Harvey Norman
HOLDINGS LIMITED

2016
APPENDIX 4E

Harvey Norman®

DOMAYNE®

JOYCE MAYNE®

Our brands provide 'Solutions For The Home' by offering the largest range of trusted brands, products and services under one roof in 192 Harvey Norman®, Domayne® and Joyce Mayne® branded franchised complexes in Australia and 85 company-operated stores across 7 overseas countries.

KEY DATES:

31 August 2016	Announcement of Full Year Profit to 30 June 2016 Announcement of Final 2016 Dividend
1 November 2016	Record Date for Determining Entitlement to Final 2016 Dividend
14 November 2016	Annual General Meeting of Shareholders The Annual General Meeting of the Shareholders of Harvey Norman Holdings Limited will be held at Tattersalls Club 181 Elizabeth Street, Sydney, at 11:00am
1 December 2016	Payment of Final 2016 Dividend
28 February 2017	Announcement of Half-Year Profit to 31 December 2016 Announcement of Interim 2016 Dividend
7 April 2017	Record Date for Determining Entitlement to Interim 2017 Dividend
1 May 2017	Payment of Interim 2017 Dividend

COMPANY INFORMATION

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

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

Auditors:
Ernst & Young

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

Solicitors:
Brown Wright Stein

Company Secretary:
Mr Chris Mentis

HARVEY NORMAN HOLDINGS LIMITED
ABN 54 003 237 545

FRANCHISEE SALES REVENUE

$5.33bn

up 7.6% on prior year

COMPANY-OPERATED SALES REVENUE

$1.80bn

up 11.0% on prior year

PROFIT BEFORE TAX

$493.76m

up 30.6% on prior year

PROFIT AFTER TAX & NON-CONTROLLING INTERESTS

$348.61m

up 30.0% on prior year

PROFIT AFTER TAX & NON-CONTROLLING INTERESTS (excluding net property revaluation adjustments)

$314.74m

up 20.2% on prior year

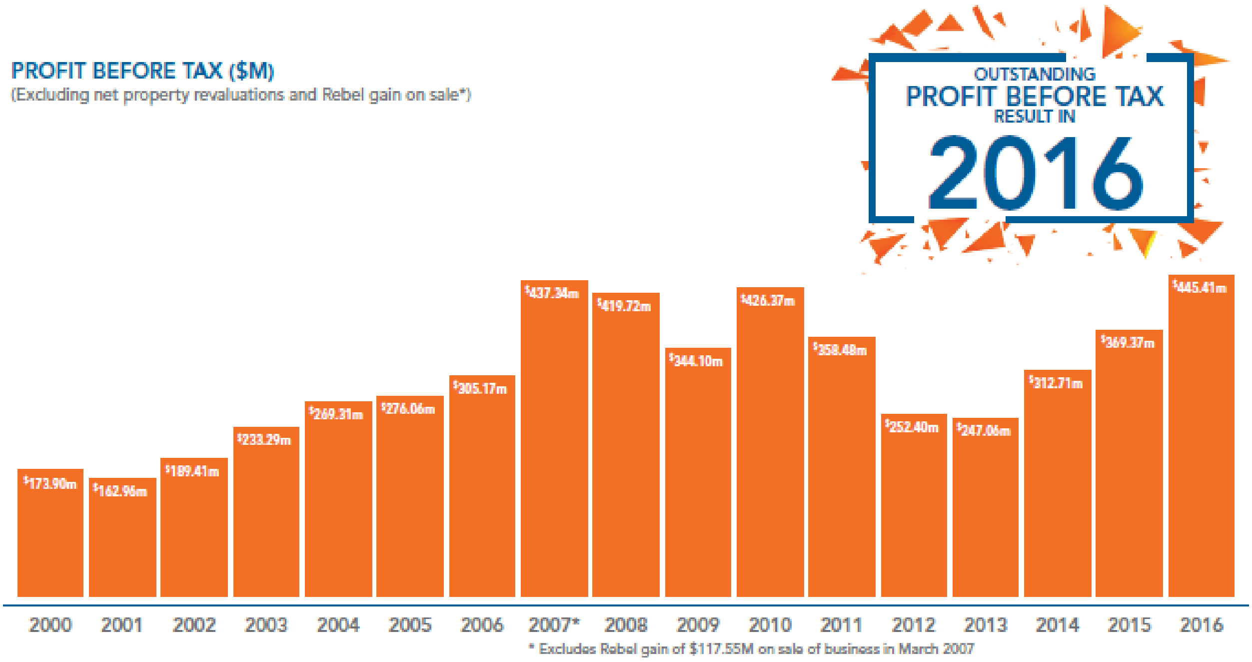
Contents

HARVEY NORMAN® - SOLUTIONS FOR EVERY ROOM IN THE HOME

Truly the one-stop destination, Harvey Norman® offers a range of solutions for every room - superb quality and style in the living room, comfort and support you need in the bedroom, the latest innovative technology for entertainment and food preparation, and everything you need to set up the perfect home office.

Financial Highlights	FY2016 Jun-16	FY2015 Jun-15	FY2014 Jun-14
No. of franchised complexes in Australia[1]	192	194	198
No. of franchisees in Australia[1]	673	678	677
No. of company-operated stores[2]	85	86	82
Franchisee headline sales revenue[1]	$5.33bn	$4.95bn	$4.77bn
Company-operated sales revenue[2]	$1,795.76m	$1,617.15m	$1,513.66m
Other revenues and other income items	$1,230.48m	$1,116.83m	$1,046.67m
Earnings before interest, tax, depreciation, impairment and amortisation (EBITDIA)	$633.58m	$488.69m	$415.35m
Earnings before interest and tax (EBIT)	$522.47m	$410.97m	$337.50m
Net property revaluation increment/(decrement)	$48.36m	$8.73m	($11.65m)
Profit before tax	**$493.76m**	**$378.10m**	**$301.06m**
Profit before tax excluding impairment losses	*$526.32m*	*$378.37m*	*$301.28m*
Profit before tax excluding net property revaluation adjustments	*$445.41m*	*$369.37m*	*$312.71m*
Profit before tax excluding impairment losses and net property revaluation adjustments	*$477.97m*	*$369.65m*	*$312.93m*
Profit after tax and non-controlling interests (NCI)	**$348.61m**	**$268.10m**	**$211.70m**
Profit after tax & NCI excluding impairment losses	*$371.40m*	*$268.29m*	*$211.85m*
Profit after tax & NCI excluding net property revaluations	*$314.74m*	*$261.84m*	*$220.10m*
Profit after tax & NCI excluding impairment losses net property revaluations	*$337.54m*	*$262.03m*	*$220.25m*
Net cash flows from operating activities	$437.69m	$340.45m	$338.94m
Basic earnings per share	31.36c	24.51c	19.69c
Dividends per share (fully-franked)	30.0c	20.0c	14.0c
Special dividend per share (fully-franked)	-	14.0c	-
Net debt to equity ratio (%)	18.97%	19.88%	22.40%

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



Dear Shareholder,

We are very pleased with the results that we are presenting today. The result for the year ended 30 June 2016 is a significant achievement in financial terms as well as a strong endorsement of our business model and strategy. The consolidated entity has delivered an outstanding profit before tax of $493.76 million, registering growth of 30.6% over the 2015 financial year and net profit after tax of $348.61 million, up from $268.10 million in the prior year.

This year has provided substantive evidence of the value of our integrated retail, franchise, property and digital strategy. This combination ensures that we manage the evolution and emergence of new technology and trends to enable our franchisees and company-operated stores to remain at the forefront of Home and Lifestyle retailing; meet the needs of their customers for in-store or online engagement; and respond effectively to the changing trends in key product categories.

Our Strategy Puts Us at the Forefront of Retailing

Harvey Norman® franchisees are leaders in the Home and Lifestyle market in Australia with sales underpinned by the resilient property market, population growth and favourable interest rate settings. However, as part of our integrated strategy we have sought to broaden the core of the Harvey Norman® offering to ensure that our franchisees become leaders in Home and Lifestyle market, with a focus on the quickly evolving role of connected technology in our everyday lives.

Having a retail presence in eight countries affords us a global view of markets working hand-in-hand with our global partners. This market position not only capitalises on the public's enthusiasm for the fitness and entertainment aspects of this technology, but also embeds the expertise into the franchised network in preparation for the enhanced connectivity implicit in the next stage of these devices. Our franchisees are at the forefront of the **Internet of Things** in this rapidly expanding category of connected devices. The everyday benefits of the **Internet of Things** promises to be a sustained retail trend for the foreseeable future. Harvey Norman®, Domayne® and Joyce Mayne® franchisees are well positioned to understand the potential of these developments and to provide the best service possible to help connect consumers with their technology needs.

Our Strategy Enables Customers to Transact

Sales made by our independent franchisees and in our company-operated stores have grown significantly this year. Franchisee headline sales have reached $5.33 billion, representing growth of 7.6% over the prior year. For our company-operated stores revenue has grown from $1.62 billion in FY15 to $1.80 billion this year, an increase of 11.0%. We continue to invest in systems, processes and people, enabling an Omni Channel service offering across the network of Harvey Norman® complexes to align and integrate the customer experience across digital interfaces and physical complexes.

Our Strategy Provides Strength and Flexibility

Key to the consolidated entity's ability to best exhibit the extensive product range of franchisees and to meet consumer trends is the property portfolio, valued this year at $2.44 billion. As a destination for home and lifestyle products, Harvey Norman® offers an expansive retail offering. Our franchised complexes in Australia and overseas company-operated stores are showcases for broad product ranges, further enhancing the reputation and quality of our brand.

The ownership of high quality and well-located complexes with Harvey Norman®, Domayne® or Joyce Mayne® branded franchisees as anchor tenants, delivers a steady and reliable income stream and affords considerable scope to respond to changing demand requiring additional space.

Outlook

In conclusion, we remain confident of the path we are pursuing. While macroeconomic conditions in the markets in which we operate may change, housing conditions in Australia remain strong and are likely to remain favourable in the near term.

The emerging lifestyle categories, particularly technology based products, are exhibiting strong demand as consumers automate and connect across their home, work and recreational lives.

We thank our staff and we would like to acknowledge the hard work of our franchisees and pay tribute to their efforts and enthusiasm throughout the year. We also welcome the continuing support of our shareholders and your confidence in our direction.

G. HARVEY	**K.L. PAGE**
Chairman	Chief Executive Officer
Sydney	Sydney
31 August 2016	31 August 2016

Directors

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

Gerald Harvey
Executive Chairman
Mr. G. Harvey was the co-founder of Harvey Norman Holdings Limited in 1982 with Mr. Norman. Mr. G. Harvey has overall executive responsibility for the strategic direction of the consolidated entity, and in particular, property investments.

Christopher Herbert Brown OAM, LL.M., FAICD, CTA
Non-Executive Director
Mr. Brown holds the degree of Master of Laws from the University of Sydney. Mr. Brown is the senior partner in Brown Wright Stein Lawyers. Brown Wright Stein Lawyers has acted as lawyers for the consolidated entity since 1982. Mr. Brown was appointed a director of the Company in 1987, when it became a listed public company. Mr. Brown is a member of the Audit, Remuneration and Nomination Committees.

Mr. Brown is the Chairman of Windgap Foundation Limited. In 2013 he was awarded the Medal of the Order of Australia (OAM) for service to the community, particularly to people with disability.

David Matthew Ackery
Executive Director
Mr. Ackery was appointed a director of Harvey Norman Holdings Limited on 20 December 2005. Mr. Ackery has overall executive responsibility for the relationship between the consolidated entity and Harvey Norman® home appliances, home entertainment and technology franchisees and strategic partners.

Mr. Ackery is a director of the public company, St. Joseph's College Foundation Limited.

Michael John Harvey B.Com.
Non-Executive Director
Mr. M. Harvey joined Harvey Norman in 1987, having completed a Bachelor of Commerce degree. Mr. M. Harvey gained extensive experience as a Harvey Norman® franchisee from 1989 to 1994. Mr. M. Harvey became a director of the Company in 1993 and was appointed Managing Director in July 1994. Mr. M. Harvey ceased to be an Executive Director and Managing Director on 30 June 1998.

Kay Lesley Page
Executive Director and CEO
Ms. Page joined Harvey Norman in 1983 and was appointed a director of Harvey Norman Holdings Limited in 1987.

Ms. Page became the Chief Executive Officer of the Company in February 1999 and has overall executive responsibility for the consolidated entity.

Ms. Page is a director of the following other listed/public companies:

- The Retail Council
- Trustee of the Sydney Cricket and Sports Ground Trust

John Evyn Slack-Smith
Executive Director and COO
Mr. Slack-Smith was a Harvey Norman® computer franchisee between 1993 and 1999. Mr. Slack-Smith became a director of the Company on 5 February 2001. Mr. Slack-Smith has overall executive responsibility for the operations of the consolidated entity.

Kenneth William Gunderson-Briggs B.Bus., FCA, MAICD
Non-Executive Director (Independent)
Mr. Gunderson-Briggs was appointed a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. Mr. Gunderson-Briggs has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. Mr. Gunderson-Briggs' qualifications include a Bachelor of Business from the University of Technology, Sydney and he is a Fellow of the Institute of Chartered Accountants. Mr. Gunderson-Briggs was appointed Chairman of the Remuneration Committee on 16 December 2015 and is a member of the Audit and Nomination Committees.

Mr. Gunderson-Briggs is a non-executive director of Australian Pharmaceutical Industries Limited, a company listed on the ASX. Mr. Gunderson-Briggs is the Chairman of Glenaeon Rudolph Steiner School Limited.

Chris Mentis B.Bus., FCA, FGIA, Grad Dip App Fin
Executive Director, CFO & Company Secretary
Mr. Mentis was appointed a director of Harvey Norman Holdings Limited on 30 August 2007.

Mr. Mentis joined Harvey Norman as Financial Controller on 15 December 1997. On 20 April 2006, he became Chief Financial Officer and Company Secretary. Mr. Mentis is a Fellow of the Institute of Chartered Accountants and a Fellow of the Governance Institute of Australia, with extensive experience in financial accounting. Mr. Mentis has overall executive responsibility for the accounting and financial matters of the consolidated entity.

Graham Charles Paton AM, B.Ec., FCPA, MAICD
Non-Executive Director (Independent)
Mr. Paton holds a Bachelor of Economics degree from the University of Sydney. During his 23 years as a partner of an international chartered accounting practice, he was involved in the provision of professional services to the retail industry. He retired from public practice in July 2001. Mr. Paton is a Fellow and Life Member of CPA Australia and was the National President of that professional accounting body in 1993/1994.

In 2001 he was awarded membership of the General Division of the Order of Australia for his services to the accounting profession and for his services to the deaf community through his chairmanship of the Shepherd Centre for Deaf Children for the decade to 2001.

Mr. Paton was appointed a director of Harvey Norman Holdings Limited on 20 June 2005 and was appointed the Senior Independent Director on 16 December 2015. Mr. Paton was appointed Chairman of the Nomination Committee on 16 December 2015, Chairman of the Audit Committee on 9 March 2006 and is a member of the Remuneration Committee.

Mr. Paton is an independent non-executive director of Gazal Corporation Limited, a company listed on the ASX.

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

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

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

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

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

Directors' Meetings
The number of meetings of the Board of directors and of its Board committees during the year were:

Board / Committee	Number of Meetings
Full Board	10
Audit	8
Remuneration	8
Nomination	2

Attendance at Remuneration Committee Meetings:
- K.W. Gunderson-Briggs (Chairman): 8 (8)
- C.H. Brown: 7 (8)
- G.C. Paton AM: 7 (8)

Attendance at Nomination Committee Meetings:
Mr G.C. Paton, Mr C.H. Brown and Mr K.W. Gunderson-Briggs attended each of the Nomination Committee meetings held during the year.

Directors' Meetings (continued)
The attendance of directors at meetings of the Board and Audit Committee were:

Director	Board of Directors	Audit Committee
G. Harvey	10 (10)	n/a
K.L. Page	10 (10)	n/a
J.E. Slack-Smith	10 (10)	n/a
D.M. Ackery	10 (10)	n/a
M.J. Harvey	10 (10)	n/a
C.H. Brown	10 (10)	8 (8)
K.W. Gunderson-Briggs	9 (10)	8 (8)
G.C. Paton	10 (10)	8 (8)
C. Mentis	10 (10)	n/a

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

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

Principal Activities
The principal activities of the consolidated entity are that of an integrated retail, franchise, property and digital system including:
- Franchisor;
- Sale of furniture, bedding, computers, communications and consumer electrical products in New Zealand, Singapore, Malaysia, Slovenia, Ireland, Northern Ireland and Croatia;
- Property investment;
- Lessor of premises to Harvey Norman®, Domayne® and Joyce Mayne® franchisees and other third parties;
- Media placement; and
- Provision of consumer finance and other commercial 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 2016.

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

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.

Directors' Interests

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

Director	Ordinary Shares	Options
G. Harvey	331,889,449	-
K.L. Page	17,717,642	-
M.J. Harvey	2,974,897	-
C.H. Brown	183,323,726	-
J.E. Slack-Smith	649,818	817,000
D.M. Ackery	1,020,334	-
K. W. Gunderson-Briggs	3,137	-
G.C. Paton	15,682	-
C. Mentis	98,341	817,000
TOTAL	537,693,026	1,634,000

Share Options

As at the date of this report, there were 1,634,000 unissued ordinary shares under options (30 June 2015: 3,585,000).

Performance Rights

On 30 November 2015, a total of 400,000 performance rights under Tranche 1 of the 2016 Long-Term Incentive ("LTI") Plan were granted to executive directors following Board adoption of the new scheme and shareholder approval of the LTI Plan at the most recent AGM of the Company. The performance rights were as follows:

Director	Number of Performance Rights
G. Harvey	62,500
K.L. Page	112,500
J.E. Slack-Smith	75,000
D.M. Ackery	75,000
C. Mentis	75,000
TOTAL	400,000

Dividends

The directors recommend a fully franked final dividend of 17.0 cents per share to be paid on 1 December 2016 (total dividend, fully franked - $189,134,335). The following fully franked dividends of the Company have also been paid, declared or recommended since the end of the preceding financial year:

Dividend	Payment Date	$
2015 final fully franked dividend	1 December 2015	122,249,590
2016 interim fully franked dividend	2 May 2016	144,632,138

The total dividend in respect of the year ended 30 June 2016 of 30.0 cents per share represents 95.74% (2015: 82.85%) of profit after tax and non-controlling interests, as set out on page 25 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.

Beneficial Interest

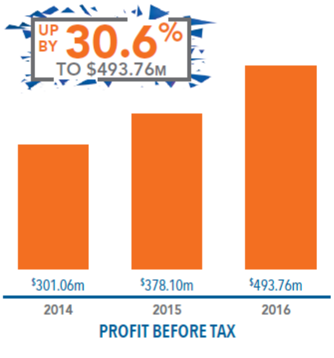
Included in the Directors' Interests table are the following shareholdings indirectly held by each of the directors:

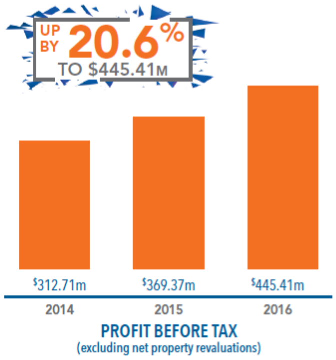
Director	Beneficial Interest in Shares
G. Harvey	has a beneficial interest in 6,013,963 shares held by G Harvey Nominees Pty Limited (as trustee for Harvey 1995 No. 2 Trust), 141,007,580 shares held by G Harvey Nominees (as trustee for Harvey Lamino No. 1 Trust), 333,333 shares held by AET Structured Finance Services Pty Limited (previously HVN Share Plan Pty Limited), 4,160,420 shares held by Gerald Harvey (as trustee for Harvey 2003 Option Trust), 85,881,109 shares held by Gerald Harvey (as trustee for Harvey Option Trust), 3,695,576 shares held by Evitorn Pty Limited (as trustee for Harvey 2014 Share Trust) and 460,000 shares held by G Harvey Nominees (as trustee for Harvey Discretion Trust).
K.L. Page	has a beneficial interest in 8,435,277 shares held by K. Page Pty Limited, 332,880 shares held by K. Page Superannuation Fund Pty Limited and 333,333 shares held by AET Structured Finance Services Pty Limited (previously HVN Share Plan Pty Limited).
J.E. Slack-Smith	has a beneficial interest in 59,999 shares held by AET Structured Finance Services Pty Limited (previously HVN Share Plan Pty Limited), 211,819 shares held by J. E. Slack-Smith as Trustee for Slack-Smith 2003 Option Trust (Shares) and 378,000 shares held by Whitewood Investments Pty Limited.
D.M. Ackery	has a beneficial interest in 133,334 shares held by AET Structured Finance Services Pty Limited (previously HVN Share Plan Pty Limited) and 20,000 shares held by D.M. Ackery as Trustee for Ackery 2005 Option Trust (Shares).
C. Mentis	has a beneficial interest in 79,000 shares held by Prey Mantis Pty Limited (as trustee for the Mentis Family Superannuation Fund).
M.J. Harvey	has a beneficial interest in 709,587 shares held by M.J. Harvey Option Trust.
C.H. Brown	has a beneficial interest in 43,662 shares held by PWSD Pty Limited, 64,509 shares held by Starmoro Pty Limited and 183,215,555 shares held by Dimbulu Pty Limited.
K.W. Gunderson-Briggs	has a beneficial interest in 3,137 shares held by Nosrednug Superannuation Fund Pty Limited.
G.C. Paton	has a beneficial interest in 15,682 shares held by G.C. Paton and V. Paton as trustee for The St. Georges Superannuation Fund.

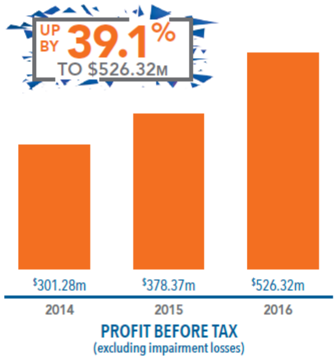
The Operating and Financial Review ("OFR") provides shareholders with an overview of the consolidated entity's results, financial position, dividends and key strategies for the 2016 financial year. It also provides a summary of business risks and a trading outlook for the 2017 financial year.

FINANCIAL ANALYSIS & COMMENTARY: NET PROFIT BEFORE TAX & NET PROFIT AFTER TAX

Profit Before Income Tax







The consolidated entity has produced an outstanding profit before tax result for the 2016 financial year delivering:

- a 30.6% increase in net profit before tax to $493.76 million from $378.10 million in the 2015 financial year.
- a 20.6% increase in net profit before tax excluding net property revaluation adjustments to $445.41 million from $369.37 million in the 2015 financial year, the strongest operating result in the consolidated entity's 34-year history.
- a 39.1% increase in net profit before tax excluding impairment losses (attributable to the write-down of investments and commercial advances to non-core businesses) to $526.32 million from $378.37 million in the 2015 financial year.

This exceptional result underscores the value of the integrated franchising, property, retail and digital business model. The strength derived from the combination of these four components, together with the process innovation being introduced through the merchandise, inventory and supplier management system and workforce productivity technology, has enabled franchisees in Australia and the company-operated retail stores overseas to strengthen and grow their respective market shares in key categories.

In terms of half-on-half performance, the consolidated entity performed extremely well in the last six months of the 2016 financial year. The reported result for the first half to 31 December 2015 was $262.01 million and the result for the second half to 30 June 2016 was $231.75 million. Typically, the December half is stronger than the June half due to the lead up to, and inclusion of, the Christmas trading period and, consistent with this pattern, results for first half FY16 exhibited growth of 30.5% over first half FY15. Pleasingly, second half FY16 growth over the prior corresponding period to 30 June 2015 was 30.7%, outperforming the growth recorded in the first half.

All operating segments grew earnings over the period.

The franchising operations segment result increased 33.8% to $268.15 million from $200.36 million in the prior year with the franchising operations margin improving 98 basis points to 5.03% from 4.05%.

The overseas company-operated stores significantly boosted the consolidated result, capitalising on improved overseas macroeconomic conditions and achieving operating leverage through internal efficiencies. These factors drove an outstanding 78.2% increase in the company-operated retail segment result to $73.11 million from $41.03 million in the prior year.

The property segment performed very well, increasing its result by 25.2% to $169.29 million from $135.19 million in the prior year.

Net profit before tax was impacted by the following:

- a $67.79 million, or 33.8%, increase in the profitability of the franchising operations segment to $268.15 million. This was primarily due to a $63.18 million, or 8.9%, increase in franchise fees and a $12.19 million, or 15.0%, reduction in tactical support compared to the prior year;
- a net property revaluation increment of $48.36 million, an increase of $39.63 million over the net property revaluation increment of $8.73 million recognised in the prior year, reflecting the strong property market in Australia;
- a $17.38 million turnaround in the profitability of the company-operated stores in Singapore and Malaysia to a profit of $11.36 million from a loss of $6.03 million in the previous year, assisted by new store openings including the world-class, flagship Home and Lifestyle superstore in Millenia Walk, Singapore, in December 2015;
- a $15.61 million, or 29.4%, increase in the profitability of the company-operated stores in New Zealand on the back of a 9.4% increase in sales revenue and continued growth in market share;

- a $6.61 million, or 49.9%, reduction in trading losses of the company-operated stores in Ireland and Northern Ireland. The positive momentum from December 2015 continued in Ireland and the Irish business closed the year in a profitable trading position. Northern Ireland incurred significant start-up costs resulting from the opening of the new flagship furniture store in Boucher Road, South Belfast in November 2015 and costs associated with the closure of the Newtownabbey store during the year; and
- a $3.70 million increase in rental income received from franchisees and other third party tenants.

Offset by:
- the recognition of impairment losses of $32.56 million, of which $19.12 million related to the write-down of the equity-accounted investments in mining camp joint ventures and the impairment of mining camp commercial advances during the year. $11.56 million related to the write-down of other non-trade commercial advances and the remaining $1.88 million was attributable to the write-down of non-current assets;
- the recognition of mining camp trading losses of $2.84 million for the 2016 year compared to the share of trading losses of $3.63 million recognised in the prior year; and
- $2.71 million in equity-accounted start-up losses attributable to the 49.9% investment in Coomboona Holdings Pty Limited, comprising dairy farm operations, pedigree breeding and a genetics division.

Net Profit After Tax and Non-Controlling Interests:

Net profit after tax and non-controlling interests increased 30.0%, or $80.51 million, to $348.61 million for the 2016 financial year, from $268.10 million in the prior year. If the effects of the net property revaluation increments were excluded from the result, the net profit after tax and non-controlling interests for the 2016 financial year would have increased 20.2%, or $52.90 million, to $314.74 million, from $261.84 million in the prior year.

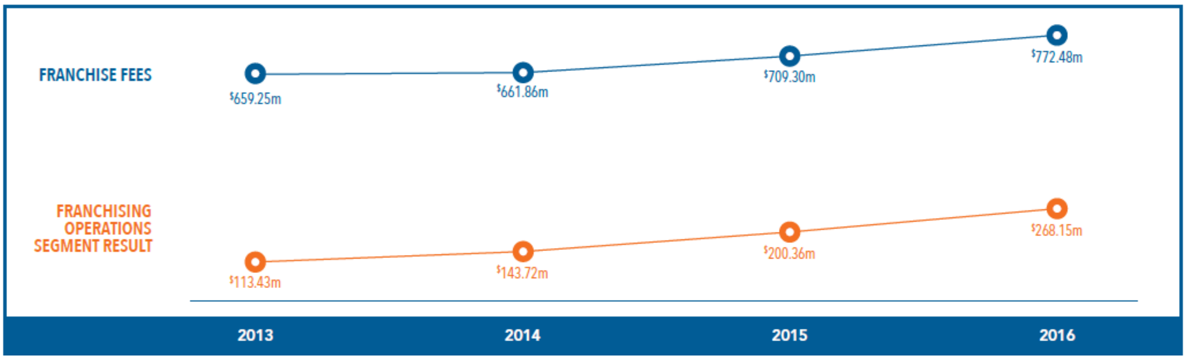
The effective income tax rate for the year ended 30 June 2016 was 28.84% compared to an effective income tax rate of 28.88% in the prior year.

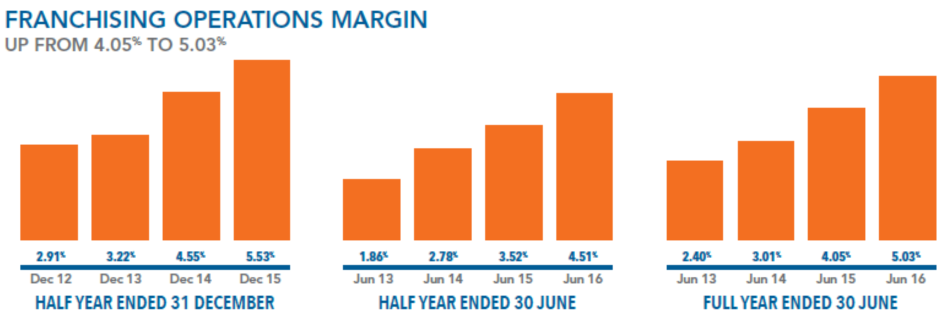
REVIEW & RESULTS OF KEY OPERATING SEGMENTS

The Franchising Operations Segment

The franchising operations segment in Australia remains the key contributor to overall profitability comprising 54% of total profit before tax. The franchising operations segment result increased 33.8%, or $67.79 million, to $268.15 million in the 2016 financial year from $200.36 million in the prior year. Revenue in this segment increased 7.9%, or $69.03 million, to $939.95 million primarily due to an increase in franchise fee income of 8.9%, or $63.18 million, to $772.48 million in the 2016 financial year from $709.30 million in the prior year.

Also contributing to the segment result is the steady decline in tactical support over the past four financial years. The consolidated entity provides tactical support to protect and enhance the Harvey Norman®, Domayne® and Joyce Mayne® brands. Tactical support decreased by 15.0%, or $12.19 million, to $69.16 million in the 2016 financial year from $81.35 million in the prior year. Tactical support has almost halved since the 2013 financial year.





The franchising operations margin increased to 5.03% in the 2016 financial year from 4.05% in the prior year. The half year franchising operations margins were particularly strong in the 2016 financial year, with a margin of 5.53% for the December half and 4.51% for the June half.

FRANCHISING OPERATIONS SEGMENT ANALYSIS BY HALF YEAR

	Half Year Ended 31 December			Half Year Ended 30 June			Full Year Ended 30 June		
	2013	2014	2015	2014	2015	2016	2014	2015	2016
No. of franchised complexes in Australia	202	195	191	198	194	192	198	194	192
Franchising operations segment result	$79.86m	$115.08m	$150.42m	$63.86m	$85.28m	$117.73m	$143.72m	$200.36m	$268.15m
Franchisee headline sales revenue	$2.48bn	$2.53bn	$2.72bn	$2.296bn	$2.42bn	$2.61bn	$4.77bn	$4.95bn	$5.33bn
Franchising Operations Margin (%)	3.22%	4.55%	5.53%	2.78%	3.52%	4.51%	3.01%	4.05%	5.03%

Key drivers of the Franchising Operations Margin (%) (Included in the franchising operations segment result for each period):

(i) Franchising operations segment revenue	$432.92m	$454.68m	$489.91m	$381.19m	$416.24m	$450.04m	$814.11m	$870.92m	$939.95m
% movement on PCP*	-2.6%	+5.0%	+7.7%	-0.1%	+9.2%	+8.1%	-1.5%	+7.0%	+7.9%
(ii) Tactical support	$51.17m	$39.70m	$29.16m	$52.02m	$41.65m	$40.00m	$103.19m	$81.35m	$69.16m
% movement on PCP*	-19.8%	-22.4%	-26.5%	-19.6%	-19.9%	-4.0%	-19.7%	-21.2%	-15.0%

* previous corresponding period

Franchisee Sales Revenue Underpins the Franchising Operations Segment
There is a direct correlation between franchise fee income and franchisee sales revenue. Increased franchisee sales revenue results in increased franchise fee income. Franchisee sales revenue has been driven by a combination of factors, including sustained growth in retail spending, particularly for household goods, fostered by continuing housing market growth; positive consumer sentiment; growth in household incomes and consumption; and favourable monetary policy. Franchisees have benefited from operational efficiencies derived from the continued rollout and adoption of new merchandise, inventory and supplier management systems. These systems are facilitating more seamless and effective transactions for franchisees with suppliers and customers.

Headline Australian franchisee sales revenue increased 7.6%, or $378.10 million, to $5.33 billion for the year ended 30 June 2016 from $4.95 billion in the prior year. Franchisee sales growth in the current year is more than double the growth of the previous year of 3.7%. Comparable franchisee sales revenue increased 8.4% to $5.30 billion for the 2016 financial year.

FRANCHISEE SALES REVENUE

TOTAL FRANCHISEE SALES
LAST TWO FINANCIAL YEARS

JUNE 2016
$5.33bn UP BY 7.6%

JUNE 2015
$4.95bn UP BY 3.7%

COMPARABLE FRANCHISEE SALES
LAST TWO FINANCIAL YEARS

JUNE 2016
$5.30bn UP BY 8.4%

JUNE 2015
$4.92bn UP BY 4.5%

Harvey Norman® franchisees have a strong foothold in the Home and Lifestyle market in Australia. Sales growth is underpinned by a resilient residential property market. Property values are strong, auction clearance rates are high and confidence remains strong. The Harvey Norman® large-store format and generous floorspace allows franchisees to effectively showcase the extensive Home and Lifestyle product range. The Harvey Norman® flexible property model enables quick adaptation to changes in demand and emerging trends.

CONNECTED TO EVERYTHING! Harvey Norman® is the destination for connected devices forming a big part of the Internet of Things.

Franchisees have capitalised on the growing category of connected devices forming a big part of the **Internet of Things**. Harvey Norman® franchisees are at the forefront of this rapidly expanding category and the Harvey Norman® large-store format, generous, flexible floorspace and extensive Home and Lifestyle product range enables franchisees to take the customer on a journey to conceptualise the vast potential of connected devices covering every room in the home and beyond.

Industry information suggests that there will be 6.4 billion connected devices in use worldwide this year and that this figure may grow by more than three times to nearly 21 billion by the year 2020. The concept of the **Internet of Things** is all-encompassing and it's not limited to "things" – it is also about the underlying data and how that data can be captured and analysed.

The endless possibilities of the **Internet of Things** include technology and entertainment, smart phones, connected fitness devices, intelligent appliance retailing, home automation and security and intelligent mattresses. Harvey Norman® franchisees will sell the "things" – nearables, hearables, wearables, voice devices and the world of virtual reality and augmented reality products – and will offer the expertise and technology to use, and understand the benefits of this personal network of things. All of these devices will connect together to create a seamless and connected lifestyle and Harvey Norman® franchisees will act as the conduit to make this happen.

Property Segment: Retail Property, Retail Property Under Construction and Property Developments for Resale

The property portfolio primarily consists of Harvey Norman®, Domayne® or Joyce Mayne® franchisees as anchor tenants, along with additional shops that are leased to a variety of third-party tenants creating a long-term, sustainable tenancy mix. These properties generate stable, secure and growing income returns for the consolidated entity.

The property portfolio remains substantial and was valued at $2.44 billion at 30 June 2016. It represents approximately 55% of the consolidated entity's total asset base as at balance date and the property segment's result before tax represents 34.3% of consolidated profit before tax for the year ended 30 June 2016.

The property segment result increased 25.2%, or $34.10 million, to $169.29 million for the year ended 30 June 2016, from $135.19 million in the prior year. This increase was underpinned by the net property revaluation increment of $48.36 million for the 2016 financial year, which was $39.63 million higher than the net property revaluation increment of $8.73 million recognised in the prior year.

The property segment was negatively impacted by the write-down of equity-accounted investments in mining camp accommodation joint ventures totalling $7.24 million during the year. The full write-down of investment balances limited the consolidated entity's exposure to the mining camp accommodation trading losses to $2.84 million for the 2016 year compared to the share of trading losses in the previous year of $3.63 million. The sharp deterioration in the mining sector continued throughout 2016. Occupancy rates for the mining residential complexes have significantly declined during the year resulting in the temporary closure of a large miners' village in Sarina, Queensland for several months. The consolidated entity continues to periodically assess the viability and potential commencement of new mining projects currently out to tender, and will continue to identify and evaluate alternative uses for the accommodation assets to minimise future losses.

Increased revenue from rents and revaluations in the property segment partially offset the reduction in the profitability of property-related joint ventures.

The following tables represent the composition of property segment assets at each balance date and the number of owned and leased sites as at 30 June 2016.

TOTAL PROPERTY SEGMENT ASSETS AS AT 30 JUNE

	2014	2015	2016
Investment properties	$1.904bn	$1.936bn	$2.046bn
Joint venture assets	$27.56m	$21.43m	$2.54m
Owned land & buildings in New Zealand, Singapore, Slovenia & Australia	$350.66m	$358.72m	$389.80m
Properties held for resale	$8.85m	$2.88m	-
Total Property Segment Assets	$2.29bn	$2.32bn	$2.44bn

BREAKDOWN OF OWNED AND LEASED SITES AS AT 30 JUNE 2016

	# of owned sites	# of leased sites	Total
Australia: Franchised complexes	93	99	192
New Zealand	18	20	38
Slovenia	5	-	5
Croatia	-	1	1
Ireland	-	12	12
Northern Ireland	-	2	2
Singapore	-	13	13
Malaysia	-	14	14
Total	116	161	277

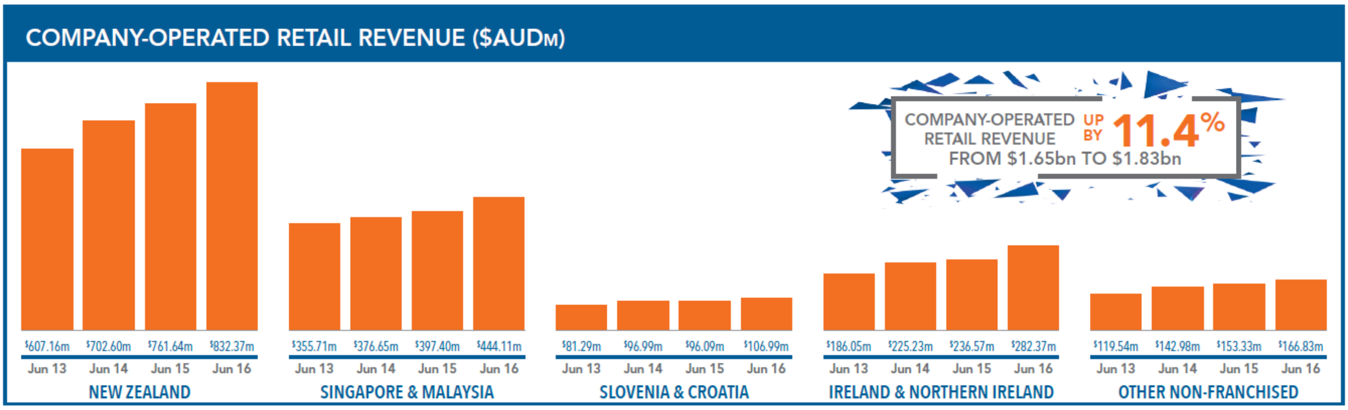
The investment property portfolio in Australia and properties held in joint venture entities are subject to a semi-annual review to fair market value. At each reporting period, one-sixth of the investment property portfolio is independently valued with the remaining five-sixths reviewed for fair value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

During the year ended 30 June 2016, thirty-eight (38) properties in Australia were independently valued, representing 31.1% of the total number of investment properties owned by the consolidated entity and 39.6% of the fair value of all investment properties in Australia.

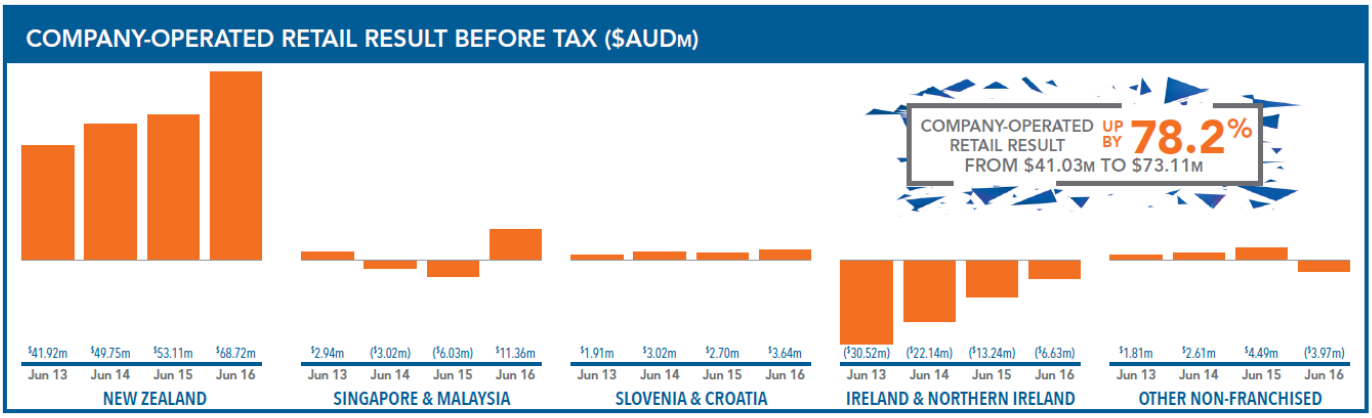
The balance of the portfolio was reviewed for comparability resulting in the preparation of internal valuations for seventeen (17) additional sites. The valuation for the 30 June 2016 financial year resulted in a net increase of $47.79 million in Australia and an increase of $0.57 million in New Zealand.

NET PROPERTY REVALUATION ADJUSTMENTS	2014	2015	2016
Recorded in the Income Statement:			
Total Australian net property revaluation increment / (decrement)	($9.53m)	$7.604m	$47.79m
Plus: Overseas controlled entities:			
- New Zealand	($0.20m)	-	$0.57m
- Slovenia	($1.92m)	$1.123m	-
Total net property revaluation increment / (decrement) in the Income Statement	($11.65m)	$8.73m	$48.36m
Recorded in Equity (Asset Revaluation Reserve):			
- Australia	$0.58m	-	-
- New Zealand	$10.98m	$3.65m	$7.61m
- Slovenia	$0.06m	$0.26m	$0.04m
- Singapore	$5.02m	$7.15m	$1.31m
Total net property revaluation increments recorded in Equity (ARR)	$16.64m	$11.06m	$8.96m

The Company-Operated Retail Segment



The result before tax for the company-operated retail segment increased 78.2%, or $32.08 million, to $73.11 million in the 2016 financial year, from $41.03 million in the prior year. This is a record result for this segment both in terms of the strong profits achieved and the rate of growth relative to prior years. Key standouts are the robust operational performance and profitability in New Zealand, Singapore, Malaysia and the Ireland.



New Zealand
Average FX rate: NZD vs. AUD down 1.33%
Sales revenue from the New Zealand company-operated stores **increased by 10.9%, or $NZ86.62 million, to $NZ883.75 million** in the 2016 financial year, from $NZ797.13 million in the prior year. This was partly due to the opening of a store at Westgate in April 2016 and a full year's contribution from the stores at Napier and Hamilton Outlet that opened in the previous year. Sales increased in all key categories as the economy benefited from strong net immigration, construction growth, increased tourism and an accommodative monetary policy. The housing market in Auckland continues to grow at record levels and this has, in turn, positively impacted the retail market. Market share continues to grow in all key categories reflecting our position as a market leader in New Zealand. Translated into Australian dollars, sales revenue **increased 9.4%, or $69.57 million, to $810.18 million**.

The retail result in New Zealand **increased 29.4%, or $15.61 million, to $68.72 million** for the 2016 financial year, from $53.11 million in the prior year. The increase in New Zealand dollars was 31.1%. This is a record result for the New Zealand retail segment and a record rate of year-on-year growth for the business. Gross margins increased in key categories as a result of improved supplier relationships and disciplined management of floor gross margins. New Zealand management contained costs effectively, achieving solid operating leverage.

Singapore & Malaysia
Average FX rate: SGD vs. AUD up 8.25%
This segment is comprised of 13 Harvey Norman® stores in Singapore, 14 Harvey Norman® stores in Malaysia and the prestige furniture offering of Space Furniture in Singapore and Malaysia. Despite the net reduction of 2 Harvey Norman® stores, sales revenue **increased 2.6%, or $S10.92 million, to $S439.91 million** in the 2016 financial year, from $S428.99 million in the prior year. This increase also incorporates the sales revenue generated by the Space Furniture store in Malaysia that was previously in the Other Non-Franchised Retail segment during its start-up phase. Translated into Australian dollars, sales actually **increased 11.0%, or $43.10 million, to $434.65 million**, from $391.56 million in the prior year, the growth amplified by the 8.25% appreciation in the Singapore dollar relative to the Australian dollar over the year.

The rise in sales revenue translated to a significant turnaround of $17.38 million in the profitability of the Harvey Norman® and Space Furniture stores in Singapore and Malaysia, with the segment recording a profit of $11.36 million for the 2016 financial year from a loss of $6.03 million in the prior year. The new 100,000 sq feet flagship store at Millenia Walk, Singapore opened in December 2015 replacing the existing 45,000 sq feet store. The store is unrivalled in Asia in terms of store design and premium product offering. Performing to expectations, the Millenia Walk superstore has made a solid contribution to sales growth, more than offsetting the effect of the closure during the year of 3 stores located at Tampines Mart, Funan Centre and Raffles City. In Malaysia, Harvey Norman® sales improved in local currency assisted by the new store that opened in Ioi City Mall in October 2015.

Gross margins have significantly improved as a result of better inventory management. Margin improvement has been assisted by the implementation of the new information technology system in 2014 that has enhanced the effective management of supplier terms. Operating leverage has also been achieved through the effective containment and management of costs.

Ireland & Northern Ireland
Average FX rate: EUR vs. AUD up 6.13%; Average FX rate: GBP vs. AUD up 8.00%
In Ireland, sales revenue from the company owned stores **increased 10.4%, or €16.06 million, to €170.02 million** in the 2016 financial year, from €153.96 million in the prior year, with sales growth across all product categories. Translated into Australian dollars, sales revenue **increased 17.2%, or $38.03 million, to $259.14 million**. The Irish business is now in its 5th year of sales growth and the Harvey Norman® brand in Ireland is established as a strong market leader in key categories including bedding, furniture and interiors, electrical and appliances.

In Northern Ireland, the retail operations underwent a significant restructure during the year with the closure of the Newtownabbey store and the opening of a new 60,000 sq feet furniture flagship store on Boucher Road in South Belfast. This move is expected to improve the viability and long-term outlook for the retail operations in the region. Sales revenue from the two company operated stores in Northern Ireland **increased 44.9%, or £2.52 million, to £8.13 million** for the 2016 financial year, from £5.61 million in the prior year. Translated into Australian dollars, sales **increased 56.5%, or $5.97 million, to $16.55 million**.

The trading losses of the company-operated stores in Ireland and Northern Ireland halved in the 2016 financial year, improving **49.9%, or $6.61 million, to $6.63 million** from $13.24 million in the prior year.

There has been a successful turnaround of the 12 stores in Ireland. Robust year-on-year sales growth and the maintenance or strengthening of product margins across key categories, saw the Irish business generate a local retail trading profit of €0.54 million compared to a local retail trading loss of €5.28 million in the prior year, a turnaround of €5.82 million during the year.

Against the positive result in Ireland, trading losses have been incurred in Northern Ireland. These losses include costs sustained in the closure of the Newtownabbey store and the opening of the new Boucher Road store. Together, the one-off closure and start-up opening costs amounted to approximately £0.43 million in the 2016 financial year. Excluding these one-off costs, the trading loss in Northern Ireland was similar to the previous year. The restructure in

Northern Ireland is expected to contribute to a significant reduction in losses and a return to profitability in the near-term.

Slovenia and Croatia
Average FX rate: EUR vs. AUD up 6.13%
Sales revenue from the 5 company-operated stores in Slovenia **increased 2.7%, or €1.39 million, to €52.43 million** in the 2016 financial year, from €51.04 million in the prior year. Translated into Australian dollars, sales revenue **increased 9.0%, or $6.61 million, to $79.91 million** with the improvement in sales largely achieved in the second half of the financial year.

Sales revenue for the Zagreb, Croatia store **increased 10.8%, or €1.59 million, to €16.37million** in the 2016 financial year, from €14.77 million in the prior year. Translated into Australian dollars, sales revenue **increased 17.6%, or $3.73 million, to $24.94 million.**

The retail result in Slovenia and Croatia **increased by 34.9% to $3.64 million** for the year ended 30 June 2016, from $2.70 million for the prior year on the back of sales revenue increases and continued cost containment.

Other Non-Franchised Retail
The non-franchised retail segment consists primarily of retail trading operations in Australia which are wholly-owned, controlled or jointly-controlled by the consolidated entity and does not include the operations of any Harvey Norman® franchisee. Total revenue for the other non-franchised retail segment **increased 8.8%, or $13.50 million, to $166.83 million** for the year ended 30 June 2016, from $153.33 million in the prior year.

The result for the non-franchised retail segment **was a loss of $3.97 million** for the 2016 financial year, compared with a profit of $4.49 million in the prior year. The segment loss for the year included an $11.56 million write-down in commercial advances made to a retail joint venture in Australia.

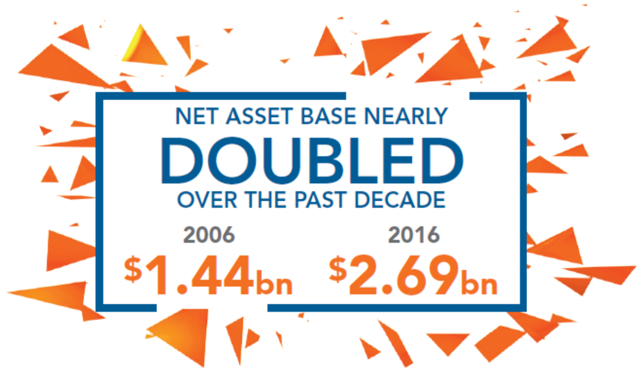
Other Segment

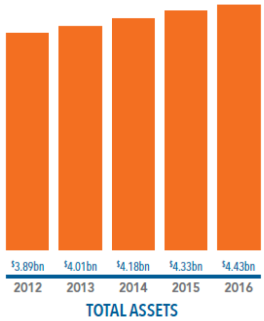
The Other segment is primarily comprised of credit facilities provided to related and unrelated parties and other unallocated income and expense items.

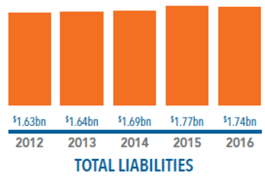
The Other segment recorded a loss of $18.69 million in the 2016 financial year compared to a loss of $1.30 million in the prior year, a deterioration of $17.39 million. The current year includes a write-down of $11.88 million of commercial advances made to mining camp accommodation joint ventures to reduce the value of the non-trade receivable to the expected recoverable amount.

In 2016, the Other segment includes the consolidated entity's 49.9% investment in Coomboona Holdings Pty Limited, comprising dairy farm operations and a pedigree breeding and genetics division in Northern Victoria. The investment offers targeted exposure to the demand for quality agricultural produce forecast to result from increasing urbanisation, particularly in Asia. The transaction amounts to $34 million, including an investment of $25 million and a commercial advance of $9 million, and is consistent with the consolidated entity's investment portfolio strategy to seek growth opportunities and to capitalise on market trends. The equity-accounted start-up losses attributable to the Coomboona dairy joint venture was $2.71 million for the year ended 30 June 2016.

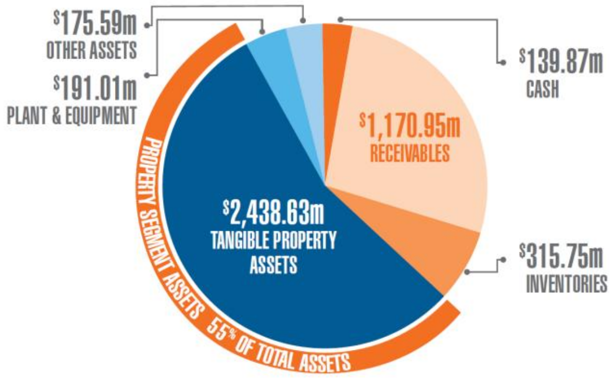
REVIEW OF THE FINANCIAL POSITION OF THE CONSOLIDATED ENTITY







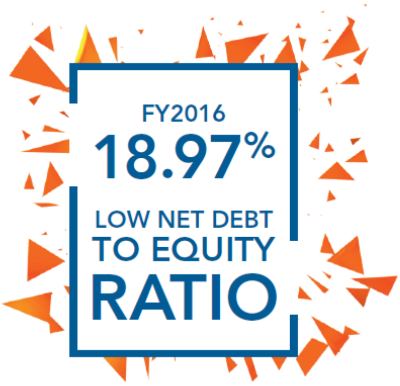
The consolidated entity's strong net asset position has been steadily increasing in recent years and has nearly doubled from $1.44 billion at 30 June 2006 to $2.69 billion as at 30 June 2016. Net assets increased 5.2%, or $131.81 million, to $2.69 billion at 30 June 2016, from $2.56 billion in the prior year.

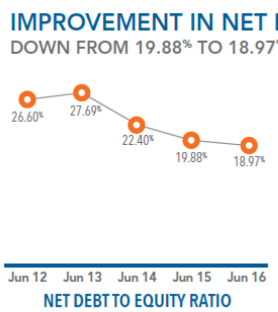


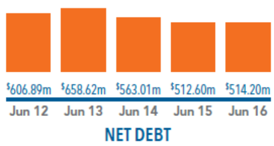
Total assets increased 2.4%, or $105.14 million, to $4.43 billion in the 2016 financial year, from $4.33 billion in the prior year. This increase was largely due to increases of: $110.36 million (+5.7%) in investment properties attributable to fair value adjustments and increased construction and acquisition activity during the year; $28.20 million (+5.1%) in property, plant and equipment assets due to new store openings and increased refurbishments of existing franchised complexes in Australia; and $17.37 million (+5.8%) in inventories of the company-operated retail stores.

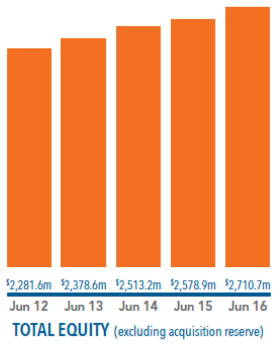
These increases have been offset by decreases in trade and other receivables of $11.53 million (-1.0%), from $1.18 billion in the previous year to $1.17 billion at 30 June 2016. This includes a decrease of $13.59 million in the aggregate amount of receivables from franchisees to assist the franchisee with working capital requirements during the current year. Despite improved cash flows from operating activities, closing cash holdings at balance date has fallen by $45.97 million compared to the prior year due to more acquisitions and construction of investment properties and refurbishments of existing sites, higher repayments of interest-bearing loans and borrowings and higher dividend payments (net of rights issue proceeds). These cash outflows have been funded through existing cash reserves rather than external debt, thereby improving the net debt to equity ratio relative to prior periods.

Total liabilities reduced by 1.5%, or $26.68 million, to $1.74 billion in the 2016 financial year. The decrease was largely due to the reduction in interest-bearing loans and borrowings by $44.36 million, or 6.4%, to $654.08 million as at 30 June 2016. Trade and other payables reduced by $35.10 million, or 4.5%, to $746.49 million primarily due to effective inventory management.









The overall debt levels of the consolidated entity remain low, resulting in a lowering of the net debt to equity ratio from 19.88% in the prior year to 18.97% as at 30 June 2016.

Net cash flows from operating activities increased $97.24 million, or 28.6%, to $437.69 million for the 2016 financial year, from $340.45 million in the prior year.

Capital Management Policy

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

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

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

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

BUSINESS STRATEGIES, FUTURE PROSPECTS AND LIKELY DEVELOPMENTS

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

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

Omni Channel

The Omni Channel operating model of Harvey Norman® franchisees continues to develop and enhance the service offering to their customers. The seamless experience of the model has been improved over the last 12 months with the introduction of the "Click & Collect" application; the launch of the "Shippit" delivery service which provides same day or scheduled delivery times for consumers and the live chat customer service system which has had further expansion throughout the year with improved customer ratings.

The importance of the mobile channel has been highlighted as a key enabler of a quality customer experience in physical Harvey Norman® complexes, online, or through mobile and/or social media.

Integrated Retail, Franchise, Property and Digital System

The integrated retail, franchise, property and digital system strengthens the consolidated entity's competitive position by offering financial stability. With a balance sheet underpinned by a $2.44 billion portfolio of property, Harvey Norman®, as franchisor, is able to provide tactical support where necessary to preserve its brand and competitive position.

Through effective property management, the consolidated entity attempts to attract more customers into franchised complexes by ensuring a high quality, cross beneficial tenancy mix.

Customer Service and Engagement

The "Shop with Confidence" customer service model has been supported with increased training by franchisees of their employees and further developments in the "Customer First" program. These programs capture consumer feedback and inform and enhance the approach of franchisees with their customers, regardless of channel.

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

Operational Efficiencies

The consolidated entity invests in systems, technology and processes to improve profitability and to achieve operational efficiencies.

Merchandise, inventory and supplier management:

This year the phased rollout of the merchandise, inventory and supplier management system continued on time and within budget and now encompasses the franchised complexes in Australia and the company-operated stores in New Zealand, Ireland and Northern Ireland.

During the past year, franchisees have seen a significant expansion in the utilisation of a new system facilitating more seamless and effective transactions with suppliers and customers. Franchisees, in key categories, are now able to replenish inventory using the new merchandise, inventory and supplier management system. Franchisees now have increased visibility of transactions to effectively manage supplier terms, promoting proactive and more productive relationships with their suppliers and customers.

Each franchisee now has access to, and can use, enhanced real-time analytical tools to better understand the individual business of that franchisee, including potential insights into floorspace productivity, and to identify further opportunities to streamline and improve the broader Supply Chain process. The information of franchisees is analysed to enable evaluation and monitoring of the performance of each franchisee.

Workforce productivity improvements:

Each franchisee has successfully deployed on time and within budget, a workforce management system, including staff forecasting and roster optimisation.

Each franchisee now has the tools necessary to efficiently roster staff based on forecast customer traffic, expected sales and staff availability. Each franchisee can now plan to have the right staff on the shop floor to effectively service customer demand, while controlling and managing payroll expense.

It is planned to deploy the workforce management system to company-operated stores in New Zealand in 2017.

Outlook

The strategy of an integrated retail, franchise, property and digital model is the foundation of continued success and resilience both in good times and during uncertain or challenging times. It is robust and dependable providing stability when it needs to, yet flexible and swiftly responsive to emerging trends and opportunities in the market place. Harvey Norman® franchisees operate across a diverse range of key product categories which span vast array of markets, mitigating the reliance on a single trading source or exposure to the risks of a single product category.

While macroeconomic conditions in the markets in which we operate may change, housing conditions in Australia remain strong and are likely to remain favourable in the near term.

The emerging lifestyle categories, particularly technology based products, are exhibiting strong demand as consumers automate and connect across their home, work and recreational lives.

After a period of moderate investment, the consolidated entity intends to open a total of seven (7) new stores in the 2017 financial year. Two (2) franchised complexes will be opened in Australia, consisting of one (1) Harvey Norman® franchised complex in Queensland and one (1) Domayne® franchised complex in South Australia, and five (5) Harvey Norman® company-operated stores in overseas markets, consisting of one (1) store in each of New Zealand, Ireland and Singapore and two (2) stores in Malaysia.

SUMMARY OF KEY BUSINESS RISKS

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

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

(i) Deterioration in macroeconomic conditions resulting in a fall in consumer sentiment:

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

(ii) Competition resulting in a loss of market share for franchisees in Australia:

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

(iii) Emergence of competitors in new channels:

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

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

(iv) Economic downturn in the property sector leading to softening property asset values, falling market rentals and reduction of future capital returns on property assets:

With a property portfolio of $2.44 billion, the consolidated entity is exposed to potential reductions in property values within the bulky goods sector. The consolidated entity has a selective and prudent acquisition and development strategy and maintains high-quality complexes and a solid, dynamic, complementary tenancy mix in order to maximise the profitability of the property segment.

(v) Counterparty risks of service providers:

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

(vi) Counterparty risk associated with the mining camp accommodation joint ventures:

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

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

(vii) Compliance by franchisees with franchise agreements:

This risk relates to franchisees not operating their assigned franchise in accordance with the terms and conditions of their respective franchise agreements. The consequences of non-compliance may include damage to the brand, fines or other sanctions from regulators, and/or a reduction in franchise fees received from franchisees.

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

(viii) Information Technology ("IT") security and data security breaches:

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

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

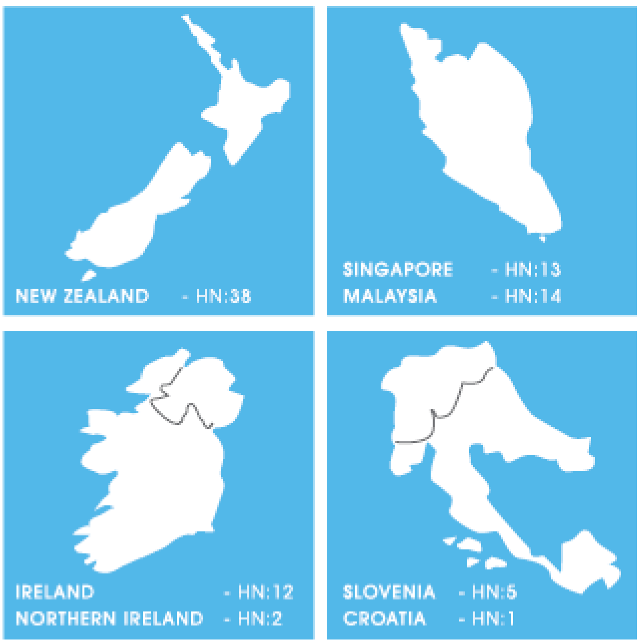
(ix) Investment in agribusiness:

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

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

Geographic Spread

This diagram displays the geographic spread of the Harvey Norman® ("HN"), Domayne® ("DM") and Joyce Mayne® ("JM") franchised complexes in the Australian market and the Harvey Norman® company-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia as at 30 June 2016.



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FRANCHISED COMPLEXES ACROSS AUSTRALIA AND

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COMPANY OPERATED STORES IN OFF- SHORE MARKETS

	NOTE	CONSOLIDATED June 2016 $000	June 2015 $000
Current Assets			
Cash and cash equivalents	28(a)	139,874	185,840
Trade and other receivables	7	1,096,572	1,110,668
Other financial assets	8	26,204	26,148
Inventories	9	315,746	298,381
Other assets	10	26,703	23,072
Intangible assets	11	448	476
Total current assets		1,605,547	1,644,585
Non-Current Assets			
Trade and other receivables	12	74,382	71,815
Investments accounted for using equity method	29	24,828	21,425
Other financial assets	13	18,751	16,570
Property, plant and equipment	14	580,805	552,603
Investment properties	15	2,046,295	1,935,936
Intangible assets	16	81,192	83,727
Total non-current assets		2,826,253	2,682,076
Total Assets		4,431,800	4,326,661
Current Liabilities			
Trade and other payables	17	746,489	781,591
Interest–bearing loans and borrowings	18	453,035	408,438
Income tax payable		42,711	34,807
Other liabilities	19	8,080	2,870
Provisions	20	28,697	23,490
Total current liabilities		1,279,012	1,251,196
Non-Current Liabilities			
Interest-bearing loans and borrowings	21	201,042	290,000
Provisions	22	14,710	12,249
Deferred income tax liabilities		226,254	198,728
Other liabilities	23	22,108	17,628
Total non-current liabilities		464,114	518,605
Total Liabilities		1,743,126	1,769,801
NET ASSETS		2,688,674	2,556,860
Equity			
Contributed equity	24	385,296	380,328
Reserves	27	155,814	113,290
Retained profits	25	2,125,186	2,043,463
Parent entity interests		2,666,296	2,537,081
Non-controlling interests	26	22,378	19,779
TOTAL EQUITY		2,688,674	2,556,860

	NOTE	CONSOLIDATED June 2016 $000	June 2015 $000
Sales revenue	3	1,795,759	1,617,151
Cost of sales		(1,231,933)	(1,126,894)
Gross profit		563,826	490,257
Revenues and other income items	3	1,230,484	1,116,829
Distribution expenses		(34,554)	(34,287)
Marketing expenses		(385,664)	(370,124)
Occupancy expenses	4	(232,002)	(229,081)
Administrative expenses	4	(511,182)	(447,198)
Other expenses	4	(112,795)	(124,082)
Finance costs	4	(28,706)	(32,872)
Share of net profit of joint venture entities	29	4,356	8,658
Profit before income tax		493,763	378,100
Income tax expense	5	(142,423)	(109,186)
Profit after tax		351,340	268,914
Attributable to:			
Owners of the parent		348,605	268,095
Non-controlling interests		2,735	819
		351,340	268,914
Earnings Per Share:			
Basic earnings per share (cents per share)	6	31.36 cents	24.51 cents
Diluted earnings per share (cents per share)	6	31.33 cents	24.48 cents
Dividends per share (cents per share)	25	30.0 cents	20.0 cents
Special dividend per share (cents per share)		-	14.0 cents

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

	CONSOLIDATED	
	June 2016 $000	June 2015 $000
Profit for the year	**351,340**	268,914
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	29,742	(3,560)
Net fair value gains on available-for-sale investments	1,101	1,302
Net movement on cash flow hedges	3,978	4,699
Income tax effect on net movement on cash flow hedges	(1,193)	(1,406)
Items that will not be reclassified subsequently to profit or loss:		
Fair value revaluation of land and buildings	12,777	13,115
Income tax effect on fair value revaluation of land and buildings	(3,499)	(2,055)
Other comprehensive income for the year (net of tax)	**42,906**	12,095
Total comprehensive income for the year (net of tax)	**394,246**	281,009
Total comprehensive income attributable to:		
- Owners of the parent	390,938	278,433
- Non-controlling interests	3,308	2,576
	394,246	281,009

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

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

	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-controlling Interests	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
At 1 July 2014	259,610	2,109,032	91,184	23,846	7,279	(6,110)	8,587	(22,051)	19,729	**2,491,106**
Other comprehensive income:										
Revaluation of land and buildings	-	-	11,060	-	-	-	-	-	-	**11,060**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	12	-	-	-	**12**
Currency translation differences	-	-	-	(5,317)	-	-	-	-	1,757	**(3,560)**
Fair value of interest rate swaps	-	-	-	-	-	3,255	-	-	-	**3,255**
Fair value of forward foreign exchange contracts	-	-	-	-	-	26	-	-	-	**26**
Fair value of available for sale financial assets	-	-	-	-	1,302	-	-	-	-	**1,302**
Other comprehensive income	-	-	11,060	(5,317)	1,302	3,293	-	-	1,757	**12,095**
Profit for the year		268,095	-	-	-	-	-	-	819	**268,914**
Total comprehensive income for the year	**-**	**268,095**	**11,060**	**(5,317)**	**1,302**	**3,293**	**-**	**-**	**2,576**	**281,009**
Cost of share based payments	-	-	-	-	-	-	217	-	-	**217**
Shares issued pursuant to Renounceable Rights Offer	120,718	-	-	-	-	-	-	-	-	**120,718**
Dividends paid	-	(333,664)	-	-	-	-	-	-	(60)	**(333,724)**
Distribution to members	-	-	-	-	-	-	-	-	(2,466)	**(2,466)**
At 30 June 2015	**380,328**	**2,043,463**	**102,244**	**18,529**	**8,581**	**(2,817)**	**8,804**	**(22,051)**	**19,779**	**2,556,860**

	NOTE	CONSOLIDATED June 2016 $000	June 2015 $000
Cash Flows from Operating Activities		Inflows/(Outflows)	
Net receipts from franchisees		949,242	830,844
Receipts from customers		1,932,417	1,710,628
Payments to suppliers and employees		(2,267,638)	(2,059,483)
Distributions received from joint ventures		10,565	13,905
GST paid		(52,207)	(43,258)
Interest received		7,595	8,657
Interest and other costs of finance paid		(28,829)	(33,059)
Income taxes paid		(115,535)	(89,284)
Dividends received		2,081	1,498
Net Cash Flows From Operating Activities	28(b)	437,691	340,448
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment and intangible assets		(68,155)	(55,012)
Payments for purchase of investment properties		(64,338)	(15,828)
Proceeds from sale of property, plant and equipment and properties held for resale		9,051	7,152
Payments for purchase of units in unit trusts and other investments		(636)	(395)
Payments for purchase of equity accounted investments		(25,349)	(4)
Proceeds from sale of listed securities		116	1,477
Payments for purchase of listed securities		(146)	(4,048)
Loans to joint venture entities, joint venture partners and unrelated entities		(30,396)	(15,145)
Net Cash Flows Used In Investing Activities		(179,853)	(81,803)
Cash Flows from Financing Activities			
Proceeds from Renounceable Rights Offer		-	120,718
Proceeds from share issue		4,968	-
Repayments of Syndicated Facility		-	(52,000)
Dividends paid		(266,882)	(184,940)
Special dividend paid		-	(148,724)
Loans (repaid to)/received from related parties		(45,862)	37,153
Proceeds from other borrowings		349	7,196
Net Cash Flows Used In Financing Activities		(307,427)	(220,597)
Net (Decrease) / Increase in Cash and Cash Equivalents		(49,589)	38,048
Cash and Cash Equivalents at Beginning of the Year		153,220	115,172
Cash and Cash Equivalents at End of the Year	28(a)	103,631	153,220

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2015, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2015. The adoption of the amending standards did not have a significant impact on the consolidated entity.

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

2. Operating Segments

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

Operating Segment Revenue: 30 June 2015	June 2015 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	2,869	868,050	870,919
Retail – New Zealand	740,618	21,026	761,644
Retail – Singapore & Malaysia	391,555	5,840	397,395
Retail – Slovenia & Croatia	94,519	1,568	96,087
Retail – Ireland & Northern Ireland	231,690	4,875	236,565
Other Non-Franchised Retail	150,208	3,125	153,333
TOTAL RETAIL	1,608,590	36,434	1,645,024
Retail Property	119	230,268	230,387
Property Developments for Resale	5,573	173	5,746
TOTAL PROPERTY	5,692	230,441	236,133
Equity Investments	-	3,102	3,102
Other	-	17,532	17,532
Inter-company eliminations		(38,730)	(38,730)
Total Segment Revenue	1,617,151	1,116,829	2,733,980

2. Operating Segments (continued)

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

Operating Segment Result: 30 June 2015	June 2015 $000 Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	251,207	(8,511)	(30,800)	(11,535)	**200,361**
Retail – New Zealand	61,401	(30)	(8,141)	(123)	**53,107**
Retail – Singapore & Malaysia	765	(67)	(5,869)	(854)	**(6,025)**
Retail – Slovenia & Croatia	5,070	(483)	(1,752)	(135)	**2,700**
Retail – Ireland & Northern Ireland	(8,349)	(1,960)	(2,929)	-	**(13,238)**
Other Non-Franchised Retail	7,812	(1,855)	(1,376)	(94)	**4,487**
TOTAL RETAIL	66,699	(4,395)	(20,067)	(1,206)	**41,031**
Retail Property	162,181	(18,491)	(8,835)	(580)	**134,275**
Property Developments for Resale	989	(74)	-	-	**915**
TOTAL PROPERTY	163,170	(18,565)	(8,835)	(580)	**135,190**
Equity Investments	3,040	(223)	-	-	**2,817**
Other	5,190	(1,792)	(4,697)	-	**(1,299)**
Inter-company eliminations	(614)	614	-	-	**-**
Total Segment Result Before Tax	**488,692**	**(32,872)**	**(64,399)**	**(13,321)**	**378,100**

2. Operating Segments (continued)

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

Operating Segment Assets and Liabilities: 30 June 2015	June 2015 $000 Segment Assets: Segment Assets	Inter-company Eliminations	**Segment Assets After Eliminations**	Segment Liabilities: Segment Liabilities	Inter-company Eliminations	**Segment Liabilities After Eliminations**
FRANCHISING OPERATIONS	3,457,782	(2,092,646)	**1,365,136**	1,085,758	(230,690)	**855,068**
Retail – New Zealand	201,139	-	**201,139**	72,321	(3,451)	**68,870**
Retail – Singapore & Malaysia	125,717	(1,135)	**124,582**	92,527	(37,923)	**54,604**
Retail – Slovenia & Croatia	42,469	(2,790)	**39,679**	38,609	(1,185)	**37,424**
Retail – Ireland & Northern Ireland	157,317	(98,377)	**58,940**	340,864	(242,265)	**98,599**
Other Non-Franchised Retail	110,293	(31,849)	**78,444**	157,889	(106,245)	**51,644**
TOTAL RETAIL	636,935	(134,151)	**502,784**	702,210	(391,069)	**311,141**
Retail Property	2,329,837	(27,117)	**2,302,720**	1,885,087	(1,555,642)	**329,445**
Property Developments for Resale	16,239	-	**16,239**	10,249	(9,098)	**1,151**
TOTAL PROPERTY	2,346,076	(27,117)	**2,318,959**	1,895,336	(1,564,740)	**330,596**
Equity Investments	40,565	-	**40,565**	3,452	-	**3,452**
Other	125,374	(26,157)	**99,217**	129,581	(93,572)	**36,009**
Total Segment Assets / Liabilities Before Tax	**6,606,732**	**(2,280,071)**	**4,326,661**	**3,816,337**	**(2,280,071)**	**1,536,266**

2. Operating Segments (continued)

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

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

	CONSOLIDATED June 2016 $000	June 2015 $000
3. Revenues		
Sales revenue:		
Revenue from the sale of products	1,795,759	1,617,151
Revenues and other income items:		
Gross revenue from franchisees:		
- Franchise fees	772,476	709,299
- Rent	230,146	229,868
- Interest	27,597	24,643
Total revenue received from franchisees	1,030,219	963,810
Gross revenue from other unrelated parties:		
- Rent received from external tenants	76,501	73,081
- Interest received from financial institutions and other parties	7,595	8,657
- Dividends received	2,554	1,884
Total revenue from other unrelated parties	86,650	83,622
Other Income Items:		
- Net property revaluation increment on Australian investment properties	47,790	7,604
- Property revaluation increment for overseas controlled entities	568	1,123
- Net profit on the revaluation of equity investments to fair value	-	1,218
- Net foreign exchange gains	1,561	220
- Other revenue	63,696	59,232
Total other income items	113,615	69,397
Total revenues and other income items	1,230,484	1,116,829
4. Expenses and Losses		
Tactical support	69,159	81,353
Employee benefits expense:		
- Wages and salaries	246,102	223,896
- Workers' compensation	579	1,017
- Superannuation contributions	13,247	12,216
- Payroll tax	9,081	8,730
- Share-based payments	191	218
- Other employee benefits	11,751	9,308
Total employee benefits expense	280,951	255,385
Minimum lease payments	164,261	159,802

	CONSOLIDATED June 2016 $000	June 2015 $000
4. Expenses and Losses (continued)		
Finance costs:		
Interest paid or payable:		
- Loans from directors and director-related entities	2,354	2,519
- Bank interest paid to financial institutions	25,257	29,100
- Other	1,095	1,253
Total finance costs	28,706	32,872
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	8,629	8,154
- Plant and equipment	53,793	56,245
Amortisation of:		
- Computer software	15,820	12,742
- Software licences	305	305
Impairment of non-current assets (included in administrative expenses line in the Income Statement)	1,883	-
Impairment of non-trade debts receivable from related parties (a) (included in administrative expenses line in the Income Statement)	23,443	-
Impairment of equity-accounted investments (b) (included in administrative expenses line in the Income Statement)	7,235	274
Total depreciation, amortisation and impairment	111,108	77,720

(a) As at 30 June 2016, non-trade debts receivable with a carrying value of $93.38 million (June 2015: $70.81 million) was assessed for impairment and the consolidated entity recognised an impairment loss of $23.44 million in the Income Statement (June 2015: nil) to increase the value of the provision for doubtful debts to $29.31 million as at 30 June 2016 (June 2015: $5.87 million). The non-trade debts receivable relate to several mining camp accommodation joint ventures and other commercial loans in Australia.

(b) The significant downturn in the mining sector resulted in an impairment review of the equity-accounted investments held in mining camp accommodation joint ventures. This impairment review resulted in a full write-down of these investments totalling $7.24 million as at 30 June 2016 (June 2015: $0.27 million).

5. Income Tax

	June 2016 $000	June 2015 $000
Income tax recognised in the Income Statement:		
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	123,690	102,932
Adjustments in respect of current income tax of previous years	38	(632)
Support payments provided to Harvey Norman Holdings (Ireland) Limited as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012	-	(2,160)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	18,695	9,046
Total income tax expense reported in the Income Statement	142,423	109,186

		CONSOLIDATED	
		June 2016 $000	June 2015 $000
6.	**Earnings Per Share**		
	Basic earnings per share (cents per share)	31.36c	24.51c
	Diluted earnings per share (cents per share)	31.33c	24.48c
	The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
	Profit after tax	351,340	268,914
	Profit after tax attributable to non-controlling interests	(2,735)	(819)
	Profit after tax attributable to owners of the parent	348,605	268,095
		NUMBER OF SHARES	
		June 2016	June 2015
	Weighted average number of ordinary shares used in calculating basic earnings per share (a)	1,111,563,813	1,093,626,019
	Effect of dilutive securities (b)	1,155,320	1,490,785
	Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,112,719,133	1,095,116,804

(a) Weighted Average number of Ordinary Shares

The weighted average number of ordinary shares used in calculating basic earnings per share is inclusive of the new shares totalling 1,951,000 ordinary shares in the company issued during the year pursuant to the options issued under the Executive Option Plan granted on 29 November 2010, 29 November 2011 and 29 November 2012, weighted on a pro-rata basis from issue date to 30 June 2016.

(b) Effect of Dilutive Securities

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

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

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

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

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

		CONSOLIDATED	
		June 2016 $000	June 2015 $000
7.	**Trade and Other Receivables (Current)**		
	Trade debtors	106,435	119,245
	Receivables from franchisees	942,934	956,525
	Consumer finance loans	2,215	2,049
	Provision for doubtful debts	(862)	(875)
	Trade debtors and receivables from franchisees, net	1,050,722	1,076,944
	Amounts receivable in respect of finance leases	9,223	10,797
	Provision for doubtful debts	(5,897)	(5,897)
	Finance leases, net	3,326	4,900
	Non-trade debts receivable from:		
	- Related parties (including joint ventures and joint venture partners)	28,391	23,673
	- Unrelated parties	15,120	6,479
	Provision for doubtful debts	(987)	(1,328)
	Non-trade debts receivable, net	42,524	28,824
	Total trade and other receivables (current)	1,096,572	1,110,668
8.	**Other Financial Assets (Current)**		
	Listed shares held for trading at fair value	24,512	24,734
	Derivatives receivable	-	64
	Other current financial assets	1,692	1,350
	Total other financial assets (current)	26,204	26,148
9.	**Inventories (Current)**		
	Finished goods at cost	321,307	301,062
	Provision for obsolescence	(5,561)	(5,563)
	Finished goods at cost, net	315,746	295,499
	Finished goods at net realisable value	-	2,882
	Total current inventories at the lower of cost and net realisable value	315,746	298,381
10.	**Other Assets (Current)**		
	Prepayments	15,578	13,841
	Other current assets	11,125	9,231
	Total other assets (current)	26,703	23,072
11.	**Intangible Assets (Current)**		
	Net licence property	448	476

	CONSOLIDATED June 2016 $000	June 2015 $000
12. Trade and Other Receivables (Non-Current)		
Trade debtors	800	304
Consumer finance loans	464	429
Provision for doubtful debts	(4)	(4)
Trade debtors and consumer finance loans, net	1,260	729
Amounts receivable in respect of finance leases	1,207	1,348
Non-trade debts receivable from:		
- Related parties (including joint ventures)	93,179	68,712
- Unrelated parties	8,049	5,981
Provision for doubtful debts	(29,313)	(4,955)
Non-trade debts receivable, net	71,915	69,738
Total trade and other receivables (non-current)	74,382	71,815
13. Other Financial Assets (Non-Current)		
Listed shares held for trading at fair value	2,200	2,350
Listed shares held as available for sale	15,616	13,481
Units in unit trusts	221	216
Other non-current financial assets	714	523
Total other financial assets (non-current)	18,751	16,570
14. Property, Plant and Equipment (Non-Current)		
Land at fair value	166,399	148,734
Buildings at fair value	223,401	209,983
Net land and buildings at fair value	389,800	358,717
Plant and equipment:		
At cost	772,179	751,037
Accumulated depreciation	(583,817)	(558,486)
Net plant and equipment	188,362	192,551
Lease make good asset:		
At cost	5,526	5,093
Accumulated depreciation	(2,883)	(3,758)
Net lease make good asset	2,643	1,335
Total plant and equipment	191,005	193,886
Total property, plant and equipment:		
Land and buildings at fair value	389,800	358,717
Plant and equipment at cost	777,705	756,130
Total property, plant and equipment	1,167,505	1,114,847
Accumulated depreciation and amortisation	(586,700)	(562,244)
Total written down amount	580,805	552,603

	CONSOLIDATED June 2016 $000	June 2015 $000
15. Investment Properties		
Opening balance at beginning of the year, at fair value	1,935,936	1,903,504
Net additions, disposals and transfers	62,569	24,828
Net increase from fair value adjustments	47,790	7,604
Closing balance at end of the year, at fair value	2,046,295	1,935,936

Investment Properties

Each investment property is valued at fair value. Each investment property is the subject of a lease or licence in favour of independent third parties, including Harvey Norman®, Domayne® and Joyce Mayne® branded franchisees ("Franchisees"). Franchisees occupy properties pursuant to a licence for an initial term of 30 days, thereafter terminable at will. The fair value in respect of each investment property has been calculated using the capitalisation method of valuation, against current market rental value, and having regard to, in respect of each property:

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

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

The consolidated entity obtained independent valuations in respect of thirty-eight (38) properties during the year ended 30 June 2016. Based on the results of the independent valuations, a further seventeen (17) properties were identified by management for further review by management. The seventeen (17) properties had been similarly affected by the same factors or characteristics of the properties which had been independently valued, particularly in relation to yields and market rentals. The capitalisation method of valuation was used for all valuations. Either a discounted cash flow valuation or a direct sale comparison valuation was undertaken in respect of all properties for means of comparison. There were no material differences between the capitalisation method result, the discounted cash flow method result and the direct sale comparison method result.

	CONSOLIDATED June 2016 $000	June 2015 $000
16. Intangible Assets (Non-Current)		
Net licence property	4,108	4,120
Other intangible assets	272	-
Computer software:		
- At cost	170,560	157,600
- Accumulated amortisation and impairment	(93,748)	(77,993)
Net computer software	76,812	79,607
Net intangible assets (non-current)	81,192	83,727
17. Trade and Other Payables (Current)		
Trade creditors	625,821	650,783
Accruals	47,277	43,808
Other creditors	73,391	87,000
Total trade and other payables (current)	746,489	781,591

	CONSOLIDATED June 2016 $000	June 2015 $000
18. Interest-Bearing Loans and Borrowings (Current)		
Secured:		
Non trade amounts owing to:		
- Bank overdraft	**36,243**	32,620
- Commercial bills payable	**9,750**	9,750
- Syndicated Facility Agreement (a)	**260,000**	170,000
- Other short-term borrowings (b)	**102,110**	101,808
Lease liabilities	**364**	139
Unsecured:		
Derivatives payable	**325**	4,104
Non trade amounts owing to:		
- Directors	**38,134**	78,972
- Related parties	**5,932**	10,956
- Unrelated parties	**177**	89
Total interest-bearing loans and borrowings (current)	**453,035**	408,438

(a) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company ("Borrower") and certain other subsidiaries of the Company ("Guarantors") entered into a Syndicated Facility Agreement with certain banks ("Financiers" and each a "Financier"). On 26 November 2015, the Amending Deed (No. 3) to the Syndicated Facility Agreement was executed with the effect of extending the repayment date of Tranche A1 of the Facility totalling $170 million to 4 December 2016 and the repayment date of Tranche A2 of the Facility totalling $200 million to 4 December 2017.

The aggregate value of the Syndicated Facility Agreement remained at $610 million. The utilised amount of the Syndicated Facility Agreement as at 30 June 2016 was $460 million, $260 million of which was classified as current interest-bearing loans and borrowings and $200 million classified as non-current interest-bearing loans and borrowings. This Facility is secured by:

(a) a fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers; and

(b) 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:

(a) in respect of Tranche A1 totalling $170 million on 4 December 2016 ($170 million utilised at 30 June 2016);

(b) in respect of Tranche A2 totalling $200 million on 4 December 2017 ($200 million utilised at 30 June 2016);

(c) in respect of Tranche B totalling $240 million on 22 December 2016 ($90 million utilised at 30 June 2016);

(d) otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:

 (i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;

 (ii) if any change in law or other event makes it illegal or impractical for a Financier to perform its obligations under the Syndicated Facility Agreement or fund or maintain the amount committed by that Financier to the provision of the Increased Facility ("Commitment"), the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

(b) Other Short-Term Borrowings

Of the total other short-term borrowings of $102.11 million:

- a total of $48.98 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facilities are utilised in Slovenia and Croatia and have a maturity date of 2 December 2016.
- a total of $39.89 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facility is utilised in Singapore and has a maturity date of 30 November 2016.
- a total of $11.47 million relates to a revolving credit facility with ANZ in Singapore. This facility is subject to periodic review and otherwise repayable on demand. The revolving credit facility is secured by the securities given pursuant to the Syndicated Facility Agreement.
- a total of $1.17 million relates to a revolving credit facility with AmBank (M) Berhad in Malaysia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.
- a total of $0.60 million relates to a revolving credit facility with ANZ in Australia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to ANZ in respect of the obligations of the Lighting Partners Australia partnership.

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During the 2016 and 2015 financial years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note and in Note 21. Interest-Bearing Loans and Borrowings (Non-Current).

	CONSOLIDATED June 2016 $000	June 2015 $000
19. Other Liabilities (Current)		
Lease incentives	3,164	2,025
Unearned revenue	4,916	845
Total other liabilities (current)	8,080	2,870
20. Provisions (Current)		
Employee entitlements	23,873	18,636
Lease make good	1,684	2,161
Deferred lease expenses	1,243	983
Onerous lease costs	596	750
Other	1,301	960
Total provisions (current)	28,697	23,490
21. Interest-Bearing Loans and Borrowings (Non-Current)		
Secured:		
Syndicated Facility Agreement (Refer to Note 18(a))	200,000	290,000
Lease liabilities	1,042	-
Total interest-bearing loans and borrowings (non-current)	201,042	290,000
22. Provisions (Non-Current)		
Employee entitlements	6,134	4,295
Lease make good	3,859	2,948
Deferred lease expenses	4,717	5,006
Total provisions (non-current)	14,710	12,249
23. Other Liabilities (Non-Current)		
Lease incentives	17,553	14,238
Unearned revenue	4,555	3,390
Total other liabilities (non-current)	22,108	17,628
24. Contributed Equity		
Ordinary shares	385,296	380,328
Total contributed equity	385,296	380,328

	Number of shares	Number of shares
Number of ordinary shares issued and fully paid	1,112,554,911	1,110,603,911

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

Movements in ordinary shares on issue	Number of shares	June 2016 $000
At 1 July 2015	1,110,603,911	380,328
Issue of shares under executive share option plan	1,951,000	4,968
At 30 June 2016	1,112,554,911	385,296

	Consolidated June 2016 $000	Consolidated June 2015 $000

25. Retained Profits and Dividends

	June 2016 $000	June 2015 $000
Movements in retained profits were as follows:		
Balance at beginning of the year	2,043,463	2,109,032
Profit for the year	348,605	268,095
Dividends paid	(266,882)	(333,664)
Balance at end of the year	2,125,186	2,043,463
Dividends declared and paid during the year:		
Dividends on ordinary shares:		
Final fully-franked dividend for 2015: 11.0 cents (2014: 8.0 cents)	122,250	84,986
Special fully-franked dividend pursuant to Renounceable Rights Offer in December 2014: 14.0 cents	-	148,724
Interim fully-franked dividend for 2016: 13.0 cents (2015: 9.0 cents)	144,632	99,954
Total dividends paid	266,882	333,664

The final dividend of $122.25 million, fully-franked, for the year ended 30 June 2015 was paid on 1 December 2015.
The special dividend of $148.72 million, fully-franked, pursuant to the Renounceable Rights Offer was paid on 30 December 2014.
The interim dividend of $144.63 million, fully-franked, for the year ended 30 June 2016 was paid on 2 May 2016.
The final dividend of 17.0 cents per share totalling $189.13 million, fully-franked, for the year ended 30 June 2016 will be paid on 1 December 2016. No provision has been made in the Statement of Financial Position for the payment of this final dividend.

Franking credit balance

The amount of franking credits available for the subsequent financial years are:

	June 2016 $000	June 2015 $000
- franking account balance as at the end of the financial year at 30%	588,411	607,620
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	34,254	29,182
- franking credits that will be utilised in the payment of proposed final dividend	(81,058)	(52,357)
The amount of franking credits available for future reporting years	541,607	584,445

26. Non-Controlling Interests

	June 2016 $000	June 2015 $000
Interest in:		
- Ordinary shares	2,691	2,591
- Reserves	14,011	13,440
- Retained profits	5,676	3,748
Total non-controlling interests	22,378	19,779

27. Reserves

CONSOLIDATED $000	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2014	91,184	23,846	7,279	(6,110)	8,587	(22,051)	102,735
Revaluation of land and buildings	13,115	-	-	-	-	-	13,115
Tax effect of revaluation of land and buildings	(2,055)	-	-	-	-	-	(2,055)
Unrealised gain on available-for-sale investments	-	-	1,302	-	-	-	1,302
Net gain on interest rate swap	-	-	-	4,650	-	-	4,650
Tax effect of net gain on swap	-	-	-	(1,395)	-	-	(1,395)
Reverse expired or realised cash flow hedge reserves	-	-	-	12	-	-	12
Net gain on forward foreign exchange contracts	-	-	-	37	-	-	37
Tax effect of net gain on forward foreign exchange contracts	-	-	-	(11)	-	-	(11)
Currency translation differences	-	(5,317)	-	-	-	-	(5,317)
Share based payment	-	-	-	-	217	-	217
At 30 June 2015	102,244	18,529	8,581	(2,817)	8,804	(22,051)	113,290
At 1 July 2015	102,244	18,529	8,581	(2,817)	8,804	(22,051)	113,290
Revaluation of land and buildings	12,454	-	-	-	-	-	12,454
Tax effect of revaluation of land and buildings	(3,499)	-	-	-	-	-	(3,499)
Unrealised gain on available-for-sale investments	-	-	1,101	-	-	-	1,101
Reverse expired or realised cash flow hedge reserves	-	-	-	2,817	-	-	2,817
Net loss on forward foreign exchange contracts	-	-	-	(46)	-	-	(46)
Tax effect of net loss on forward foreign exchange contracts	-	-	-	14	-	-	14
Currency translation differences	-	29,492	-	-	-	-	29,492
Share based payment	-	-	-	-	191	-	191
At 30 June 2016	111,199	48,021	9,682	(32)	8,995	(22,051)	155,814

Nature and purpose of reserves:

Asset revaluation reserve
This reserve is used to record increases in the fair value of "owner occupied" land and buildings and decreases to the extent that such decreases relate to an increase of the same asset previously recognised in equity.

Foreign currency translation reserve
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Available for sale reserve
This reserve is used to record fair value changes on available-for-sale investments.

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

Employee equity benefits reserve
This reserve is used to record the value of equity benefits provided to executive directors as part of their remuneration.

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

	CONSOLIDATED	
	June 2016 $000	June 2015 $000

28. Cash and Cash Equivalents

(a) Reconciliation to Cash Flow Statement

	June 2016 $000	June 2015 $000
Cash and cash equivalents comprise the following at end of the year:		
Cash at bank and on hand	99,909	169,694
Short term money market deposits	39,965	16,146
	139,874	185,840
Bank overdraft (Note 18)	(36,243)	(32,620)
Cash and cash equivalents at end of the year	103,631	153,220

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

	June 2016 $000	June 2015 $000
Profit after tax	351,340	268,914
Adjustments for:		
Net foreign exchange gains	(1,561)	(220)
Bad and doubtful debts	26,058	2,785
Provision for inventory obsolescence	(2)	1,258
Share of net profit from joint venture entities	(4,356)	(8,657)
Depreciation of property, plant and equipment	62,422	64,399
Amortisation	16,125	13,047
Impairment of non-current assets	1,883	-
Impairment of equity-accounted investments	7,235	274
Revaluation of investment properties	(47,790)	(7,604)
Property revaluation adjustment for overseas controlled entities	(568)	(1,123)
Deferred lease expenses	(131)	244
Provision for onerous leases	617	667
Executive remuneration expenses	3,628	4,246
Transfers to provisions:		
- Employee entitlements	5,394	2,662
Loss on disposal and revaluation of:		
- Property, plant and equipment, and listed securities	490	2,271
Changes in assets and liabilities net of effects from purchase and sale of controlled entities:		
(Increase)/decrease in assets:		
Receivables	17,709	(77,953)
Inventory	(17,362)	(1,970)
Other current assets	(3,631)	(62)
Increase/(decrease) in liabilities:		
Payables and other current liabilities	12,287	66,604
Income tax payable	7,904	10,666
Net cash from operating activities	437,691	340,448

29. Investments Accounted for Using Equity Method

	CONSOLIDATED Investment		CONSOLIDATED Share of pre tax profit	
	June 2016 $000	June 2015 $000	**June 2016 $000**	June 2015 $000
Total joint venture entities accounted for using equity method	**24,828**	21,425	**4,356**	8,658

Name and Principal Activities	Ownership Interest		Contribution to Pre Tax Profit / (Loss)	
	June 2016 %	June 2015 %	**June 2016 $000**	June 2015 $000
Noarlunga (Shopping complex)	**50%**	50%	**1,533**	1,470
Perth City West (Shopping complex)	**50%**	50%	**3,820**	4,344
Warrawong King St (a) (Shopping complex)	**62.5%**	62.5%	**1,056**	1,246
Byron Bay (Residential/convention development)	**50%**	50%	**(711)**	(706)
Byron Bay – 2 (Resort operations)	**50%**	50%	**596**	1,004
Dubbo (Shopping complex)	**50%**	50%	**624**	672
Bundaberg (Land held for investment)	**50%**	50%	**(4)**	(4)
Gepps Cross (Shopping complex)	**50%**	50%	**2,994**	2,708
QCV (b) (Miners residential complex)	**50%**	50%	**(2,844)**	(3,630)
Lincoln Junction (New Zealand)	**-**	50%	**-**	1,554
KEH Partnership (Retailer)	**50%**	50%	**-**	-
Coomboona Dairy (c) (Dairy farming)	**49.9%**	-	**(2,708)**	-
			4,356	8,658

(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 $10.30 million plus interest and costs, with a maturity date of 15 December 2016. HNHL has granted a joint and several guarantee to ANZ in respect of this facility.
- (ii) finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $35.37 million plus interest and costs, subject to bi-annual review.

(c) In September 2015, the consolidated entity acquired, through a wholly-owned subsidiary, 49.9% of Coomboona Holdings Pty Limited comprising dairy farm operations and a pedigree breeding and genetics division in Northern Victoria. The investment offers targeted exposure to the demand for quality agricultural produce forecast to result from increasing urbanisation, particularly in Asia. The transaction amounts to $34 million, including an investment of $25 million and a commercial advance provided by NCF of $9 million, and is consistent with the consolidated entity's investment portfolio mandate to seek growth opportunities and to capitalise on market trends. The consolidated entity incurred a $2.71 million equity-accounted loss in respect of this new joint venture.

Non-Cash Financing and Investing Activities

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

	CONSOLIDATED	
	June 2016	June 2015
Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	2.53	2.39

Business Combinations Having Material Effect

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

Loss of Control of Entities Having Material Effect

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

Audit

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