as a fair value increment or decrement in the period in which they arise.

SIGNIFICANT ACCOUNTING JUDGEMENTS & ESTIMATES

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

The directors make an assessment of the fair value of each 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 using 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 Independent Valuer are used to inform the assessment of the fair value of each IP Leasehold ROU Asset at balance date.

Discount rate

Investment properties (leasehold): right-of-use assets 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.

As at 30 June 2023, the discount rates used in re-measuring investment properties (leasehold): right-of-use assets range from 5.99% to 6.64% (2022: 4.69% to 5.48%).

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 (current)	**352,716**	**358,341**

17 Interest-Bearing Loans and Borrowings

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Current secured:		
Bank overdraft (a)	16,694	14,446
Commercial bills payable (b)	5,400	5,400
Syndicated facility agreement (c)	-	200,000
Other short-term borrowings (d)	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:		
Syndicated facility agreement (c)	760,000	410,000
Other borrowings (d)	23,258	28,522
Total interest-bearing loans and borrowings (non-current)	**783,258**	**438,522**

(a) Bank Overdraft

The total bank overdraft of $16.69 million as at 30 June 2023 (2022: $14.45 million) relates to a bank overdraft due by Harvey Norman Trading (Ireland) Limited to Bank of Ireland ("BOI") (the "BOI Overdraft Facility"). Harvey Norman Holdings Limited has provided a Guarantee and Indemnity in favour of BOI in support of the BOI Overdraft Facility at the request of Ireland. The BOI Overdraft Facility is secured by this Guarantee.

(b) Commercial bills payable

The commercial bills payable form part of facilities granted by ANZ. The payment of each commercial bill is secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 17(c)), and subject to annual review by ANZ. Each commercial bill has a tenure not exceeding 180 days but is repayable on demand by ANZ, upon the occurrence of any event of default or Relevant Event (as defined in Note 17(c)) under the Syndicated Facility Agreement, or after any annual review date.

(c) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company (**Borrower**) and certain other subsidiaries of the Company (**Guarantors**) entered into a Syndicated Facility Agreement (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.

17 Interest-Bearing Loans and Borrowings (continued)

(c) Syndicated Facility Agreement (continued)

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.

(d) 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. On 4 September 2023, the maturity date of this facility was extended to 30 November 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 a corporate guarantee – unutilised as at 30 June 2023.
- a short term facility with a limit of $0.97 million in Malaysia secured by a corporate guarantee – 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 DBS in Singapore. $4.12 million was utilised as at 30 June 2023 (2022: $2.61 million).

(e) Defaults and Breaches

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During the 2023 and 2022 financial years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. After initial recognition, loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in the income statement when the liabilities are derecognised. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

The consolidated entity's financial liabilities include trade and other payables, derivative payable and loans and borrowings including bank overdrafts, commercial bills payable, Syndicated Facility Agreement, short-term borrowings, non-trade amounts owing to related parties and unrelated parties.

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 borrowing	257,161	158,256
– Syndicated Facility	50,000	-
Total Unused Facilities	**339,938**	**189,644**

Refer to Note 17. Interest-Bearing Loans and Borrowings for details regarding the security provided by the consolidated entity over each of the financing facilities disclosed above.

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**

(a) The geographical split of lease liabilities is as follows:

Leases of owner-occupied properties and plant and equipment assets:

– Australia	54,158	41,108
– New Zealand	121,219	136,175
– Singapore & Malaysia	202,286	164,229
– Slovenia & Croatia	29,519	16,871
– Ireland & Northern Ireland	150,187	127,222
Total lease liabilities of leases of owner occupied properties and plant and equipment assets	**557,369**	**485,605**
Leases of properties sub-leased to external parties:		
– Australia	771,439	719,023
Total lease liabilities of leases of properties sub-leased to external parties	**771,439**	**719,023**
Total lease liabilities	**1,328,808**	**1,204,628**

(b) The maturity profile of undiscounted lease liabilities is as follows:

Less than 1 year	200,902	181,083
1 to 2 years	190,124	171,699
2 to 5 years	506,470	452,210
Over 5 years	744,156	646,458
Total undiscounted lease liabilities	**1,641,652**	**1,451,450**

(c) Commitments for leases not yet commenced

The consolidated entity had committed to leases which had not yet commenced as at 30 June 2023. These leases are not included in the calculation of the consolidated entity's lease liabilities. The estimated undiscounted lease liabilities for these leases are $8.30 million (2022: $14.15 million).

19 Lease Liabilities (continued)

SIGNIFICANT ACCOUNTING POLICIES

Short-term leases and lease of low-value assets

The consolidated entity applies a recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies a recognition exemption to leases that are considered of low value.

Lease liabilities

At the commencement of a lease, the consolidated entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. In determining the lease term, the consolidated entity considers all facts and circumstances that create an economic incentive to exercise a renewal option, or not to exercise a termination option. Renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Outgoings and other variable lease payments that do not depend on an index or a rate are recognised as incurred.

In calculating the present value of lease payments, the consolidated entity uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

SIGNIFICANT ACCOUNTING JUDGEMENTS & ESTIMATES

Incremental borrowing rate

The incremental borrowing rate is derived by reference to the rate at which a lessee would borrow to acquire the underlying asset, repaying over a similar term to the lease term. If the interest rate in the lease is not readily determinable, the consolidated entity determines the incremental borrowing rate for each lease by taking into account the following:

- external market based rate for a similar term to the lease term at the lease commencement date;
- the lending margins available to the consolidated entity for the respective jurisdiction at the lease commencement date; and
- other adjustments that may be made by market participants over the lease term.

As at 30 June 2023, the incremental borrowing rates applied by the consolidated entity were as follows:

Location	Weighted average incremental borrowing rate %
Australia	4.42%
New Zealand	3.30%
Singapore & Malaysia	3.35%
Slovenia & Croatia	3.96%
Ireland & Northern Ireland	3.98%

Lease term

The lease term is determined at lease commencement or at the effective date of lease modification, and is reviewed if a significant change in circumstances occurs. In determining the lease term, the consolidated entity considers all facts and circumstances that create an economic incentive to exercise a renewal option, or not to exercise a termination option. Renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As at 30 June 2023, the lease terms adopted by the consolidated entity were as follows:

Location	Weighted average lease term (years)
Australia	10.87
New Zealand	11.76
Singapore & Malaysia	6.56
Slovenia & Croatia	8.38
Ireland & Northern Ireland	9.60

As at 30 June 2023, the consolidated entity have assessed that a number of options do not meet the criteria of 'reasonably certain' and therefore the lease payments relating to these options have not been included in the lease liability. The undiscounted lease payments for these excluded options would amount to $109.00 million (2022: $84.08 million).

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**

SIGNIFICANT ACCOUNTING POLICIES

Provision for employee entitlements

Provisions are made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

SIGNIFICANT ACCOUNTING JUDGEMENTS & ESTIMATES

Provision for lease make good

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

22 Contributed Equity

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

	June 2023 Number of shares	**June 2023** $000
Movements in ordinary shares on issue:		
– Balance at 1 July 2022	1,246,006,654	717,925
– Issue of shares	-	-
Balance at end of the year	**1,246,006,654**	**717,925**

Number of ordinary shares issued and fully paid as at 30 June 2023 was 1,246,006,654 (2022: 1,246,006,654)

Ordinary shares – terms and conditions

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

22 Contributed Equity (continued)

SIGNIFICANT ACCOUNTING POLICIES

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

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**

The final dividend of $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.

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**

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 of 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**

25 Reserves (continued)

SIGNIFICANT ACCOUNTING POLICIES

Asset revaluation reserve

Any revaluation increment arising from revaluation of freehold owner-occupied properties is recorded in other comprehensive income (OCI) and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation decrement of the same asset previously recognised in the income statement, the increase is recognised in the income statement. Any revaluation decrement is recognised in the income statement, except to the extent that it offsets a previous increment of the same asset in the asset revaluation reserve.

Foreign currency translation reserve

The functional currency of overseas subsidiaries is the currency commonly used in their respective countries. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the consolidated entity at the rate of exchange prevailing at the balance date and the income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on retranslation for consolidation are recognised in OCI in the foreign currency translation reserve.

Fair Value through Other Comprehensive Income (FVOCI) Reserve

The consolidated entity elected to classify some non-current equity investments as equity instruments designated at fair value through other comprehensive income. The fair value changes on the non-current equity investments are recorded in OCI in the FVOCI reserve.

Cash Flow Hedge Reserve

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

The consolidated entity uses interest rate swap contracts as hedges of its exposure to interest rate risk. The ineffective portion relating to interest rate swap contracts is recognised as other expense in the income statement. The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve.

Employee equity benefits reserve

The consolidated entity provides benefits to certain employees (including Executive Directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in other comprehensive income (employee equity benefits reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the consolidated entity's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. Further disclosure relating to equity-settled transactions is also provided in the Remuneration Report, Note 4. Expenses and Losses and Note 29. Employee Benefits.

Acquisition Reserve

Changes in the consolidated entity's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised in the acquisition reserve.

SIGNIFICANT ACCOUNTING JUDGEMENTS & ESTIMATES

Equity-settled transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date when they are granted by using an appropriate valuation model.

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**

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities in the statement of financial position.

27 Investments Accounted for Using the Equity Method

		CONSOLIDATED			
			June 2023 $000		June 2022 $000
Total investments accounted for using the equity method			**1,904**		**1,502**
		Ownership Interest		Contribution to Profit/Loss before tax	
		June 2023 %	June 2022 %	June 2023 $000	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 (b)	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.

(b) A number of wholly-owned subsidiaries of Harvey Norman Holdings Limited (HNHL) have entered into joint ventures with an unrelated party to provide mining camp accommodation. The respective joint ventures have been granted finance facilities as follows:

i. A finance facility from ANZ for the amount of $5.15 million plus interest and costs, with a maturity date of 31 July 2023. On 28 July 2023, the maturity date of this finance facility from ANZ was extended to 31 January 2024.

ii. Finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $18.75 million (2022: $26.47 million) plus interest and costs, subject to bi-annual review.

SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity over which the consolidated entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not control or have joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The investments in associates and joint ventures of the consolidated entity are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the consolidated entity's share of net assets of the associate or joint venture since the acquisition date. After application of the equity method, the consolidated entity determines whether it is necessary to recognise any impairment loss with respect to its net investment in the associates and joint ventures. At each reporting date, the consolidated entity determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the consolidated entity calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value.

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.

SIGNIFICANT ACCOUNTING POLICIES

Assets held for sale

The consolidated entity classifies assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

29 Employee Benefits

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
The aggregate employee benefit liability was comprised of:		
– Accrued wages, salaries and on-costs	23,862	24,192
– Provisions (Current—Note 21)	35,722	37,059
– Provisions (Non-current—Note 21)	2,700	2,546
Total employee benefit provisions	**62,284**	**63,797**

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

Performance rights

At balance date, the performance rights in the table below were outstanding and vested (or able to be exercised) by, or for the benefit of, directors of Harvey Norman Holdings Limited. Refer to Table 4. Performance Rights of Key Management Personnel for the year ended 30 June 2023 on page 54 of this report for further information.

		NUMBER OF PERFORMANCE RIGHTS OUTSTANDING		NUMBER OF PERFORMANCE RIGHTS VESTED	
Grant date	**Last Exercise Date**	**2023**	**2022**	**2023**	**2022**
04/12/2018	30/06/2024	-	109,000	-	549,500
02/12/2019	30/06/2025	-	549,500	549,500	-
04/12/2020	30/06/2026	549,500	549,500	-	-
30/11/2021	31/10/2026	914,000	914,000	-	-
01/12/2022	31/10/2037	1,106,800	-	-	-
		2,570,300	**2,122,000**	**549,500**	**549,500**

30 Remuneration of Auditors

	CONSOLIDATED	
	June 2023 $	June 2022 $
Fees to Ernst & Young Australia:		
– Audit or review of financial reports	1,560,046	1,393,689
– Tax services	242,400	168,600
– Consulting services	187,880	121,160
Total payable to Ernst & Young Australia	**1,990,326**	**1,683,449**
Fees to overseas member firms of Ernst & Young Australia:		
– Audit or review of financial reports	945,856	878,417
– Tax services	475,959	232,365
– Consulting services	12,269	32,927
Total payable to overseas member firms of Ernst & Young Australia	**1,434,084**	**1,143,709**
Total remuneration payable to Ernst & Young	**3,424,410**	**2,827,158**

31 Key Management Personnel

(a) Details of Key Management Personnel

Directors	Title
Gerald Harvey	Executive Chairman
Kay Lesley Page	Executive Director & Chief Executive Officer
John Evyn Slack-Smith	Executive Director & Chief Operating Officer
David Matthew Ackery	Executive Director
Chris Mentis	Executive Director & Chief Financial Officer & Company Secretary
Christopher Herbert Brown OAM	Non-Executive Director
Michael John Harvey	Non-Executive Director
Kenneth William Gunderson-Briggs	Non-Executive Director (Independent)
Maurice John Craven	Non-Executive Director (Independent)
Luisa Catanzaro	Non-Executive Director (Independent)

Senior Executives	Title
Thomas James Scott	General Manager – Property
Gordon Ian Dingwall	Chief Information Officer
Emmanuel Hohlastos	General Manager – Home Appliances
Glen Gregory	General Manager – Technology & Entertainment (resigned 17 October 2022)
Richard Beaini	General Manager – Audio Visual
Carene Myers	General Manager – Small Appliances
Darren Salakas	General Manager – Technology & Entertainment (KMP from 10 October 2022)

(b) Compensation of Key Management Personnel

	CONSOLIDATED	
	June 2023 $	June 2022 $
The total remuneration paid or payable to Key Management Personnel of the consolidated entity was as follows:		
– Short-term	13,138,905	13,107,159
– Post-employment	353,935	324,651
– Long-term (share-based payments)	2,005,498	2,249,723
– Other—long service leave accrual	102,423	95,211
– Other—termination benefit	126,357	36,447
Total compensation to Key Management Personnel	**15,727,118**	**15,813,191**

Refer to Tables 1 and 2 on pages 52 and 53 of this report for further information.

32 Related Party Transactions

(a) Ultimate Controlling Entity

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

(b) Transactions with Other Related Parties

i. Several controlled entities of Harvey Norman Holdings Limited operate loan accounts with other related parties, mainly consisting of joint ventures and the other joint venture partner of the joint ventures. The amount of receivables from related parties at 30 June 2023 were $42,791,186 (30 June 2022: $50,751,835).

ii. The consolidated entity has a payable to other related parties (excluding transactions with KMPs and their related parties) at arm's length terms and conditions. The amount owing to other related parties at 30 June 2023 was $4,237,364 (30 June 2022: $4,237,364).

Refer to information provided in Section 16. Other Transactions and Balances with Key Management Personnel and their Related Parties in this report on page 57 for further information.

33 Commitments

(a) Leases (the consolidated entity as a lessor):

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Future minimum amounts receivable under non-cancellable operating leases are as follows:		
Not later than one year	127,777	120,630
Between 1 and 2 years	87,705	78,765
Between 2 and 3 years	66,820	64,122
Between 3 and 4 years	44,227	44,459
Between 4 and 5 years	27,849	30,786
Later than five years	36,208	42,380
Minimum lease receivables	**390,586**	**381,142**

SIGNIFICANT ACCOUNTING POLICIES

The consolidated entity as lessor

Leases in which the consolidated entity does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The consolidated entity has entered into commercial leases in respect of its freehold property portfolio and motor vehicles. All leases in the consolidated entity's freehold property portfolio include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

(b) Capital expenditure contracted but not provided is payable as follows:

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Not later than one year	100,002	108,880
Later than 1 year but not later than 5 years	12,048	20,051
Total capital expenditure commitments	**112,050**	**128,931**

The consolidated entity had contractual obligations to purchase, construct and refurbish property, plant and equipment and investment properties of $112.05 million (2022: $128.93 million). The contractual obligations relating to joint venture entities for the year ended 30 June 2023 was $10.46 million (2022: $8.04 million).

34 Contingent Liabilities

i. Guarantees

As at 30 June 2023, Harvey Norman Holdings Limited (the Company) and its wholly-owned subsidiaries have entered into the following guarantees, however the probability of having to make a payment under these guarantees is considered remote:

a. Guarantees in the normal course of business relating to lease make-good obligations under certain operating lease contracts (with the exclusion of those lease make-good payments that are considered to be probable and recognised as a provision in Note 21. Provisions); and

b. Indemnities to financial institutions to support bank guarantees in respect of the performance of contracts.

ii. Australian Securities and Investment Commission (ASIC) Proceedings

ASIC has commenced proceedings against Latitude Finance Australia (as first defendant) and Harvey Norman Holdings Limited (**HNHL**) (as second defendant) in respect of the promotion of interest free payment methods for customers of franchisees to purchase goods from franchisees. HNHL believes HNHL has reasonable grounds to defend the allegations. The matter has been listed in the Federal Court NSW for a liability hearing on 15 April 2024, with the outcome uncertain at the date of this report.

No provision has been made in the financial statements in respect of these contingent liabilities.

SIGNIFICANT ACCOUNTING POLICIES

Contingent liabilities

The consolidated entity does not recognise liabilities that do not meet the recognition criteria as prescribed in AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities are not recognised as liabilities if there is only a possible obligation arising from a past event, where the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the consolidated entity. At each reporting date, the consolidated entity assesses whether an outflow of future economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

35 Financial Risk Management

(a) Financial Risk Management Objectives and Policies

The treasury function of the consolidated entity is responsible for the management of the following risks:

- market risk;
- credit risk; and
- liquidity risk.

The consolidated entity's principal financial liabilities, other than derivatives, comprise of trade and other payables and interest-bearing loans and borrowings. The consolidated entity's principal financial assets, other than derivatives, include cash and cash equivalents, trade and other receivables and equity investments at fair value. The consolidated entity manages its exposure to key financial risks, such as interest rate and currency risk in accordance with the consolidated entity's treasury policy which is approved by the Board of Directors. The objective of the treasury policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security. The consolidated entity enters into derivative transactions, principally forward currency contracts, to manage the currency risks arising from the consolidated entity's operations and its source of finance.

The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed.

These include:

- monitoring levels of exposure to interest rate and foreign exchange risk;
- monitoring assessments of market forecasts for interest rate and foreign exchange;
- ageing analyses and monitoring of specific credit allowances to manage credit risk; and
- monitoring liquidity risk through the future rolling cash flow forecasts.

(b) Market Risk

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

i. Foreign Currency Risk Management

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

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

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

35 Financial Risk Management (continued)

(b) Market Risk (continued)

i. Foreign Currency Risk Management (continued)

The consolidated entity is exposed to foreign exchange risk from various currency exposures, primarily with respect to, United States dollars, New Zealand dollars, Euro, British pound, Singapore dollars and Malaysian ringgit. The consolidated entity minimises its exposure to foreign currency risk by initially seeking contracts effectively denominated in the entity's functional currency where possible and economically favourable to do so. Foreign exchange risk that arises from firm commitments or highly probable transactions is managed principally through the use of forward currency contracts. The consolidated entity hedges a proportion of these transactions in each currency in accordance with the treasury policy.

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Financial Assets:		
– Cash and cash equivalents	22,887	79,146
– Trade and other receivables	1,258	4,508
– Derivatives receivable	89	346
	24,234	**84,000**
Financial Liabilities:		
– Trade and other payables	13,715	44,314
– Interest-bearing loans and borrowings	-	16,619
– Derivatives payable	62	20
	13,777	**60,953**
Net exposure	**10,457**	**23,047**

ii. Interest Rate Risk Management

Interest rate risk is the risk that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The consolidated entity's exposure to market interest rates relates primarily to cash and cash equivalents, non-trade debts receivables from related entities and unrelated entities, finance lease receivables, bank overdraft, non-trade amounts owing to related parties, Syndicated Facility, commercial bills and other short-term borrowings.

The consolidated entity manages the interest rate exposure by adjusting the ratio of fixed interest debt to variable interest debt to a desired level based on current market conditions. Where the actual interest rate profile on the physical debt profile differs substantially from the desired target, the consolidated entity uses interest rate swap contracts to adjust towards the target net debt profile.

		FIXED INTEREST RATE MATURING IN					AVERAGE INTEREST RATE	
30 June 2023	**Principal subject to floating interest rate** $000	**1 year or less** $000	**Over 1 to 5 years** $000	**More than 5 years** $000	**Non-interest bearing** $000	**Total** $000	**Floating**	**Fixed**
Cash	80,863	93,405	-	-	44,482	218,750	0.00% - 5.60%	1.50% - 4.39%
Consumer finance loans	-	221	-	-	2,895	3,116	-	5.50%
Finance lease receivables	-	403	762	-	2,722	3,887	-	11.00%
Receivables from franchisees	-	-	-	-	840,996	840,996	-	-
Trade receivables	-	-	-	-	114,291	114,291	-	-
Other financial assets	-	-	-	-	66,487	66,487	-	-
Non-trade debts receivables & loans	76,839	32,480	28,152	1,030	1,281	139,782	2.30% - 5.19%	5.00% - 10.0%
Total	**157,702**	**126,509**	**28,914**	**1,030**	**1,073,154**	**1,387,309**		
Syndicated Facility & other short-term borrowings	623,796	-	200,000	-	-	823,796	1.66% - 6.10%	3.72%*
Trade creditors	-	-	-	-	352,716	352,716	-	-
Other loans	4,238	-	-	-	233	4,471	1.20% - 5.29%	-
Bank overdraft	16,694	-	-	-	-	16,694	2.00% - 6.50%	-
Bills payable	5,400	-	-	-	-	5,400	1.19% - 3.88%	-
Total	**650,128**	**-**	**200,000**	**-**	**352,949**	**1,203,077**		

* Refer to Note 36 Derivative Financial Instruments (c) interest rate swap contracts–cash flow hedges for further details.

35 Financial Risk Management (continued)

(b) Market Risk (continued)

ii. Interest Rate Risk Management (continued)

		FIXED INTEREST RATE MATURING IN					AVERAGE INTEREST RATE	
30 June 2022	**Principal subject to floating interest rate** $000	**1 year or less** $000	**Over 1 to 5 years** $000	**More than 5 years** $000	**Non-interest bearing** $000	**Total** $000	**Floating**	**Fixed**
Cash	115,888	93,599	-	-	39,317	248,804	0.00% - 2.00%	0.14% - 2.60%
Consumer finance loans	-	-	-	-	3,239	3,239	-	-
Finance lease receivables	-	433	537	-	2,722	3,692	-	11.00%
Receivables from franchisees	-	-	-	-	892,917	892,917	-	-
Trade receivables	-	-	-	-	126,186	126,186	-	-
Other financial assets	-	-	-	-	61,419	61,419	-	-
Non-trade debts receivables & loans	48,407	46,524	18,391	2,274	1,460	117,056	2.30% - 5.19%	5.00% - 10.0%
Total	**164,295**	**140,556**	**18,928**	**2,274**	**1,127,260**	**1,453,313**		
Syndicated Facility & other short-term borrowings	675,317	-	-	-	-	675,317	0.24% - 4.75%	-
Trade creditors	-	-	-	-	358,341	358,341	-	-
Other loans	4,238	-	-	-	174	4,412	1.15% - 2.29%	-
Bank overdraft	14,446	-	-	-	-	14,446	1.60% - 2.00%	-
Bills payable	5,400	-	-	-	-	5,400	0.06% - 0.25%	-
Total	**699,401**	**-**	**-**	**-**	**358,515**	**1,057,916**		

iii. Equity Price Risk Management

The consolidated entity is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The exposure to the risk of a general decline in equity market values is not hedged as the consolidated entity believes such a strategy is not cost effective. The fair value of the equity investments publicly traded on the ASX was $34.49 million as at 30 June 2023 (2022: $30.80 million). The fair value of the equity investments publicly traded on the NZX was $19.83 million as at 30 June 2023 (2022: $25.10 million).

iv. Sensitivity analysis

At the reporting date, the consolidated entity's exposure to interest rate risk (after taking into consideration the hedge of variable interest loans), foreign currency risk (after taking into consideration the hedge of foreign currency payables) and equity price risk are not considered material.

35 Financial Risk Management (continued)

(c) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from the financial assets of the consolidated entity, which comprise receivables from franchisees, trade and non-trade debts receivables, consumer finance loans and finance lease receivables, with a maximum exposure equal to the carrying amount of these financial assets.

The consolidated entity manages the credit risk exposure by taking the following measures:

- The Franchisor constantly monitors and evaluates the financial position of each franchisee;
- Conducting appropriate due diligence on counterparties before entering into an arrangement with them. It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored;
- Minimising concentrations of credit risk by undertaking transactions with a large number of debtors in various countries and industries. Trade receivable balances are monitored on an ongoing basis;
- Non-trade debts receivable are subject to regular monitoring and/or periodic impairment testing to ensure that they are recoverable; and
- Finance lease receivables are secured by assets with a value equal to, or in excess of, the counterparties' obligation to the consolidated entity.

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

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

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Location of credit risk: – Australia	1,026,451	1,075,160
– New Zealand	31,520	20,732
– Singapore & Malaysia	16,365	14,984
– Slovenia & Croatia	2,083	3,703
– Ireland & Northern Ireland	4,238	4,219
Total	**1,080,657**	**1,118,798**

As at 30 June 2023, other than the loss allowance recognised in relation to trade and non-trade debts receivables and consumer finance loans as disclosed in Note 7, no financial assets were impaired.

35 Financial Risk Management (continued)

(d) Liquidity Risk

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

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

To help reduce these risks, the consolidated entity:

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

The Board reviews this exposure on a monthly basis from a projected 12-month cash flow forecast, listing of banking facilities, explanations of variances from the prior month reports and current funding positions of the overseas controlled entities provided by finance personnel. The following table details the consolidated entity's remaining contractual maturity for its financial assets and financial liabilities. The financial assets have been disclosed based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The financial liabilities have been disclosed based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the consolidated entity can be required to pay.

30 June 2023	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Non derivative financial assets:					
– Cash and cash equivalents	218,750	-	-	-	218,750
– Receivables from franchisees	840,996	-	-	-	840,996
– Trade and other receivables	163,130	10,770	59,424	17,422	250,746
– Other financial assets	-	-	-	62,642	62,642
Derivative financial assets:					
– Interest rate swap contracts	3,755	-	-	-	3,755
– Forward currency contracts	90	-	-	-	90
Total financial assets	**1,226,721**	**10,770**	**59,424**	**80,064**	**1,376,979**
Non derivative financial liabilities:					
– Trade and other payables	352,716	-	-	-	352,716
– Interest-bearing loans and borrowings	115,769	54,035	813,761	-	983,565
Derivative financial liabilities:					
– Forward currency contracts	62	-	-	-	62
Total financial liabilities	**468,547**	**54,035**	**813,761**	**-**	**1,336,343**
Net maturity	**758,174**	**(43,265)**	**(754,337)**	**80,064**	**40,636**

30 June 2022	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Non derivative financial assets:					
– Cash and cash equivalents	248,804	-	-	-	248,804
– Receivables from franchisees	892,917	-	-	-	892,917
– Trade and other receivables	179,940	14,271	41,273	4,080	239,564
– Other financial assets	-	-	-	61,073	61,073
Derivative financial assets:					
– Forward currency contracts	346	-	-	-	346
Total financial assets	**1,322,007**	**14,271**	**41,273**	**65,153**	**1,442,704**
Non derivative financial liabilities:					
– Trade and other payables	358,341	-	-	-	358,341
– Interest-bearing loans and borrowings	275,423	7,641	463,219	-	746,283
Derivative financial liabilities:					
– Forward currency contracts	20	-	-	-	20
Total financial liabilities	**633,784**	**7,641**	**463,219**	**-**	**1,104,644**
Net maturity	**688,223**	**6,630**	**(421,946)**	**65,153**	**338,060**

35 Financial Risk Management (continued)

(e) Fair value of Financial Assets and Financial Liabilities

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

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

The consolidated entity uses various methods in estimating the fair value of financial instruments. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

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

30 June 2023	Quoted market price (Level 1) $000	Market observable inputs (Level 2) $000	Total $000
Financial Assets:			
– Listed investments	54,312	-	54,312
– Interest rate swap contracts	-	3,755	3,755
– Forward currency contracts	-	90	90
Total financial assets	**54,312**	**3,845**	**58,157**
Financial Liabilities:			
– Forward currency contracts	-	62	62
Total financial liabilities	**-**	**62**	**62**
30 June 2022			
Financial Assets:			
– Listed investments	55,891	-	55,891
– Forward currency contracts	-	346	346
Total financial assets	**55,891**	**346**	**56,237**
Financial Liabilities:			
– Forward currency contracts	-	20	20
Total financial liabilities	**-**	**20**	**20**

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Forward currency contracts are measured using quoted forward exchange rates. Interest rate swap contracts are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. These instruments are included in level 2.

(f) Capital Risk 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.

35 Financial Risk Management (continued)

(f) Capital Risk Management Policy (continued)

The consolidated entity is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the consolidated entity may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The capital structure of the consolidated entity consists of debt, which includes the interest-bearing loans and borrowings disclosed in Note 17, cash and cash equivalents disclosed in Note 26(a) 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. None of the subsidiaries within the consolidated entity are subject to externally imposed capital requirements.

Capital management is monitored through the net debt to equity ratio. The Capital Management Policy stipulates a net debt to equity target for the consolidated entity of less than 50%. 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. The net debt to equity ratio as at 30 June 2023 was 13.85% (30 June 2022: 10.31%).

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Borrowings (refer to Note 17: Interest-Bearing Loans and Borrowings)	850,361	699,575
Less: Cash and Cash equivalents	(218,750)	(248,804)
Net Debt	**631,611**	**450,771**
Total equity (a)	**4,560,517**	**4,371,925**
Net debt to equity ratio	**13.85%**	**10.31%**

(a) For the purpose of calculating the net debt to equity ratio, total equity excludes the negative acquisition reserve of $16.27 million (2022: $16.27 million), the right-of-use assets in respect of property, plant and equipment leases of $546.02 million (2022: $472.51 million) and investment properties (leasehold): right-of-use assets of $705.03 million (2022: $675.60 million) and the lease liabilities recognised under AASB 16 *Leases* of $1,328.81 million (2022: $1,204.63 million).

36 Derivative Financial Instruments

Hedging instruments

The following table details the derivative hedging instruments as at balance date. The fair value of a hedging derivative is classified as a non-current asset or liability if the future cash flows of the hedging derivative are only due beyond 12 months and as a current asset or liability if the future cash flows of the hedging derivative are due in less than 12 months.

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Current assets		
Foreign currency contracts—held for trading*	90	327
Foreign currency contracts—cash flow hedges	-	19
Interest rate swap contracts—cash flow hedges	3,755	-
Current liabilities		
Foreign currency contracts—held for trading*	9	20
Foreign currency contracts—cash flow hedges	53	-

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

36 Derivative Financial Instruments (continued)

(a) Forward currency contracts-held for trading

	Average Exchange Rate		CONSOLIDATED 2023		CONSOLIDATED 2022	
Currency	2023	2022	Buy $000	Sell $000	Buy $000	Sell $000
Euro (0-12 months)	62.02	65.91	3,898	-	3,794	-
US Dollar (0-12 months)	66.54	72.35	4,402	-	6,127	-
Total			**8,300**	**-**	**9,921**	**-**

These contracts are fair valued by comparing the contracted rate to the market rates at balance date. All movements in fair value are recognised in the income statement in the period they occur. The net fair value gain on forward currency contracts during the year ended 30 June 2023 was $0.08 million for the consolidated entity (2022: net fair value gain of $0.31 million).

(b) Forward currency contracts-cash flow hedges

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

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

	Average Exchange Rate		CONSOLIDATED 2023		CONSOLIDATED 2022	
Currency	2023	2022	Buy $000	Sell $000	Buy $000	Sell $000
Euro (0-12 months)	60.06	66.16	3,447	-	4,580	-

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast inventory purchases and firm committed invoice payments for inventory purchases. During the year ended 30 June 2023, the hedges were 100% effective (2022: 100% effective), therefore the gain or loss on the contracts attributable to the hedged risk is taken directly to other comprehensive income. When the inventory is delivered the amount recognised in other comprehensive income is adjusted to the inventory account in the statement of financial position.

Movement in the forward currency contract cash flow hedge reserve:

	CONSOLIDATED June 2023 $000	CONSOLIDATED June 2022 $000
	Increase/Decrease	
Opening balance	13	(3)
Reverse expired or realised cash flow hedge reserves	(13)	3
(Loss) / Gain recognised in other comprehensive income	(37)	13
Closing balance	**(37)**	**13**

36 Derivative Financial Instruments (continued)

(c) Interest rate swap contracts-cash flow hedges

Under a interest rate swap contract, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contract enables the consolidated entity to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable rate debt held.

At 30 June 2023, the consolidated entity had an interest rate swap contract in place with a notional amount of AUD $200 million (2022: nil) whereby the consolidated entity receives a variable rate of interest at a rate equal to the Australian 3 month BBSY on the notional amount and pays a fixed rate of interest rate of 3.72%. The swap is being used to hedge exposure to changes in the interest rate of its variable rate secured loan with an interest rate equal to the Australian 3 month BBSY plus a margin. The consolidated entity has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component as the terms of the interest rate swap match the terms of the underlying variable rate loan (i.e. notional amount, maturity, payment and reset dates) and is considered to be highly effective. The interest rate swap is settled on a net basis every quarter. During the year the hedge was 100% effective, therefore any gain or loss on the contract attributable to the hedged risk was taken directly to other comprehensive income and reclassified to profit and loss when interest expense is recognised.

Movement in the interest rate swap contract cash flow hedge reserve:

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
	Increase/Decrease	
Opening balance	-	-
Transferred to interest expense	-	-
Gain recognised in other comprehensive income	3,755	-
Closing balance	**3,755**	**-**

37 Deed of Cross Guarantee

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

- Arisit Pty Limited
- Contemporary Design Group Pty Limited
- Derni Pty Limited
- Generic Publications Pty Limited
- Harvey Norman Big Buys Pty Limited
- Harvey Norman Stores (N.Z.) Pty Limited
- Network Consumer Finance Pty Limited
- Sarsha Pty Limited
- Yoogalu Pty Limited

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

	CONSOLIDATED	
	June 2023 $000	June 2022 $000
Current assets		
– Cash and cash equivalents	73,284	111,103
– Trade and other receivables	967,869	1,047,828
– Other financial assets	3,845	153
– Inventories	256,249	255,147
– Intangible assets	600	280
– Other assets	23,074	28,471
Total current assets	**1,324,921**	**1,442,982**
Non-Current assets		
– Trade and other receivables	2,220,177	1,894,719
– Other financial assets	302,743	330,645
– Property, Plant & Equipment	94,590	40,462
– Property, Plant & Equipment: Right-of-use assets	169,388	177,099
– Intangible assets	56,492	56,984
Total non-current assets	**2,843,390**	**2,499,909**
Total assets	**4,168,311**	**3,942,891**
Current liabilities		
– Trade and other payables	113,661	164,343
– Interest-bearing loans and borrowings	5,673	205,554
– Lease liabilities	26,361	28,346
– Income tax payable	7,001	51,048
– Provisions	30,814	32,341
– Other liabilities	86,710	50,560
Total current liabilities	**270,220**	**532,192**
Non-Current liabilities		
– Interest-bearing loans and borrowings	760,000	410,000
– Lease liabilities	168,335	175,813
– Provisions	2,404	2,252
– Deferred income tax liabilities	135,761	115,387
Total non-current liabilities	**1,066,500**	**703,452**
Total liabilities	**1,336,720**	**1,235,644**
Net Assets	**2,831,591**	**2,707,247**

37 Deed of Cross Guarantee (continued)

	CONSOLIDATED	
	June 2023 $000	**June 2022** $000
Equity		
– Contributed equity	717,925	717,925
– Reserves	16,724	11,887
– Retained profits	2,097,500	1,977,859
– Non-controlling interests	(558)	(424)
Total equity	**2,831,591**	**2,707,247**
Income Statement		
– Profit before income tax	589,994	823,728
– Income tax	(90,321)	(121,760)
Profit after tax	**499,673**	**701,968**
Retained Earnings		
– Retained earnings at the beginning of the year	1,977,859	1,711,993
– Profit after tax	499,673	701,968
– Dividends provided for or paid	(380,032)	(436,102)
Retained earnings at the end of the year	**2,097,500**	**1,977,859**

38 Parent Entity Financial Information

	PARENT ENTITY	
	June 2023 $000	**June 2022** $000
Current assets	18	1
Non-current assets	3,030,987	2,947,077
Total assets	**3,031,005**	**2,947,078**
Current liabilities	4,870	51,303
Non-current liabilities	151,699	136,595
Total liabilities	**156,569**	**187,898**
Contributed equity	717,925	717,925
Retained profits	2,156,511	2,041,255
Total Equity	**2,874,436**	**2,759,180**
Profit for the year	**495,288**	**614,873**
Total Comprehensive Income	**495,288**	**614,873**

Guarantees

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

- Arisit Pty Limited
- Contemporary Design Group Pty Limited
- Derni Pty Limited
- Generic Publications Pty Limited
- Harvey Norman Big Buys Pty Limited
- Harvey Norman Stores (N.Z.) Pty Limited
- Network Consumer Finance Pty Limited
- Sarsha Pty Limited
- Yoogalu Pty Limited

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

38 Parent Entity Financial Information (continued)

Contingent Liabilities

Refer to information provided in Note 34: Contingent Liabilities for disclosures relating to the Parent Entity.

39 Controlled Entities and Unit Trusts

The listing of controlled entities and unit trusts detailed on this page is not a complete and exhaustive list of all controlled entities and unit trusts held by Harvey Norman Holdings Limited. The financial year of all controlled entities and unit trusts are the same as that of the Parent Company.

Shares held by Harvey Norman Holdings Limited

A listing of material subsidiaries of Harvey Norman Holdings Limited are detailed below:

Arisit Pty Limited [1, 2]
Bencoolen Properties Pte Limited [6,7]
Cascade Consolidated Sdn. Bhd. [9,10]
Consolidated Design Group Pty Limited [1]
Contemporary Design Group Pty Limited [1,2]
Derni Pty Limited [1,2]
Elitetrax Marketing Sdn. Bhd. [10,11]
Generic Publications Pty Limited [1,2]
Harvey Norman Big Buys Pty Limited [1,2,3]
Harvey Norman Croatia d.o.o. [15,16]
Harvey Norman Europe d.o.o. [14]
Harvey Norman Holdings (Ireland) Limited [12]
Harvey Norman Limited [4]
Harvey Norman Ossia (Asia) Pte Limited [6,7,8]
Harvey Norman Properties (N.Z.) Limited [4,5]
Harvey Norman Singapore Pte Limited [6,7]
Harvey Norman Stores (N.Z.) Pty Limited [1,2]
Harvey Norman Trading (Ireland) Limited [12,13]
Harvey Norman Trading d.o.o. [14,15]
Network Consumer Finance Pty Limited [1,2]
Pertama Holdings Pte Limited [6,7,8]
Pertama Merchandising Pte Ltd [6,9]
Sarsha Pty Limited [1,2]
Space Furniture Pte Limited [6,7]
Space Furniture Collection Sdn. Bhd. [10]
Yoogalu Pty Limited [1,2]

Notes:	
1	Company incorporated in Australia.
2	Company is a member of the "Closed Group" relieved under the Class Order described in Note 37.
3	Harvey Norman Big Buys Pty Limited holds 99.02% of the shares in the KEH Partnership.
4	Company incorporated in New Zealand.
5	Shares held by Harvey Norman Limited.
6	Company incorporated in Singapore.
7	Harvey Norman Singapore Pte Limited owns 100% of the shares in Bencoolen Properties Pte Limited, 60% of the shares in Harvey Norman Ossia (Asia) Pte Limited, 100% of the shares in Space Furniture Pte Limited and 50.62% of the shares in Pertama Holdings Pte Limited.
8	Harvey Norman Ossia (Asia) Pte Limited holds 49.38% of the shares in Pertama Holdings Pte Limited.
9	Shares held by Pertama Holdings Pte Limited.
10	Company incorporated in Malaysia.
11	Shares held by Cascade Consolidated Sdn. Bhd.
12	Company incorporated in Ireland.
13	Shares held by Harvey Norman Holdings (Ireland) Limited.
14	Company incorporated in Slovenia.
15	Harvey Norman Europe d.o.o. owns 100% of the shares in Harvey Norman Trading d.o.o. and 100% of the shares Harvey Norman Croatia d.o.o.
16	Company incorporated in Croatia.

39 Controlled Entities and Unit Trusts (continued)

Units in Trusts held by Harvey Norman Holdings Limited

A listing of material unit trusts of Harvey Norman Holdings Limited are detailed below:

Calardu ACT Trust
Calardu Albury Trust
Calardu Alexandria DM Trust
Calardu Alexandria WH Trust
Calardu Auburn No. 1 Trust
Calardu Auburn No. 2 Trust
Calardu Auburn No. 4 Trust
Calardu Auburn No. 5 Trust
Calardu Auburn No. 6 Trust
Calardu Auburn No. 7 Trust
Calardu Auburn No. 8 Trust
Calardu Ballina No. 1 Trust
Calardu Bendigo Trust
Calardu Brookvale Trust
Calardu Browns Plains No. 1 Trust
Calardu Cairns Trust
Calardu Cambridge Trust
Calardu Campbelltown Trust
Calardu Cannington Trust
Calardu Caringbah (Taren Point) Trust
Calardu Devonport Trust
Calardu Frankston Trust
Calardu Gepps Cross Trust
Calardu Geraldton Trust
Calardu Hoppers Crossing Trust
Calardu Loganholme Trust
Calardu MacGregor Trust
Calardu Malaga Trust
Calardu Maribyrnong Trust
Calardu Maroochydore Trust
Calardu Midland Trust
Calardu Munno Para Trust
Calardu Noarlunga Trust
Calardu Penrith Trust
Calardu Penrith No. 1 Trust
Calardu Penrith No. 2 Trust
Calardu Perth City West Trust
Calardu Preston Trust
Calardu Rosebery Trust
Calardu Rutherford Trust
Calardu Silverwater Trust
Calardu Springvale Trust
Calardu Taylors Beach Trust
Calardu Taylors Lakes Trust
Calardu Toowoomba Trust
Calardu Toowoomba No. 1 Trust
Calardu Toowoomba No. 2 Trust
Calardu Tweed Heads No. 1 Trust
Calardu Wodonga Trust
Harvey Norman Discounts No. 1 Trust
Harvey Norman No. 1 Trust
Lamino Investments No. 2 Trust
The Calardu Trust

40 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.

Distribution of shareholdings as at 27 September 2023

Size of holding	Ordinary Shareholders
1 – 1,000	14,780
1,001 – 5,000	14,426
5,001 – 10,000	4,614
10,001 – 100,000	4,102
100,001 and over	206
	38,128
Number of shareholders with less than a marketable parcel	**1,819**

Voting rights

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

Twenty largest shareholders as at 27 September 2023

Number of Ordinary Shares	Shareholder	Percentage of Ordinary Shares
414,966,437	Mr. Gerald Harvey	33.304%
205,525,565	Mr. Christopher Herbert Brown	16.495%
138,064,373	HSBC Custody Nominees Limited	11.081%
70,031,186	Citicorp Nominees Pty Limited	5.620%
58,592,289	Ms. Margaret Lynette Harvey	4.702%
48,064,691	J P Morgan Nominees Australia Limited	3.858%
20,222,315	Ms. Kay Lesley Page	1.623%
20,063,673	Enbeear Pty Limited	1.610%
15,132,380	BNP Paribas Nominees Pty Limited	1.215%
14,009,641	National Nominees Limited	1.124%
8,070,000	BKI Investment Company Limited	0.648%
5,213,182	Argo Investments Limited	0.418%
3,335,180	Ms Jacqueline Galbraith	0.268%
2,522,476	Peter & Lyndy White Foundation Pty Ltd	0.202%
2,033,309	Omnilab Media Investments Pty Ltd	0.163%
1,367,297	Mr. Chris Mentis	0.110%
1,361,893	Mr. John Evyn Slack-Smith	0.109%
1,297,486	Mr. Arthur Brew	0.104%
1,143,295	Eastcote Pty Ltd	0.092%
1,061,450	Mr. Graeme Harvey	0.085%
1,032,078,118		**82.831%**