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

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

SILVERWATER DC, NSW 1811
AUSTRALIA

Telephone: (02) 9201 6111
Facsimile: (02) 9201 6250

28 September 2018

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

Dear Sir

Pursuant to listing rule 4.5, we enclose a copy of the 2018 Annual Report for Harvey Norman Holdings Limited, for your attention.

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

We confirm that this Annual Report is the same as those to be sent to shareholders.
We expect to have the printed Annual Report for posting to shareholders on 15th October 2018.

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

Yours faithfully

Chris Mentis
Chief Financial Officer / Company Secretary

TEAM HARVEY JUNIOR

2018

ANNUAL REPORT

Harvey Norman®

HOLDINGS LIMITED

Harvey Norman®

DOMAYNE®

JOYCE MAYNE®

KEY DATES:

31 August 2018	Announcement of Full-Year Profit to 30 June 2018 Announcement of Final 2018 Dividend
12 October 2018	Record date for Determining Entitlement to Final 2018 Dividend
2 November 2018	Payment of Final 2018 Dividend
27 November 2018	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
28 February 2019	Announcement of Half-Year Profit to 31 December 2018 Announcement of Interim 2019 Dividend
5 April 2019	Record date for Determining Entitlement to Interim 2019 Dividend
1 May 2019	Payment of Interim 2019 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

Securities Exchange Listing:
Shares in Harvey Norman Holdings Limited ("HVN") are quoted on the Australian Securities Exchange Limited ("ASX")

Solicitors:
Brown Wright Stein

Company Secretary:
Mr Chris Mentis

HARVEY NORMAN HOLDINGS LIMITED
ACN 003 237 545

FRANCHISEE AGGREGATED SALES REVENUE*

$5.76bn

up **2.6%** on previous year

COMPANY-OPERATED SALES REVENUE

$1.99bn

up **8.8%** on previous year

PROFIT BEFORE TAX

$530.17m

down **17.1%** on previous year

PROFIT BEFORE TAX
(excluding net property revaluations, Coomboona JV trading losses and Coomboona JV impairment)

$532.54m

down **0.96%** on previous year

PROFIT AFTER TAX & NON-CONTROLLING INTERESTS

$375.38m

down **16.4%** on previous year

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

Contents

TEAM HARVEY JUNIOR:
BUILDING A BRIGHT FUTURE FOR THE SPORTSWOMEN OF TOMORROW.

Harvey Norman® has been a driving force behind the promotion of female athletes for over a decade – ensuring they get the support they need and the recognition they deserve. In 2017, the Team Harvey project was launched as a way to harness corporate sponsorship to highlight the achievements of Australian sportswomen, provide them assistance in achieving their goals, and to help create new pathways for young women to get involved in the sports they love.

To continue that work, in 2018 we launched Team Harvey Junior – an initiative that provides sponsorship for junior female sporting teams across the country.

Research has shown that girls have fewer opportunities to play sports during their high school years than boys have at that same age. Contributing factors and obstacles include a lack of access to adequate local playing facilities, a cut in school sports budgets, transportation & safety issues, and peer pressure about body image. It is also often the case that the quality level of sports activities offered for girls declines after a certain age, where the availability of coaching and resources may be more focused on boys' programs that are traditionally better funded.

That's where our sponsorship can help.

We started with a call-out to Australian girls in sport with the plan to give ten youth teams a head-start with $5,000 each in sponsorship. The response we received shows just how much work there is to be done in this area, with over 1,500 submissions coming in from 103 different sports, covering all states and territories, and representing young athletes from 8-16 years old.

The sponsorship we provide can help with purchasing new uniforms, cover training or travel expenses, and help with resurfacing a court or pitch. It's a small start, but we're proud that our sponsorship is playing a part to help ensure a bright future for young girls in sport in Australia.

Harvey Norman
FLAGSHIP
STORE AUBURN OPEN

FINANCIAL HIGHLIGHTS

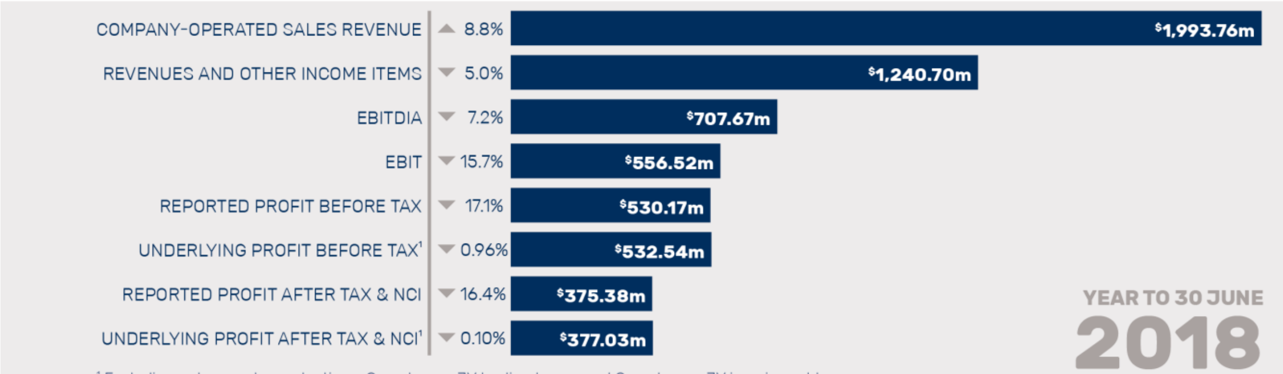
540 FRANCHISEES IN AUSTRALIA

195 FRANCHISED COMPLEXES IN AUSTRALIA

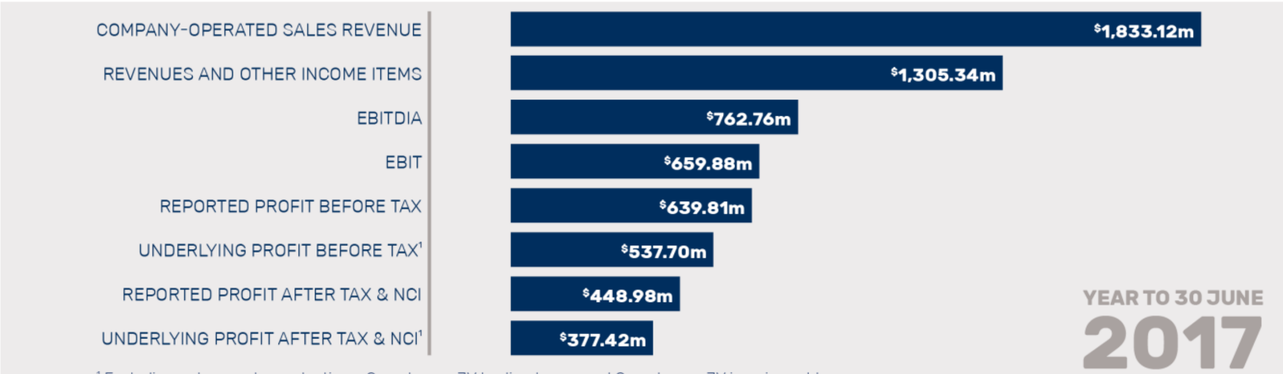
89 OFFSHORE COMPANY OPERATED STORES

REPORTED PBT
$530.17m
DOWN 17.1%
FROM $639.81m IN 2017

UNDERLYING PBT[1]
$532.54m
DOWN 0.96%
FROM $537.70m IN 2017



[1] Excluding net property revaluations, Coomboona JV trading losses and Coomboona JV impairment losses



[1] Excluding net property revaluations, Coomboona JV trading losses and Coomboona JV impairment losses

NET CASH FLOW FROM OPERATING ACTIVITIES
$454.17m
UP FROM $425.14m IN 2017

BASIC EARNINGS PER SHARE
33.71c
DOWN FROM 40.35c IN 2017

DIVIDENDS PER SHARE (FULLY-FRANKED)
30.0c
UP FROM 26.0c IN 2017

2018 PBT RETURN ON NET ASSETS
18.05%

Reconciliation of Reported Profit to Underlying Profit

	Year Ended 30 June		
	2018	2017	2016
Reported profit before tax	$530.17m	$639.81m	$493.76m
Less: Net property revaluation increment	*($51.65m)*	*($108.05m)*	*($48.36m)*
Profit before tax excluding net property revaluation increment	$478.53m	$531.76m	$445.41m
Add back: Coomboona JV impairment losses	*$49.44m*	-	-
Add back: Coomboona JV trading losses	*$4.57m*	*$5.95m*	*$2.71m*
Underlying profit before tax	$532.54m	$537.70m	$448.11m
Reported profit after tax & non-controlling interests	$375.38m	$448.98m	$348.61m
Less: Net property revaluation increment (after tax)	*($36.15m)*	*($75.72m)*	*($33.86m)*
Profit after tax excluding net property revaluation increment (after tax)	$339.23m	$373.25m	$314.74m
Add back: Coomboona JV impairment losses (after tax)	*$34.61m*	-	-
Add back: Coomboona JV trading losses (after tax)	*$3.20m*	*$4.16m*	*$1.90m*
Underlying profit after tax & non-controlling interests	$377.03m	$377.42m	$316.64m

Dear Shareholder,

The underlying results for the year ended 30 June 2018 have seen us deliver a solid profit before tax of $532.54 million. On an underlying basis, this represents a marginal reduction of 0.96% from the unprecedented, record-breaking underlying profit result that we delivered in the 2017 financial year of $537.70 million. This underlying result is exclusive of net property revaluation adjustments and the impairment losses and joint venture trading losses incurred with respect to our investment in the Coomboona Holdings Pty Limited dairy joint venture in Northern Victoria.

Reported profit before tax was $530.17 million for the year ended 30 June 2018, a decrease of $109.63 million, or 17.1%, from $639.81 million for the year ended 30 June 2017.

The PBT return on our net assets was 18.05% for the 2018 financial year. These results represent the ongoing strength of our underlying business model, and demonstrate the value of our integrated retail, franchise, property and digital strategy. This integrated approach ensures that we will continue to evolve to meet the needs and demands of both customers and emerging new technologies. Our franchisees and company-operated stores are consistently at the leading edge of Home and Lifestyle retailing – meeting the needs of their customers via an integrated in-store and online engagement model that enables them to effectively anticipate and respond to changes in key product categories.

The performance of our overseas Harvey Norman® branded company-operated stores has been outstanding and this segment now represents 22% of the total consolidated profit before tax result. Each offshore region has delivered their best trading result and highest profitability, both individually and in aggregate, since launching overseas. The retail segment result for the Harvey Norman® company-operated stores overseas reached $116.13 million for the current year, up a solid 15.1% from an excellent, unprecedented segment result of $100.86 million in the 2017 financial year. From humble beginnings with the introduction of the Harvey Norman® brand overseas in 1997, the past 20 years of trading outside of the Australian market, has propelled the Harvey Norman® brand to a strong global player with solid results achieved by the 89 company-operated stores across 7 countries. Retail sales in New Zealand were just under $1 BILLION in local currency, whilst sales in Asia were just under $0.500 BILLION for the 2018 financial year.

We intend to capitalise on the excellent performance overseas and plan to invest substantially in growing our offshore Harvey Norman® store network, particularly in South East Asia. Our robust balance sheet and strong cash flows enable us to seize on opportunities as they arise. **We are actively exploring new sites and there is an expectation to open up to 18 new Harvey Norman® company-operated stores overseas within the next 2 years.** We expect to have circa 107 Harvey Norman® company-operated stores overseas by the end of 2020. This anticipated 20% expansion in store locations overseas is likely to be the beginning of our biggest organic growth spurt in over a decade.

Our plans for expansion overseas are strong, particularly in Malaysia. Since 2010, the population growth in Malaysia has been in excess of 400,000 per year and currently sits at 32.1 million. There is the potential to increase our retail footprint in Malaysia from 16 Harvey Norman® stores today to over 50 stores by the end of 2023.

Country	Launch of Flagship Store	Current # Stores 30 June 2018	Expected Growth, 2 Yrs	Expected # Stores by 2020
Singapore (2000)	Millenia Walk, December 2015	13	+3	16
Malaysia (2004)	Ikano, Kuala Lumpur, November 2017	16	+9	25
Ireland (2003)	Tallaght, Dublin, July 2017	13	+2	15
Northern Ireland (2008)	Boucher Road, South Belfast, Nov 2015	2	-	2
Slovenia (2002)	BTC City, Ljubljana, June 2017	5	-	5
Croatia (2011)	Zagreb, TBC September 2018	1	+3	4
New Zealand (1997)	Wairau Park, Auckland, June 2018	39	+1	40
		89	+18	107

Our Flagship strategy is continuously evolving and we will soon have one Flagship store in each of the eight countries in which we, or our franchisees, operate. These stores will provide customers with the kind of tactile and interactive shopping experience that can't be found online, and generate excitement in the retail sector as a whole. The Flagship stores are unrivalled in terms of design and technology, showcasing the best global brands and product range available on the market, creating a truly unparalleled shopping experience. On 30 June 2018, we launched our Flagship store at Wairau Park, Auckland (New Zealand) to much acclaim. We have had a delay in the delivery of our Flagship store at Zagreb, Croatia which is on track to be launched by the end of September 2018. In Australia, we have already seen the positive impact of the launch of the first stage of the Auburn Flagship complex in Sydney with the transformation of the Computers and Electrical categories. The final stage of the Auburn Flagship complex will be completed by September 2018 with the launch of the Furniture, Bedding and Floorcoverings categories. Our Flagship strategy further cements the positioning of our brand as an international leader in Home and Lifestyle retailing.

In Australia, our franchisee model continues to perform solidly, making them the dominant player in the domestic Home and Lifestyle market. Aggregated franchisee sales revenue increased 2.6% – or $144.28 million – to reach $5.76 billion for the year, and quarterly aggregated franchisee sales revenue continues to grow steadily. Comparable aggregated franchisee sales revenue increased 2.2% - or $124.32 million – to $5.72 billion for the current year. Amid increasing competition within an already competitive market, franchisees performed well, meeting market pressures which had accelerated within the last 6 months of the 2018 financial year. Franchisees have continued to invest in their people and ensure that their staff are equipped with the best skills and tools to seamlessly service their customers.

CHAIRMAN AND CEO'S REPORT (CONTINUED)

The franchising operations segment result reduced by 7.2% from $304.53 million in the 2017 year to $282.54 million in the 2018 financial year. The franchising operations margin was 4.90% for the 2018 financial year compared to 5.42% for the preceding year. The franchising operations segment was negatively impacted by a combination of lower franchise fees received from franchisees and higher tactical support required during the year to protect, enhance and promote the Harvey Norman®, Domayne® and Joyce Mayne® brands. Tactical support increased by $10.50 million relative to prior year, of which $7.80 million related to tactical support to assist a B2B franchisee with a restructure in Q4 of FY18. Like our franchisees, we have further invested in our people, our brand, and in the development and enhancement of the tools we provide our franchisees to enable them to seamlessly service their customers. This investment has contributed to the reduction in the franchising operations segment result during the 2018 financial year.

Our ongoing commitment to ensuring a seamless relationship with the customer has seen the ongoing identification and introduction of new opportunities and the continued development and enhancement of existing capabilities. The ongoing development of the Online-to-Offline (O2O) Strategy and the evolution of delivery services and fulfilment options offered by franchisees in Australia is at the core of the 'Customer First' approach. The Click & Collect App is fully operational across Australia and New Zealand, enabling customers to track the status of their order through real-time notifications. The LivePerson digital service platform provides customers with the ability to communicate with franchisees through whichever channel they desire at whatever time suits them best. Franchisees and customers have benefitted from the technological initiatives carried out during the year, including the developments in real-time inventory and delivery-tracking systems, quick reserve options and the evolution of delivery pathways.

Our strong property portfolio was valued at $2.86 billion as of 30 June 2018 and still continues to be our driving point of difference and competitive advantage in the Australian market. With emerging or restructured competitors – both big or small, online or physical – our robust investment property portfolio keeps us a step-ahead and ready to anticipate and respond to the evolving and dynamic needs of consumers. Our physical complexes provide the flexible, large footprint needed to showcase the best on offer and demonstrate the maximum capabilities of those products to integrate and connect our busy day-to-day lives.

All-in-all, the 2018 financial year has been a strong one, particularly on the back of the previous record-breaking 2017 financial year result.

We'd like to thank all of our staff for their continued enthusiasm, and pay tribute to the hard work of our franchisees throughout the year. As a shareholder, your continued support and confidence in our direction ensures a prosperous future for us all.

G. HARVEY
Chairman
Sydney
28 September 2018

K.L. Page

K.L. PAGE
Chief Executive Officer
Sydney
28 September 2018

DIRECTORS' REPORT

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. I.J. Norman. Mr. G. Harvey has overall executive responsibility for the strategic direction of the consolidated entity, and in particular, property investments.
Kay Lesley Page *Executive Director and CEO*	Ms. Page joined Harvey Norman in 1983 and was appointed a director of Harvey Norman Holdings Limited in 1987. Ms. Page became the Chief Executive Officer of the Company in February 1999 and has overall executive responsibility for the consolidated entity. Ms. Page is a Director of the Trustee of the Sydney Cricket and Sports Ground Trust. On 30 July 2018, Ms. Page was appointed as an independent member of the Place Management NSW Board.
Chris Mentis *B.Bus., FCA, FGIA, Grad Dip App Fin* *Executive Director, CFO & Company Secretary*	Mr. Mentis was appointed a director of Harvey Norman Holdings Limited on 30 August 2007. Mr. Mentis joined Harvey Norman as Financial Controller on 15 December 1997. On 20 April 2006, he became Chief Financial Officer and Company Secretary. Mr. Mentis is a Fellow of the Institute of Chartered Accountants and a Fellow of the Governance Institute of Australia, with extensive experience in financial accounting. Mr. Mentis has overall executive responsibility for the accounting and financial matters of the consolidated entity.
John Evyn Slack-Smith *Executive Director & COO*	Mr. Slack-Smith was a Harvey Norman® computer franchisee between 1993 and 1999. Mr. Slack-Smith became a director of the Company on 5 February 2001. Mr. Slack-Smith has overall executive responsibility for the operations of the consolidated entity.
David Matthew Ackery *Executive Director*	Mr. Ackery was appointed a director of Harvey Norman Holdings Limited on 20 December 2005. Mr. Ackery has overall executive responsibility for the relationship between the consolidated entity and Harvey Norman® home appliances, home entertainment and technology franchisees and strategic partners. Mr. Ackery is the Chairman of the public company, St. Joseph's College Foundation Limited.
Michael John Harvey *B.Com* *Non-Executive Director*	Mr. M. Harvey joined Harvey Norman in 1987, having completed a Bachelor of Commerce degree. Mr. M. Harvey gained extensive experience as a Harvey Norman® franchisee from 1989 to 1994. Mr. M. Harvey became a director of the Company in 1993 and was appointed Managing Director in July 1994. Mr. M. Harvey ceased to be an Executive Director and Managing Director on 30 June 1998.
Christopher Herbert Brown *OAM, LL.M, FAICD, CTA* *Non-Executive Director*	Mr. Brown holds the degree of Master of Laws from the University of Sydney. Mr. Brown is the senior partner in Brown Wright Stein Lawyers. Brown Wright Stein Lawyers has acted as lawyers for the consolidated entity since 1982. Mr. Brown was appointed a director of the Company in 1987, when it became a listed public company. Mr. Brown is a member of the Audit, Remuneration and Nomination Committees. Mr. Brown is the Chairman of Windgap Foundation Limited. In 2013 he was awarded the Medal of the Order of Australia (OAM) for service to the community, particularly to people with disability.
Kenneth William Gunderson-Briggs *B.Bus., FCA, MAICD* *Non-Executive Director (Independent)*	Mr. Gunderson-Briggs was appointed a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. Mr. Gunderson-Briggs has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. Mr. Gunderson-Briggs' qualifications include a Bachelor of Business from the University of Technology, Sydney and he is a Fellow of the Institute of Chartered Accountants. Mr. Gunderson-Briggs was appointed Chairman of the Remuneration Committee on 16 December 2015 and is a member of the Audit and Nomination Committees. Mr. Gunderson-Briggs is an independent non-executive director of Australian Pharmaceutical Industries Limited, a company listed on the ASX. Mr. Gunderson-Briggs finished his tenure as the Chairman of Glenaeon Rudolf Steiner School Limited in May 2018.
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, Mr. Paton was awarded membership of the General Division of the Order of Australia for his services to the accounting profession and for his services to the deaf community through his chairmanship of the Shepherd Centre for Deaf Children for the decade to 2001. Mr. Paton was appointed a director of Harvey Norman Holdings Limited on 20 June 2005 and was appointed the Senior Independent Director on 16 December 2015. Mr. Paton was appointed Chairman of the Nomination Committee on 16 December 2015, Chairman of the Audit Committee on 9 March 2006 and is a member of the Remuneration Committee. Mr. Paton is an independent non-executive director of Gazal Corporation Limited, a company listed on the ASX.

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

Committee Membership

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

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

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

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

Directors' Meetings

DIRECTOR	Full Board	Audit	Remuneration	Nomination
G. Harvey	11 [11]	n/a	n/a	n/a
K.L. Page	11 [11]	n/a	n/a	n/a
J.E. Slack-Smith	10 [11]	n/a	n/a	n/a
D.M. Ackery	10 [11]	n/a	n/a	n/a
C. Mentis	11 [11]	n/a	n/a	n/a
M.J. Harvey	10 [11]	n/a	n/a	n/a
C.H. Brown	11 [11]	8 [8]	5 [5]	1 [1]
K.W. Gunderson-Briggs	11 [11]	8 [8]	5 [5]	1 [1]
G.C. Paton	10 [11]	8 [8]	5 [5]	1 [1]

The number of meetings of the Board of Directors and of its Board Committees during the 2018 financial year were:
- Full Board: 11
- Audit Committee: 8
- Remuneration Committee: 5
- Nomination Committee: 1

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

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

Principal Activities

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

Significant Changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the year ended 30 June 2018.

Significant Events After Balance Date	On 31 August 2018, the Company announced a renounceable, pro-rata entitlement offer of new fully-paid ordinary shares in the Company to raise approximately $163.85 million (before costs) (**Entitlement Offer**), with an offer price of $2.50 per share. The Entitlement Offer forms part of the Company's ongoing capital management program. It is intended that the proceeds of the Entitlement Offer will be used to reduce the amount of Company consolidated entity debt. With the exception of the above, there have been no circumstances arising since balance date which have significantly affected or may significantly affect: ▪ the operations; ▪ the results of those operations; or ▪ the state of affairs of the entity or consolidated entity in future financial years.
Corporate Governance	The Company is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" for the entire financial year.
Directors' Relevant Interests	At the date of this report, the relevant direct and indirect interest of each director in the ordinary shares and performance rights instruments of the Company and related bodies corporate are:

DIRECTOR	Ordinary Shares	Options	Performance Rights
G. Harvey	349,444,821	-	187,500
K.L. Page	17,507,642	-	337,500
J.E. Slack-Smith	899,818	-	225,000
D.M. Ackery	489,134	-	225,000
C. Mentis	915,341	-	225,000
M.J. Harvey	2,974,897	-	-
C.H. Brown	183,323,726	-	-
K.W. Gunderson-Briggs	9,137	-	-
G.C. Paton	15,682	-	-
TOTAL	555,580,198	-	1,200,000

Share Options	At the date of this report, there were no unissued ordinary shares under options (2017: 1,134,000). During the year ended 30 June 2018, 1,134,000 options were exercised resulting in the creation of 1,134,000 new shares in the Company.
Performance Rights	At the date of this report, there were 1,200,000 unissued ordinary shares under performance rights (2017: 800,000), being a right to acquire ordinary shares in the Company at nil exercise price. On 30 November 2015, a total of 400,000 performance rights under Tranche 1 of the 2016 Long-Term Incentive (LTI) Plan were granted to executive directors following Board adoption of the scheme and shareholder approval of the LTI Plan in 2015. On 28 November 2016, a total of 400,000 performance rights under Tranche 2 of the 2016 LTI Plan were granted to executive directors in accordance with the terms and conditions of the LTI Plan. On 1 December 2017, a total of 400,000 performance rights under Tranche 3 of the 2016 LTI Plan were granted to executive directors in accordance with the terms and conditions of the LTI Plan.
Dividends	The directors recommend a fully franked final dividend of 18.0 cents per share to be paid on 2 November 2018 (total dividend, fully franked - $200,554,004). The following fully franked dividends of the Company have also been paid, declared or recommended since the end of the preceding financial year:

	Payment Date	Amount
2017 final fully-franked dividend	1 December 2017	$133,634,629
2018 interim fully-franked dividend	1 May 2018	$133,702,669

The total dividend in respect of the year ended 30 June 2018 of 30.0 cents per share represents 89.05% (2017: 64.46%) of profit after tax and non-controlling interests, as set out on page 68 of the financial statements.

Excluding the non-cash net property revaluation increments, the total dividend in respect of the year ended 30 June 2018 of 30.0 cents per share represents 98.54% (2017: 77.55%) of profit after tax and non-controlling interests, as set out on page 68 of the financial statements.

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

OPERATING AND FINANCIAL REVIEW

Underlying Profit

UNDERLYING PBT YEAR ENDED 30 JUNE 2018

UNDERLYING NET PROFIT BEFORE TAX* $532.54m | **DOWN BY 0.96%**

(*excluding net property revaluations, Coomboona JV trading losses and Coomboona JV impairment)

HIGHLIGHTS: UNDERLYING PROFIT

The performance of our overseas Harvey Norman® branded company-operated stores has been outstanding and this segment now represents 22% of the total consolidated profit before tax result. Each offshore region has delivered their best trading result and highest profitability, both individually and in aggregate, since launching overseas.

The PBT return on net assets was 18.05% for FY2018.

Our Flagship Strategy is continuously evolving and we will soon have 1 Flagship store in each of the 8 countries in which we, or our franchisees, operate.

A solid result for FY2018, particularly on the back of the previous record-breaking FY2017 result.

We plan to invest substantially in growing our offshore Harvey Norman® store network, with an expectation to open up to 18 new stores overseas within the next 2 years, particularly in South East Asia.

$532.54 million underlying net profit before tax down by -0.96% from $537.70 million in FY17
(excluding net property revaluation adjustments, Coomboona trading losses and Coomboona impairment losses)

Including:

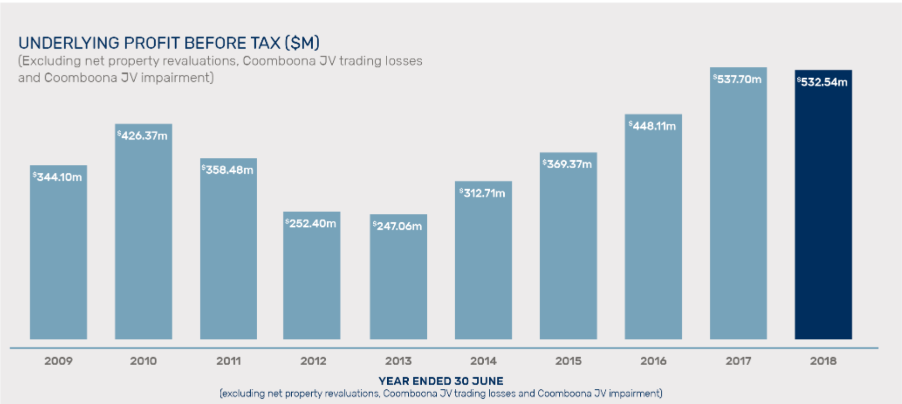
> **$116.13 million profit from the company-operated offshore retail operations, up +15.1%** from $100.86 million in FY17;

> **$282.54 million franchising operations segment profit result, down -7.2%** from $304.53 million in FY17, mainly due to a combination of lower franchise fees received from franchisees and higher tactical support required to protect, enhance and promote the brands, in addition to a rise in other costs to operate the franchising operations segment. Franchisees in Australia performed well in the face of increased competition and competitive pricing, which had accelerated in the 2nd half of FY18. Franchisees have continued to invest in their people to ensure that their staff are equipped with the best skills and tools to drive sales growth and seamlessly service their customers;

> **$136.92 million profit from the property segments (excluding net property revaluation adjustments), down -1.8%** from $139.42 million in FY17 primarily due to increased borrowing costs for the acquisition and refurbishment of property assets as rents and outgoings remained strong;

> **$5.88 million profit from the equity investments segment, down -3.2%** from $6.08 million in FY17, reflecting a reduction in the market value of the listed securities portfolio, net of the dividends and any capital profits or losses generated from the sale of listed securities during the year; and

> **($8.94) million net loss from non-core joint ventures included in the other segment and other non-franchised retail segment (excluding Coomboona JV trading losses and Coomboona JV impairment losses), an improvement of +32.2%** from the net loss of ($13.19) million in FY17 mainly due to an improvement in the trading results of our credit facilities segment (excluding the Coomboona joint venture), lower impairment losses recognised on commercial loans to a non-core retail business by $1.49 million and the impairment loss of $0.43 million recognised in the prior year in respect of a mining camp accommodation joint venture.



Reported Profit Before Tax (PBT)

REPORTED PBT YEAR ENDED 30 JUNE 2018

NET PROFIT BEFORE TAX $530.17m | DOWN BY 17.1%

HIGHLIGHTS: REPORTED PROFIT BEFORE TAX

Profit before tax for the year-ended 30 June 2018 was negatively impacted by two main factors:

(1) A reduction in the net property revaluation increment for the property portfolio by $56.41 million, down from $108.05 million in FY17 to $51.65 million in FY18 primarily due to the impact of rezoning potential to medium-density residential leading to a significant increase for a property in NSW in the previous year; and

(2) The recognition of impairment losses of $49.44 million in respect of the Coomboona Holdings dairy joint venture (Coomboona JV) comprised of: (i) a $20.67 million write-down of the equity-accounted investment in the Coomboona JV in December 2017, and (ii) an estimated shortfall in the recovery of the loans advanced to the Coomboona JV of $28.78 million.

$530.17 million net profit before tax for FY18 compared to $639.81 million for FY17, a decrease of $109.63 million or -17.1% from prior year

Main factors contributing to the result:

> **$15.27 million increase in the profitability of the overseas company-operated retail locations to $116.13 million, up +15.1%** from $100.86 million in FY17. The increased contribution from each region included: **Singapore & Malaysia +$5.71 million (+29.6%)** due to the reformat and launch of the Flagship store at Ikano, Kuala Lumpur (Malaysia) and the new Viva City Mega Mall in Kuching, Sarawak (Malaysia) both in November 2017, the opening of the Viva City Factory Outlet (Singapore) in July 2017, the expansion to full-format stores of the Parkway Parade (Singapore) and North Point (Singapore) stores and the continued growth in the Flagship Millenia Walk (Singapore) store; **Ireland & Northern Ireland +$3.90 million (+157%)** due to the launch of the Flagship store in Tallaght, Dublin (Ireland) in July 2017 and the ongoing success of the Boucher Road Flagship store in South Belfast (Northern Ireland). During the year there was a realignment of accounting treatment of lease incentives income in Ireland by $1.03 million and a release of the lease incentive relating to the Holywood store in Northern Ireland of $1.08 million; **New Zealand +$2.88 million (+3.6%)** resulting from modest sales and market share growth in New Zealand during FY18 amidst a slowdown in the NZ economy and a cooling housing market in Auckland; and **Slovenia & Croatia +$2.77 million (+60%)** due to the launch of the refurbished Flagship store at BTC City Ljubljana (Slovenia) in June 2017 creating a positive 'halo-effect' for the other four Harvey Norman® company-operated stores in Slovenia with growth rates in excess of 20%. Pleasingly, the store at Zagreb (Croatia) has performed well, boosting sales by over 17% during the renovation period. The refurbished Zagreb Flagship store will be launched by the end of September 2018.

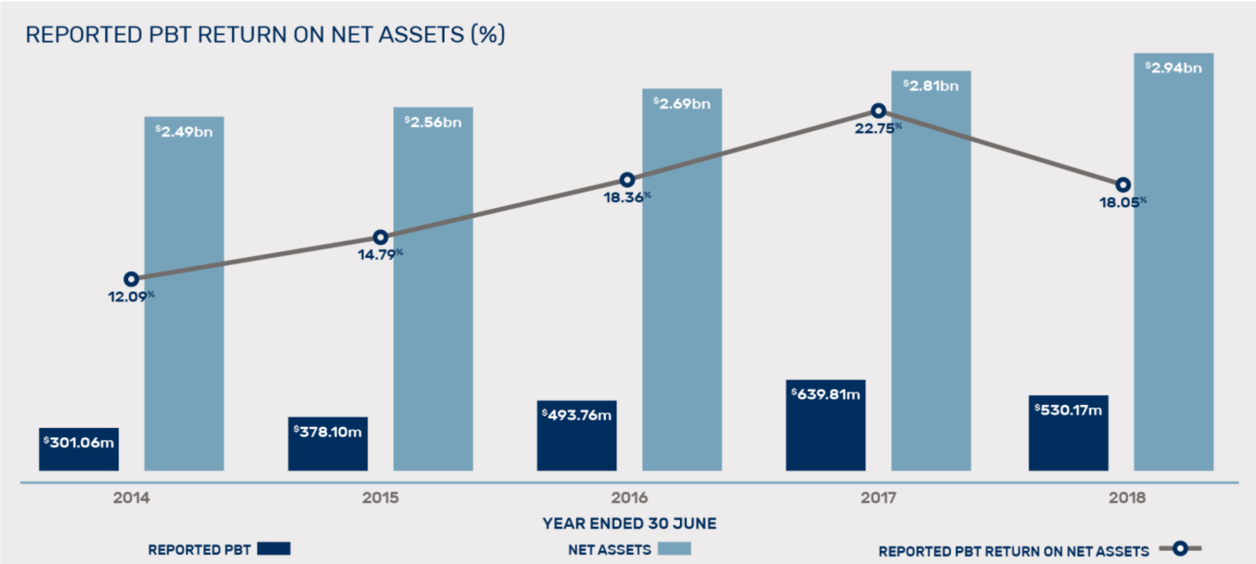
> **($58.90) million decrease in the overall property segment profit result to $188.57 million, down -23.8%** from $247.47 million in FY17, mainly attributable to a ($56.41) million or -52.2% decrease in the net property revaluation increment from $108.05 million in FY17 to $51.65 million in FY18 and higher borrowing costs (due to the increased utilisation of debt facilities for property acquisitions) offset by higher rent and outgoings collected from property segment assets.

> **($43.81) million deterioration in the net loss from non-core joint ventures included in the other segment and other non-franchised retail segment to a net loss of ($62.95) million,** from a net loss of ($19.14) million in FY17. This is mainly due to higher impairment losses by $47.52 million for the write-down of the equity-accounted investment in the Coomboona JV of $20.67 million in December 2017, the impairment loss for the estimated shortfall in the recovery of loans advanced to the Coomboona JV of $28.78 million, offset by lower impairment losses recognised on commercial loans to a non-core retail business by $1.49 million and the impairment loss of $0.43 million recognised in the prior year in respect of a mining camp accommodation joint venture.

> **($21.99) million decrease in the franchising operations segment profit result to $282.54 million, down -7.2%** from $304.53 million in FY17. Franchisees achieved aggregated franchisee sales growth of 2.6% to $5.76 billion – a solid effort from franchisees despite increased competition and competitive pricing to maintain market share, particularly in the 2nd half of FY18. Despite higher aggregated franchisee sales revenue during the year, there was reduction in gross revenue from franchisees during the year by $2.63 million, or -0.3%, to $1.04 billion. Coupled with the higher tactical support payments by $10.50 million, of which $7.80 million tactical support was paid to assist a B2B franchisee with a restructure in Q4 of FY18, the performance of the franchising operations segment reduced by $21.99 million relative to prior period and the franchising operations margin moderated from 5.42% in FY17 to 4.90% in FY18.

OPERATING AND FINANCIAL REVIEW (continued)

Reported PBT Return on Net Assets %



The consolidated entity attributes the achievement of a consistently strong PBT return on net assets to the following key drivers focussed on creating sustainable growth and maximising value to our stakeholders:

- We operate a diversified, unique business model – the consolidated entity operates an integrated retail, franchise, property and digital strategy that continues to deliver strong, stable income streams.
- We are not just limited to the Australian market and we have a significant retail footprint across 8 countries – the consolidated entity has 195 franchised complexes in Australia and 89 Harvey Norman® company-operated stores across 7 offshore regions.
- Our Board of Directors and management team in Australia and each offshore region are business savvy and experienced in retail and property, who have an in-depth understanding and appreciation of the key drivers of the discretionary retail market – the consolidated entity continues to invest in its leaders and their people and prides itself on the longevity, tenure and breadth of knowledge of the Harvey Norman®, Domayne® and Joyce Mayne® brands of key personnel to effectively position the brand in each of the differing markets.
- Our retail strategy and retail mix encompasses the entire Home and Lifestyle market - franchisees and company-operated stores continue to be dominant players across all key categories within the Home and Lifestyle market. This diversified offering and the extensive product range is flexible and capable of withstanding changing competitive pressures and headwinds of specific product categories to effectively respond to evolving consumer dynamics and desires.
- Our robust property portfolio of $2.86 billion continues to be our point of difference and competitive advantage - with emerging or restructured competitors – both big or small, online or physical – the resilient investment property portfolio keeps the consolidated entity a step-ahead and provides the flexible, large footprint needed to showcase the best on offer.

Net Profit After Tax & Non-Controlling Interests (**PAT&NCI**)

Net profit after tax and non-controlling interests (NCI) decreased by 16.4%, or $73.60 million, to $375.38 million for the year-ended 30 June 2018, from $448.98 million in the previous year. The effective income tax rate for the year-ended 30 June 2018 was 28.32% compared to an effective income tax rate of 29.20% for the year-ended 30 June 2017.

Excluding the after tax net property revaluation increments, the Coomboona JV trading losses and the Coomboona JV impairment loss from the result, underlying net profit after tax and non-controlling interests for the 2018 financial year reduced by 0.1%, or $0.38 million, to $377.03 million, from $377.42 million in the previous year.

Ikano, Kuala Lumpur (Malaysia Flagship store)

PLANNED OFFSHORE GROWTH
WITHIN THE NEXT TWO YEARS

The performance of the overseas Harvey Norman® branded company-operated stores has been outstanding and this segment now represents 22% of the total consolidated profit before tax result. Each offshore region has delivered their best trading result and highest profitability, both individually and in aggregate, since launching overseas.

The consolidated entity intends to capitalise on the excellent performance overseas and plans to invest substantially in growing the offshore Harvey Norman® store network. The robust balance sheet and strong cash flows enables the consolidated entity to seize on opportunities as they arise. The consolidated entity is actively exploring opportunities to expand overseas and there is an expectation to open up to 18 new Harvey Norman® stores offshore within the next 2 years, particularly in South East Asia.

The consolidated entity owns an 80.2% controlling interest in Pertama Holdings Pte Limited (**Pertama**), a company incorporated in Singapore. A subsidiary of Harvey Norman Holdings Limited has granted to Pertama a licence to use the Harvey Norman® trademarks in Singapore and Malaysia. Pertama intends to expand its retail footprint in Singapore and Malaysia through the planned opening of 12 new retail sites. The expansion opportunities will be funded by Pertama through the utilisation of existing cash reserves in the Asian business or from external borrowings to be sourced locally in Singapore. The growth in South East Asia will predominantly be in Malaysia where there is an expectation to open up to 9 new stores by the end of 2020. This will grow the brand in Malaysia from the 16 stores today to 25 Harvey Norman® stores within a 2-year period. 3 new sites have been identified for growth in Singapore.

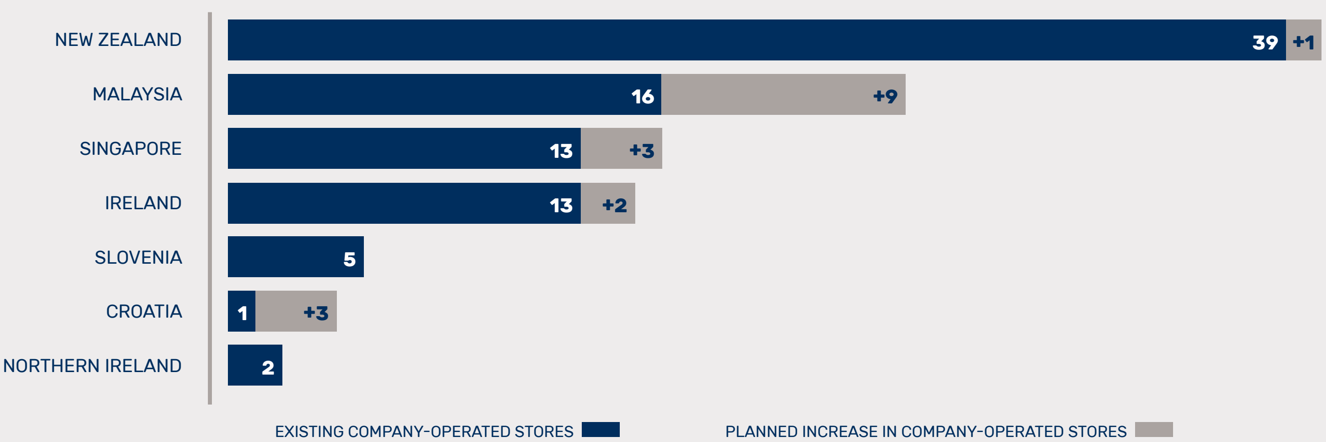
In Croatia, the consolidated entity has earmarked 3 new locations for expansion in the region. We expect to open 1 more store in New Zealand and 2 more stores in the Republic of Ireland.

The consolidated entity expects to have circa 107 Harvey Norman® branded company-operated stores by the end of the 2020 financial year, a 20% expansion in store locations overseas within a 2-year period.

In Malaysia, the consolidated entity has recognised the growth potential of the Harvey Norman® brand in the region. Since 2010, the population growth in Malaysia has been in excess of 400,000 per year and currently sits at 32.1 million. There is the potential to increase the retail footprint in Malaysia from 16 Harvey Norman® stores today to over 50 stores by the end of 2023.

1997	2000	2002	2003	2004	2008	2011
NEW ZEALAND	SINGAPORE	SLOVENIA	IRELAND	MALAYSIA	NORTHERN IRELAND	CROATIA

PLANNED OFFSHORE GROWTH (NEXT 2 YEARS)



HARVEY NORMAN®

FLAGSHIP STRATEGY – SETTING A COURSE FOR EXCELLENCE

When we decided to create a Flagship store or complex in each of our territories we had one overarching goal in mind: providing an industry-leading, immersive customer experience.

We wanted these stores to be nothing short of game-changing when it came to how our customers engaged with our brand. It was about providing the absolute best shopping experience. Creating a space where the latest innovations and designs combined with the biggest range of quality brands and products in a truly interactive format. Much more than just a place to buy furniture or appliances, customers would receive a level of service – both before and after sale – that would be unsurpassed in the industry.

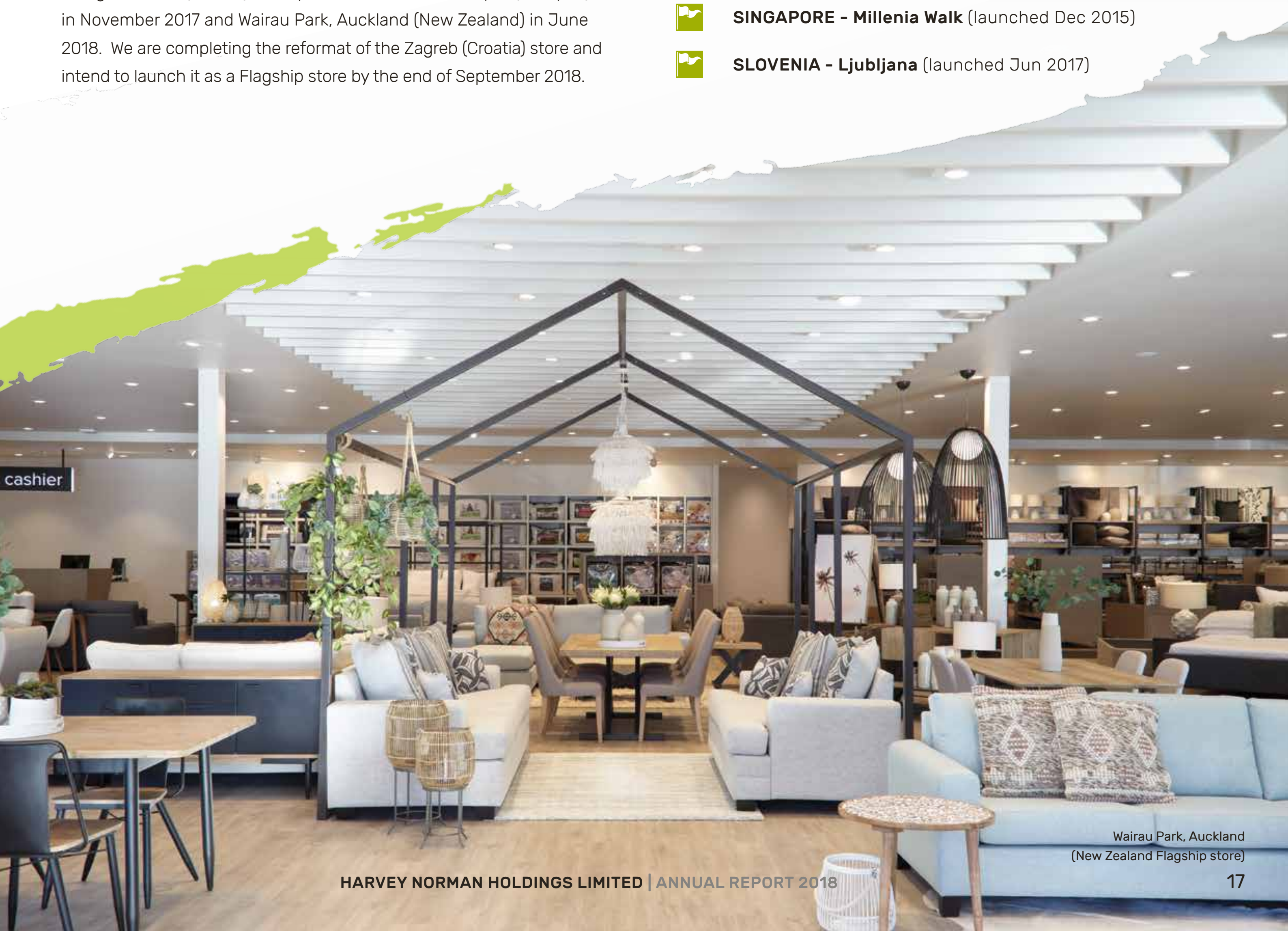
Our plan was to well and truly set a course for the future of the Harvey Norman® brand on a global scale, and in doing so we have created eight of the best Home and Lifestyle stores in the world. Our Flagship stores will provide our customers with the kind of tactile and interactive shopping experience that can't be found online – where they can feel an air of excitement when they walk through the door.

During the 2018 financial year, 3 Flagship stores were launched: Tallaght, Dublin (Ireland) in July 2017, Ikano, Kuala Lumpur (Malaysia) in November 2017 and Wairau Park, Auckland (New Zealand) in June 2018. We are completing the reformat of the Zagreb (Croatia) store and intend to launch it as a Flagship store by the end of September 2018.

In Australia, we have already seen the positive impact of the launch of the Auburn Flagship complex in Sydney with the transformation of the Computers and Electrical categories. The final stage of the Auburn Flagship complex will be completed by September 2018 with the launch of the Furniture, Bedding and Floorcoverings categories.

We're raising expectations while we're raising the bar. Customers want a better experience, from when they walk in the door to after their purchases have arrived home. The perception of our brand is changing, and it's our Flagship stores and complexes that are leading the way forward.

- **AUSTRALIA - Auburn, Sydney** (targeted launch Sep 2018)
- **CROATIA - Zagreb** (targeted launch Sep 2018)
- **IRELAND - Tallaght, Dublin** (launched Jul 2017)
- **MALAYSIA - Ikano, Kuala Lumpur** (launched Nov 2017)
- **NEW ZEALAND - Wairau Park, Auckland** (launched Jun 2018)
- **NORTHERN IRELAND - Boucher Road, South Belfast** (launched Nov 2015)
- **SINGAPORE - Millenia Walk** (launched Dec 2015)
- **SLOVENIA - Ljubljana** (launched Jun 2017)

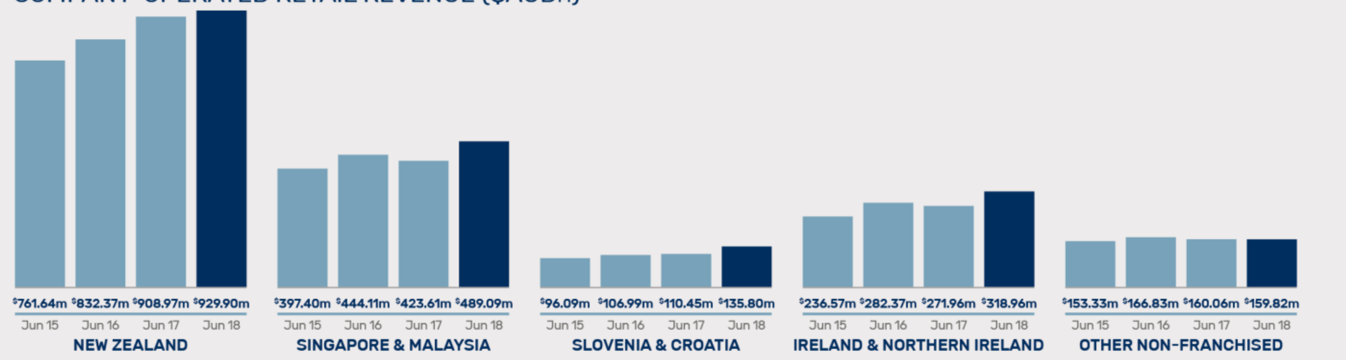


Wairau Park, Auckland
(New Zealand Flagship store)

OPERATING AND FINANCIAL REVIEW (continued)

Company-Operated Retail Segment

COMPANY-OPERATED RETAIL REVENUE ($AUDm)

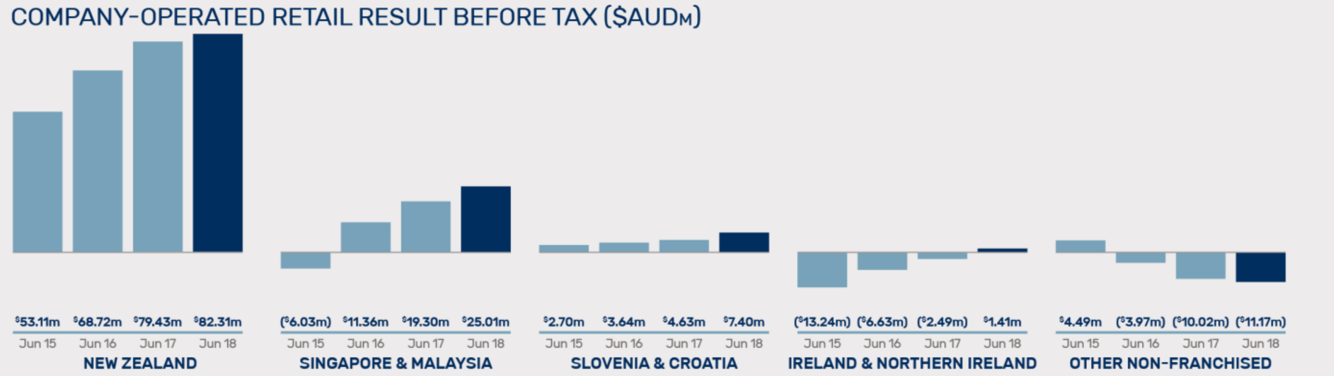


Total aggregated company-operated retail sales revenue is almost at the $2 billion milestone for the 2018 financial year, the strongest-ever sales performance for the retail segment, **growing by $157.72 million, or 8.6%, to $1.99 billion** relative to $1.83 billion in the previous year. Retail sales for the 39 Harvey Norman® stores in New Zealand alone have almost reached **$1 BILLION** in local currency, whilst sales in Asia are nearly at **$0.500 BILLION** for the 2018 financial year. Total company-operated revenue broke the $2 billion barrier in the 2018 financial year hitting **$2.03 billion for the year, an increase of $158.53 million, or 8.5%,** in aggregate relative to $1.88 billion in the 2017 financial year.

Each offshore region has reported stronger sales growth and market share gains during the year with the Flagship stores in each country leading the way and providing increased brand awareness and consumer traction to existing or new stores in the region. The commendable performance of the company-operated retail segment affirms the concerted focus on developing and enhancing the Flagship strategy. The aim of the consolidated entity is nothing short of creating the best Home and Lifestyle retail destinations in the world, with Harvey Norman® being the 'go to' brand for an aspirational and interactive shopping experience.

The result before tax for the company-operated retail segment **increased $14.11 million, or 15.5%, to $104.96 million** for the year ended 30 June 2018, from $90.85 million in the 2017 financial year. This is an excellent result considering the overseas company-operated stores grew from a record base in the preceding year.

COMPANY-OPERATED RETAIL RESULT BEFORE TAX ($AUDm)



NEW ZEALAND
- 39 STORES
- FLAGSHIP: WAIRAU PARK
- Average FX rate:
  NZD vs. AUD
  down -2.46% to 1.0854

In local currency, the market-leading Harvey Norman® brand in New Zealand **was just under the $1 BILLION mark with sales soaring to $NZ987.20 million up by 4.9%, or $NZ46.50 million**, from $NZ940.69 million in the previous financial year. This was particularly remarkable due to the headwinds faced by the New Zealand economy during the year, with a slowdown in the housing market, the net migration decrease and a change in government in October 2017, all impacting the retail climate and consumer sentiment in its own way.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)
Company-Operated Retail Segment (continued)

The 72,000 sq feet Flagship store at Wairau Park, North Auckland has undergone a significant renovation during the year and the store continued to trade strongly throughout the refurbishment period. The Wairau Park Flagship store launched in its new format to much acclaim at the end of June 2018, boosting sales early into the 2019 financial year.

No new company-operated stores were opened in the New Zealand market during the 2018 financial year, however sales were assisted by a full year's trading of the Queenstown store which opened in October 2016. There were sales and market share growth in all key categories, amid an increasingly competitive market. Continued strong supplier collaborations to promote exclusive, high-end product lines and competitive pricing strategies, has given the company-operated stores in New Zealand a noteworthy competitive edge. Translated into Australian dollars, sales revenue **increased 2.4%, or $20.99 million, to $909.52 million**.

The business has continued to focus on cost control to achieve optimal operating leverage, coupled with an unwavering desire to outperform previous performance and surpass the market in general to maintain the clear market leader position. Despite the challenges faced during the 2018 financial year, the retail result in New Zealand **increased by $2.88 million, or 3.6%, to $82.31 million** for the year ended 30 June 2018, up from $79.43 million in the 2017 financial year.

SINGAPORE
- 13 STORES
- FLAGSHIP: MILENNIA WALK
- Average FX rate:
  SGD VS. AUD
  UP +0.93% TO 1.0408

MALAYSIA
- 16 STORES
- FLAGSHIP: IKANO

Aggregated sales revenue for the Harvey Norman® and Space Furniture® brands combined was **just under the $0.500 BILLION mark with retail sales of $S497.92 million in local currency, up by 14.0%, or $S61.23 million,** from $S436.69 million in the 2017 financial year.

In Singapore, the 13 Harvey Norman® branded stores **increased sales revenue in local currency by $S55.78 million, or 20.3%, to $S330.28 million** for the 2018 financial year, from $S274.50 million in the previous year. Growth in sales revenue was assisted by the opening of the new Viva City Factory Outlet in July 2017 and the expansion of the existing stores located at Parkway Parade (in August 2017) and North Point City (in December 2017) to incorporate full-concept stores during the current year. The unrivalled strength of the Millenia Walk Flagship store continued to underpin sales during the year, bolstering the appeal of the Harvey Norman® brand in Singapore.

Sales revenue from the 16 Harvey Norman® branded stores in Malaysia were strong, especially during the last 6 months of the 2018 financial year following the launch of the Ikano, Kuala Lumpur Flagship store in November 2017. The successful Flagship launch drove the commendable **rise in sales revenue in local currency by $S14.44 million, or 10.5%, to $S152.33 million** for the 2018 financial year, from $S137.89 million in the previous year. This was a significant improvement to the Malaysian sales performance reported in the December 2017 half where retail sales had remained consistent with the previous corresponding half.

The November 2017 Ikano launch was well-received and pleasingly, overall, the relocation and reformat of the site has delivered strong sales despite a temporary closure during the renovation period which had covered a large part of the first half of 2018. The solid performance of Ikano, coupled with the reinvigorated Harvey Norman® brand in Malaysia, had a positive halo-effect on the other existing stores in Kuala Lumpur. Sales were also assisted by a full year's trading of the Sunway Velocity store which had opened in the previous year. The consolidated entity has earmarked Malaysia to be the main region for growth over the next 2 years. The consolidated entity expects to continue its investment in Malaysia with an expected expansion of the Harvey Norman® company-store network in Malaysia by an additional 9 sites by the end of 2020.

Sales revenue for the Space Furniture® brand in Singapore was lower by $S7.78 million in the 2018 financial year due to a significant reduction in project sales following the sharp slowdown in construction within the prestige property market. Softer consumer sentiment in the high-end retail furniture market had also impacted the Space Furniture® retail sales in Singapore. Sales were lower for the Space Furniture brand in Malaysia by $S1.20 million due to a reduction in project sales. Sales were boosted in the previous financial year by the renovation sale as the Space Furniture® store in Malaysia was reconfigured and refurbished.

The segment profit result of the two brands in Asia was **$25.01 million for the year-ended 30 June 2018** compared to a segment result of $19.30 million in the previous year, **an increase of $5.71 million, or 29.6%**. This is an excellent result in a highly competitive market.

SLOVENIA
- 5 STORES
- FLAGSHIP: LJUBLJANA
- Average FX rate:
  EUR vs. AUD
  up 6.45% to 0.6500

CROATIA
- 1 STORE
- FLAGSHIP: ZAGREB

Sales revenue from the 5 company-operated stores in Slovenia **increased €10.23 million, or 18.2%, to €66.56 million** for the 2018 financial year, up from €56.33 million in the previous year. Translated into Australian dollars, sales revenue **increased $20.99 million, or 25.8%, to $102.40 million.**

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)
Company-Operated Retail Segment (continued)

The Flagship store at BTC City, Ljubljana was redeveloped, renovated and was launched in June 2017. The Ljubljana Flagship store provides an unparalleled, all-encompassing and interactive shopping experience in Slovenia and the greater Central European region. The repositioning of the Harvey Norman® brand in Slovenia has had the positive impact of driving sales growth in all stores across all key product categories, boasting growth rates well in excess of 20%.

The retail result in Slovenia was a **profit of $6.65 million** for the year ended 30 June 2018, **an increase of $2.19 million, or 49.1%**, from $4.46 million profit in the previous year.

Sales revenue for the Zagreb, Croatia store **increased €1.98 million, or 10.8%, to €20.38 million** for the 2018 financial year, from €18.40 million in the previous year. Translated into Australian dollars, sales revenue **increased 17.9%, or $4.77 million, to $31.35 million.**

The renovation of the Zagreb Flagship store is predominantly complete and is due to be relaunched by September 2018.

Croatia had reported its first full-year profit in June 2017. This profitable trend has continued with a profit of $0.75 million for the year ended 30 June 2018. We expect this trend to continue after the relaunch of the reinvigorated Zagreb Flagship store next month.

IRELAND
- 13 STORES
- FLAGSHIP: TALLAGHT
- Average FX rate: EUR vs. AUD up 6.45% to 0.6500

NORTHERN IRELAND
- 2 STORES
- FLAGSHIP: BOUCHER ROAD
- Average FX rate: GBP vs. AUD up 3.28% to 0.5762

Ireland:

In Ireland, sales revenue from the 13 company-operated stores **increased €21.81 million, or 12.8%, to €192.30 million** for the 2018 financial year, up from €170.49 million in the 2017 year. Comparable store sales growth were also good, increasing by €7.11 million or 4.2% during the year. Translated into Australian dollars, sales revenue **increased by $49.43 million, or 20.1%, to $295.84 million** from $246.41 million in the previous year, partly due to a 6.45% appreciation in the Euro relative to the Australian dollar during the year. Retail sales increased across all key product categories.

The 61,000 sq feet Flagship store situated in the Airton Retail Park in Tallaght was launched in July 2017. This Flagship store has reinforced, and significantly enhanced, the Harvey Norman® brand in Ireland and has set a new retailing benchmark in the region. With many global brands having their European headquarters in London, the Tallaght Flagship store serves also as a regional showcase of global capability, raising the bar in terms of the latest shop-fitout, interior design concepts and experiential and value-added retail. The success of the Tallaght Flagship, which is also the first freehold land purchase in the Republic of Ireland, has led to positive flow-on effects to the existing store base with each of the stores in Ireland growing sales during the year.

The retail trading environment in Ireland has continued to improve with key indicators in the Irish economy demonstrating that the economy is performing well. Irish consumer confidence has increased along with improved employment rates and net inward migration. Construction activity has picked-up and house completions have increased, however, while the outlook is positive, there are potential headwinds in terms of the continuing uncertainty around Brexit.

The retail segment result in Ireland generated a **profit of $1.98 million for the 2018 financial year, an improvement of $2.12 million** from a loss of $0.14 million in the previous year. This result includes an adjustment of $1.03 million to realign the accounting treatment of lease incentives in Ireland recognised in the current year.

Northern Ireland:

Sales revenue from the two company operated stores in Northern Ireland contracted by **£0.25 million, or -2.5%, to £10.07 million** for the 2018 financial year, from £10.33 million in the previous year. Translated into Australian dollars, sales **increased marginally by $0.13 million, or 0.7%, to $17.48 million** mainly due to a 3.28% appreciation in the British Pound Sterling relative to the Australian dollar during the year.

The Flagship store on the iconic Boucher Road in South Belfast has been trading for nearly 3 years and continues to report strong sales each period. The impact of the stronger brand positioning following the launch of the Flagship store can be seen in the robust performance of the second Belfast store at Holywood, with sales growth of 15.3% relative to prior year, supported by the refurbishment and upgrade of the site 12 months ago.

The 2 company-operated stores in Northern Ireland incurred a trading loss of $0.57 million for the current year, a solid turnaround from the trading loss incurred in the previous year of $2.35 million. This reduced trading loss incorporates an adjustment to release the remaining lease incentive received in respect of the previous Holywood retail store lease of $1.08 million.

OPERATING AND FINANCIAL REVIEW (continued)
Company-Operated Retail Segment (continued)

Other Non-Franchised Retail

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

Total revenue for the other non-franchised retail segment was $159.82 million for the year ended 30 June 2018, a marginal reduction of $0.24 million, or 0.1%, from segment revenue of $160.06 million generated in the previous year.

The result for the non-franchised retail segment was a loss of $11.17 million for the 2018 financial year, compared with a loss of $10.02 million for the previous year. The segment loss for the current year included an impairment loss of $16.92 million to write-down the commercial loans made to a retail joint venture in Australia compared to a write-down of $18.41 million in the previous year.

Other Segment

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

The Other segment recorded a loss of $51.78 million for the year ended 30 June 2018 compared to a loss of $9.12 million for the year ended 30 June 2017, a deterioration in the losses incurred by $42.66 million.

HNM Galaxy Pty Limited, acting in its capacity as trustee of the HNM Galaxy Unit Trust (**HN JV Entity**), holds 49.9% of the issued shares in CHPL. Eternal Sound Limited, acting in its capacity as trustee for the AAA Settlement Trust (**Eternal Sound JV Entity**), holds 50.1% of the issued shares in CHPL. CHPL holds all of the issued shares in companies which carry on the business of dairy farm operations, land ownership and a pedigree breeding and genetics division in Northern Victoria (the **Coomboona JV**). The 49.9% interest of the consolidated entity in the Coomboona JV is equity-accounted.

The Coomboona JV commenced trading in September 2015 and the equity-accounted trading losses were $4.57 million for the year ended 30 June 2018 compared to equity-accounted trading losses of $5.95 million for the prior year.

In February 2018, a dispute arose between the HN JV Entity and the Eternal Sound JV Entity in relation to a number of matters, including the future direction of the Coomboona JV. On 27 February 2018, the HN JV Entity demanded that the Coomboona JV repay outstanding indebtedness due by the Coomboona JV to the HN JV Entity in the sum of $18.51 million. The poor trading performance of the Coomboona JV, the notice provided by the HN JV Entity to the Coomboona JV to demand repayment of the outstanding indebtedness due to the HN JV Entity of $18.51 million, in addition to the dispute between the HN JV Entity and the Eternal Sound JV Entity regarding the future direction of the Coomboona JV, were indicators of impairment during the December 2017 review period. The impairment assessment performed in respect of the investment in the Coomboona JV as at 31 December 2017 concluded that the entire investment balance of $20.67 million was impaired and should be written-down. This resulted in the recognition of an impairment loss of $20.67 million to write-down the Coomboona JV equity-accounted investment to nil as at 31 December 2017.

On 23 March 2018 the directors of CHPL appointed Ferrier Hodgson as administrators of CHPL and subsidiaries of CHPL (**Administrators**). On the same day, National Australia Bank Limited (**NAB**), the first-ranking creditor to CHPL, appointed McGrath Nicol as receivers and managers of CHPL and subsidiaries of CHPL (**Receivers**). As at 9 May 2018, CHPL and subsidiaries of CHPL were indebted to NAB in an amount of approximately $36 million (**NAB Debt**). The NAB Debt was secured by first ranking mortgages and securities granted by CHPL and subsidiaries of CHPL to NAB (**NAB Securities**). On 9 May 2018 (**Assignment Date**), NAB assigned the NAB Debt and NAB Securities to Network Consumer Finance Pty Limited (**NCF**), a wholly-owned subsidiary of Harvey Norman Holdings Limited, for a price of $36.06 million, with the consent of the Administrators.

The total indebtedness of CHPL to its creditors NCF and the HN JV Entity, both wholly-owned subsidiaries of Harvey Norman Holdings Limited, as at 30 June 2018 amounted to $74.99 million as follows:

- *first-ranking secured creditor (NAB):* the total value of commercial loans granted to the Coomboona JV by NCF of $36.28 million; and
- *second-ranking secured creditor (HN JV Entity):* the total value of commercial loans granted to the Coomboona JV by the HN JV Entity of $38.71 million, repayable on demand.

The recoverable amount of the indebtedness of CHPL to NCF and the HN JV Entity, totalling $74.99 million in aggregate, was assessed as at 30 June 2018. An impairment loss of $28.78 million was recognised in June 2018 to reduce the carrying amount of the Coomboona JV non-trade receivables to its recoverable amount. Each of the key assumptions in the impairment assessment is subject to judgement regarding the estimated shortfall in the repayment of the loans advanced by NCF and the HN JV Entity to CHPL.

Combined, the Coomboona JV equity-accounted trading losses of $4.57 million, the impairment of the Coomboona JV investment in December 2017 of $20.67 million and the estimated impairment loss for the shortfall in the recoverability of funds advanced by NCF and the HN JV Entity of $28.78 million, totalled $54.01 million and was recognised as losses in the income statement for the 2018 financial year.

Auburn, Sydney
(Australia Flagship complex)

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

THE FRANCHISING OPERATIONS SEGMENT IN AUSTRALIA

Harvey Norman Holdings Limited (HNHL) and subsidiaries of HNHL own valuable intellectual property rights, including the trade marks Harvey Norman®, Domayne® and Joyce Mayne®, software and other confidential information to promote and enhance the brands.

A subsidiary of HNHL (a franchisor) grants separate franchises to independent franchisees to use the Harvey Norman®, Domayne® or Joyce Mayne® trade marks in Australia and to conduct the retail business of the franchisee at or from a store within a particular branded complex, pursuant to the terms of a franchise agreement.

195 Franchised complexes in Australia trading under the Harvey Norman®, Domayne® and Joyce Mayne® brand names.

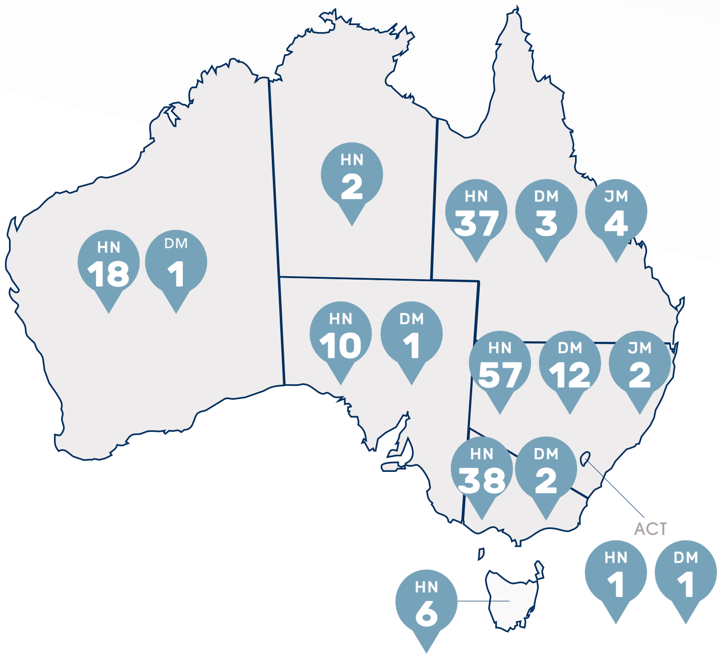
Each franchisee owns and controls the franchisee business of that franchisee. Each franchisee has control over the day-to-day operations of the franchisee business and has the discretion and power to make the decisions necessary to drive sales, control floor margins and contain operating costs to maximise profitability of the franchisee business.

Each franchisee pays franchise fees to a franchisor pursuant to a franchise agreement between that franchisee and that franchisor.

The franchising operations segment in Australia captures and records the franchisee fees received from franchisees including gross franchise fees, rent and outgoings for the use of a branded complex and interest on the financial accommodation facility that is made available to each franchisee.

540 Number of franchisees who are responsible for the day-to-day management and control of their respective franchisee businesses

The franchising operations segment also includes the costs of operating the franchised system and monitoring and evaluating the performance and compliance of franchisees with their franchise agreements.



Harvey Norman®

169 FRANCHISED COMPLEXES

DOMAYNE®

20 FRANCHISED COMPLEXES

JOYCE MAYNE®

6 FRANCHISED COMPLEXES

Franchising Operations Segment

The Franchising Operations Margin (%)

The franchising operations segment result decreased by $21.99 million, or 7.2%, to $282.54 million in the 2018 financial year from $304.53 million in the previous year. This was a solid result particularly as it was on the back of a strong 13.6% growth in the 2017 financial year and the massive 34% increase in the 2016 financial year. The result generated by the franchising operations segment represented 53% of the total consolidated profit before tax result for the 2018 financial year.

Revenue in this segment reduced by $7.64 million, or 0.8%, to $932.67 million primarily due to a decrease in franchise fee income of 1.8%, or $14.41 million, to $768.45 million in the 2018 financial year from $782.86 million in the previous year. Tactical support payments to protect, enhance and promote the brand increased by $10.50 million, or 16.3%, to $74.98 million for the year ended 30 June 2018, up from $64.48 million in the previous year. Higher tactical support payments were required during the year to assist franchisees to better compete in their respective markets. This increase was inclusive of $7.80 million in tactical support payments to assist a B2B franchisee with a restructure in Q4 of the 2018 financial year. Excluding the restructure of the B2B franchisee, tactical support would have been $67.17 million, a minimal increase of $2.70 million or 4.2% from the previous year. Other costs to operate the franchising operations segment, including interest and depreciation costs, have also increased during the year contributing to the reduction in the profitability of the franchising operations segment for the 2018 financial year.

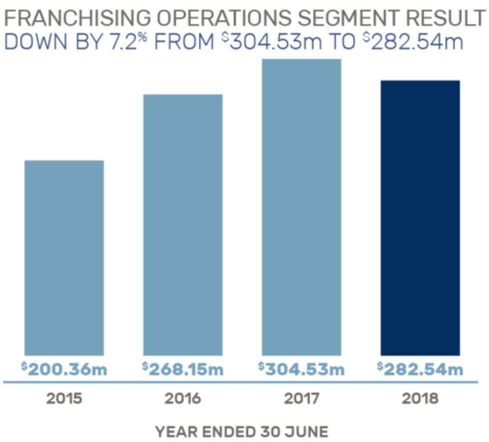
The franchising operations margin reduced from 5.42% in the 2017 financial year to 4.90% in the 2018 financial year, a reduction of 52 basis points. If the tactical support payments relating to the B2B franchisee were excluded from the calculation, the franchising operations margin would have been 5.04% for the year ended 30 June 2018.

As the below table demonstrates, this reduction was predominantly in the last 6 months of the 2018 financial year. For the December 2017 half, the franchising operations segment result decreased by $4.91 million, or 2.9%, from the December 2016 half. The franchising operations margin was 5.57% for the December 2017 half, compared to 6.01% for the December 2016 half, a reduction of 44 basis points. The franchising operations segment result reduced further in the second half of the year, with a reduction of $17.08 million, or 12.9%, in the June 2018 half relative to the June 2017 half. This resulted in a franchising operations margin of 4.18% for June 2018 half, compared to 4.81% for the June 2017 half, a reduction of 63 basis points.

The deterioration in the second half result and margin can primarily be attributed to:

- a reduction in franchise fees by $15.83 million, or 4.4%, for the 2nd half of the year (1st half was actually higher by $1.42 million); and
- an increase in tactical support by $7.67 million, or 21.5%, for the 2nd half of the year, mainly relating to the tactical support provided to the B2B franchisee in Q4 (tactical support for the 1st half was up by $2.83 million).

FRANCHISING OPERATIONS SEGMENT ANALYSIS BY HALF YEAR	Half Year Ended 31 December			Half Year Ended 30 June			Full Year Ended 30 June		
	2015	2016	2017	2016	2017	2018	2016	2017	2018
# Franchised complexes in Australia	191	193	195	192	194	195	192	194	195
Franchising operations segment result	$150.42m	$172.13m	$167.21m	$117.73m	$132.41m	$115.33m	$268.15m	$304.53m	$282.54m
Franchisee aggregated sales revenue	$2.72bn	$2.86bn	$3.00bn	$2.61bn	$2.75bn	$2.76bn	$5.33bn	$5.62bn	$5.76bn
Franchising Operations Margin (%)	5.53%	6.01%	5.57%	4.51%	4.81%	4.18%	5.03%	5.42%	4.90%



OPERATING AND FINANCIAL REVIEW (continued)
Franchising Operations Segment (continued)

Franchisee Sales Revenue Underpins the Franchising Operations Segment

Headline Australian franchisee aggregated sales revenue increased 2.6%, or $144.28 million, to $5.76 billion for the year ended 30 June 2018 from $5.62 billion in the prior year. Comparable Australian franchisee aggregated sales revenue increased 2.2% to $5.72 billion for FY18. Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Retail sales in Harvey Norman®, Domayne® and Joyce Mayne® in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results. Australian franchisee aggregated sales revenue is reported to the market as it is a key indicator of the performance of the franchising operations segment.

AGGREGATED FRANCHISEE SALES REVENUE FY2018

TOTAL FRANCHISEE SALES

JUNE 2018
$5.76bn UP BY 2.6%

COMPARABLE FRANCHISEE SALES

JUNE 2018
$5.72bn UP BY 2.2%

Key Property Statistics and the Impact of the Housing Market on Retail Spending

Spending on household goods is fundamentally driven by population growth, household income, consumer confidence and activity in the residential property market.

Population growth presently remains robust with the Australian resident population increasing by 400,000 in the 12 months to 30 June 2018 *(Australian Bureau of Statistics, cat 3101.0)* and the Australian population reached 25 million people in August 2018.

Looking ahead, national population growth is expected to remain solid, with the Australian resident population projected to reach 26.5 million by the end of FY22 *(BIS Economics forecast)*. Victoria and NSW will account for the majority of the increase. With the transition from the end of the mining investment boom coming to an end, other states should also see a recovery in resident inflows as economic conditions improve.

Over 400,000 new jobs were added between December 2016 and December 2017, the most in 12 years *(Commsec Chief Economist Craig James, AFR, 25-28 Jan 2018)*. The majority of these (just over 300,000) were full time positions, a reversal of the trend in recent years. This shift has helped absorb some of the spare capacity in the labour market, with the unemployment rate falling to 5.4% at 30 June 2018 from 5.8% in the first calendar quarter of 2017 *(Australian Bureau of Statistics cat 6202.0)* and underemployment rate dropping back to 8.3% at May 2018 from a high of 8.9% in February 2017 *(Australian Bureau of Statistics cat 6202.0)*. Furthermore the participation rate at 65.5% is at the highest level since 2011 *(ANZ research paper titled 'Quick Reaction Australia – another strong jobs report' 14 December 2017)*.

Moving forward, the volume of renovation activity is forecast to grow by 3.2% in 2019, 5.7% in 2020, and then a further 0.9% in 2021 taking the total value of the renovations market to $35.57 billion *(Housing Industry association Renovations Roundup Dec 2017)*. Although conditions remain somewhat challenging for households with household income rising by only 1.9% in 2017 and house prices now declining in the major capital cities, consumers remain optimistic about the outlook, with the ANZ-Roy Morgan confidence index recording a net positive outlook (as at 30 June 2018) for the next twelve months.

DIRECTORS' REPORT (continued)

OPERATING AND FINANCIAL REVIEW (continued)

HARVEY NORMAN®

THE CONNECTED SMART HOME

The Connected Smart Home category continues to grow, with Harvey Norman®, Domayne® and Joyce Mayne® franchisees leading the way with the latest technological innovations including advancements in smart technology and design, inventive ways of cooking the traditional family meal, TVs with cinematic sound and picture quality – culminating in the evolution of the Connected Smart Home. Voice activation has been a key feature of the Connected Smart Home this year. The launches of 'Google Home' and 'Google Mini' have brought the Smart Home category to the fore as these devices begin to demonstrate how the Connected Smart Home can work, fuelling growth in the connected categories of security, automation and entertainment. Voice assisted devices are expected to take the Smart Home to the next level and will aspire to seamlessly integrate a consumer's connected life to their place of abode.

Franchisees' audio-visual category has seen strong growth over the past year, with the latest designs and advancements in picture technology in large-screen televisions making a significant contribution. With more and more consumers desiring 'king-sized' screens and undeniably sharper picture quality, the impending launch of the 4K Satellite broadcast is the next evolution of television, and is expected to deliver unprecedented resolution, colour depth and contrast and higher refresh rates than ever before. Harvey Norman® franchisees will be heavily involved in the launch of the 4K broadcast in Australia and franchisees have cleverly positioned themselves as the premium 4K UHD TV destination. Franchisees intend to showcase the 4K broadcast capabilities in-store to give their customers the ultimate immersive viewing experience. The demand for a cinematic-quality home entertainment experience has also encouraged growth in franchisees' audio sales, with minimalistic wireless speakers in high demand and providing great value to their customers.

The latest innovations in smart technology have generated growth in the Home Appliance category, with flexible and internet-connected refrigeration leading the way. The increase in demand for self-cleaning appliances and desire for a healthier lifestyle has propelled their cooking range throughout the year, while franchisees continue to have a leading market share in fully-automatic coffee machines.

Harvey Norman® franchisees bucked the trend in the flat laptop market, where franchisees led the way and demonstrated solid growth in the laptop category on the back of the recent push towards Modern PCs. The strong demand for online gaming and the rapid rise of 'E-Sports' continues to fuel the awareness of gaming and the growth in sales of gaming PCs, accessories and content throughout 2018. The Smartphone category continued to grow strongly and there was significant growth in portable audio with advances in Bluetooth speakers and headphones.

Franchisees continue to maintain solid partnerships with leading global designer brands and expect this growth to continue throughout the 2019 financial year. As their consumers continue to live a more mobile and active life, franchisees strive to ensure that their product offering meets this insatiable demand. The need to be 'thinner, lighter, faster' continues with customers' upgrading to keep up with the latest trends.

A BETTER CUSTOMER EXPERIENCE

O2O STRATEGY

The Online-to-Offline (O2O) Strategy of Harvey Norman®, Domayne® and Joyce Mayne® franchisees continues to develop and enhance the service offering to their customers. The O2O Strategy is well positioned to mitigate any potential disruptions and has been further enhanced over the 2018 financial year. Franchisees are committed to delivering a seamless experience to their customers with the introduction, upgrade or enhancement of the following initiatives:

- **LivePerson** – LivePerson is a digital service platform that gives customers the ability to communicate with Harvey Norman® under whichever channel they desire, whether that be email, SMS, Apple Business Chat, WhatsApp, Facebook Messenger or Livechat. This platform also facilitates after hours and augmented customer support during peak trading periods to respond to commonly asked questions and queries using AI conversational bots. LivePerson brings together the AI and automations necessary to provide a great customer experience across multiple touch points at scale, along with services such as order status updates and reservation changes. These services allow customers of Harvey Norman® franchisees to message in the same "time-shifted" way they message friends and family, moving in and out of conversations to multi-task or go on about their day. Push notifications and history allow the consumer to continue on their own time.
- **Near Real-Time Inventory** – Providing customers with accurate and up-to-date stock information confirming their local franchisee has the product they are interested in purchasing.
- **Quick Reserve** – Allowing customers to quickly reserve a product and know that product will be available when they arrive at their franchised complex.
- **2-Hour Click and Collect** – At the heart of the Harvey Norman O2O strategy, Click & Collect is a convenient and popular way to shop with over 80% of customer's orders notified in under 2 hours.
- **Improved Expert Reviews** – Franchisees have access to reports that provide unbiased editorial content and ratings on products, specifications, and user reviews to aid the customer in their selection process.
- **Improved Site Search** – The Harvey Norman® online self-learning search algorithm provides customers with the most relevant and suitable product to assist the search process.
- **Furniture Collections** – Enhancing the Harvey Norman® online Furniture pages to include collections to provide customers an enhanced online experience.

Supporting the O2O strategy, several Customer Service initiatives were also introduced, upgraded or enhanced during the 2018 financial year including the following:

- **Harvey Norman® Voice** continues to grow and resonates strongly with customers. This digital platform was created to provide enhanced one-on-one engagement with a cross-section of Harvey Norman® customers to obtain feedback prior to changing processes or investing in system enhancements. Listening to customers is central to the Customer First mindset.
- **Mobile First** – As one of the first retailers in Australia to launch PWA (Progressive Web App) Harvey Norman® franchisees are utilising this cutting-edge technology to optimise the customer experience on mobile to engage and inspire customers and drive franchisee sales growth.
- **Store Location Management System** – Provides a single source of truth across all information services for franchised complexes including location information, contact details, trading hours, and local events, allowing customers to easily obtain information about their nearest Harvey Norman® franchised complex.

DELIVERY SERVICES AND FULFILMENT OPTIONS OF FRANCHISEES

The delivery services and fulfilment options of franchisees are constantly evolving to provide a better and more seamless customer experience, right from simply booking a delivery at the time of purchase, to the installation of their product and the removal of any packaging – and everything in between. Taking advantage of the latest innovations in smart technology, franchisees are focused on the improvement of Last Mile delivery, specifically to provide products to customers, where, how and when they want the product.

The delivery service offering has been enhanced over the 2018 financial year to offer a seamless experience to the customer with the introduction, upgrade and enhancement of the following initiatives:

- **Same Day and Scheduled Delivery** – Enabling customers to order same day or scheduled delivery from franchised complexes located within all metropolitan areas as part of the Harvey Norman® O2O strategy.
- **Standard Delivery Offering** – Enabling customers to choose the delivery service that best suits their needs. Whether customers prefer a quick 'Store to Door' drop-off, a 'Delivery Plus' for basic connection or a full 'Premium Delivery' service.
- **Bulky Good Deliveries** – Franchisees are enhancing the way they communicate after purchase: creating digital delivery booking systems with timely notifications and real-time tracking of deliveries to the customer's door. It's all about getting the delivery experience right for each customer and giving them control over their delivery.
- **Home Installation** – The development of an online platform to enhance the customer experience by recommending and connecting franchise customers with quality installation companies.
- **Branded Trucks** – Customers will not only enjoy transparency of the delivery process but will also experience an enhanced service offering with clean branded trucks and uniformed drivers.
- **Pick Up from Warehouse** – Customers can choose to pick up bulky goods from the warehouse immediately after the purchase. Customer pick-up areas at the warehouse are undergoing a major refit to accommodate the increase in customer demand. Courier and bike parking bays have been allocated to facilitate quicker pickup and delivery of goods to customers.

OPERATING AND FINANCIAL REVIEW (continued)

Review of the Property Segment

Composition of the Property Portfolio

The robust property portfolio was valued at $2.86 billion as of 30 June 2018 and still continues to be the consolidated entity's driving point of difference and competitive advantage in the Australian market. With emerging or restructured competitors – both big or small, online or physical – the resilient investment property portfolio keeps us a step-ahead and ready to respond to the evolving and dynamic needs of consumers. The physical complexes provide the flexible, large footprint needed to showcase the best on offer from global brands and demonstrate the maximum capabilities of those products to integrate and connect our busy day-to-day lives.

As at 30 June 2018, total property assets amounted to over 62% of the consolidated entity's total asset base of $4.58 billion. Growth in the property portfolio was mainly due to the continued solid market conditions in the large-format retail sector delivering capital appreciation during the year, the concerted focus on completing the Flagship strategy of the consolidated entity and the acquisition and refurbishment of other investment properties in Australia. The following tables represent the composition of property segment assets at each balance date and the number of owned and leased retail use properties as at 30 June 2018.

TOTAL PROPERTY SEGMENT ASSETS AS AT 30 JUNE	2016	2017	2018
Investment properties	$2.046bn	$2.242bn	**$2.429bn**
Owner-occupied land & buildings in New Zealand, Singapore, Slovenia, Ireland & Australia	$389.80m	$413.85m	**$432.46m**
Joint venture assets	$2.54m	$2.05m	**$2.54m**
TOTAL PROPERTY SEGMENT ASSETS	$2.44bn	$2.66bn	$2.86bn

OWNED & LEASED RETAIL USE PROPERTIES AS AT 30 JUNE 2018	# of owned retail use properties	# of leased retail use properties	Total
Australia: Franchised complexes	95	100	**195**
New Zealand	18	21	**39**
Slovenia	5	-	**5**
Croatia	-	1	**1**
Ireland	1	12	**13**
Northern Ireland	-	2	**2**
Singapore	-	13	**13**
Malaysia	-	16	**16**
TOTAL	119	165	284

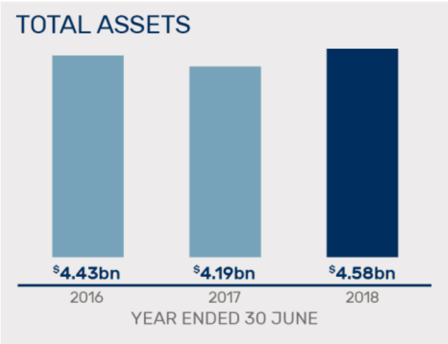
Net Property Revaluation Adjustments

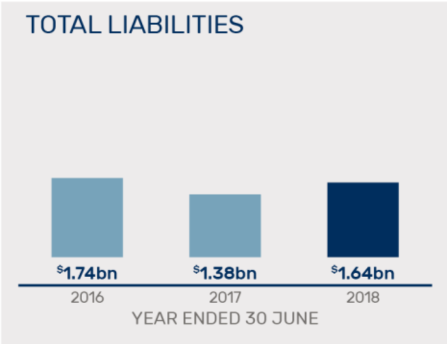
The investment property portfolio in Australia and properties held in joint venture entities are subject to a semi-annual review to fair market value. At each reporting period, one-sixth of the investment property portfolio is independently valued with the remaining five-sixths reviewed for fair value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

During the year ended 30 June 2018, thirty-seven (37) sites within the investment property portfolio in Australia were independently valued, representing 28.5% of the total number of sites and 22.6% of the fair value of the investment property portfolio in Australia. The balance of the portfolio was reviewed for comparability resulting in the preparation of internal valuations for twenty-one (21) additional sites. The valuation for the current year resulted in a net increase of $51.65 million relating to investment properties in Australia compared to a net increase of $107.38 million in the previous year. The prior year figure had included the impact of rezoning potential to medium-density residential for a property in NSW.

NET PROPERTY REVALUATION ADJUSTMENTS AS AT 30 JUNE ($ million)	RECORDED IN THE INCOME STATEMENT (Net Property Revaluation Increment)			RECORDED IN EQUITY (Asset Revaluation Reserve)		
	2016	2017	2018	2016	2017	2018
AUSTRALIA	$47.79m	$107.38m	**$51.65m**	-	$1.12m	**-**
NEW ZEALAND	$0.57m	-	**-**	$7.61m	$16.03m	**$9.72m**
SLOVENIA	-	$0.67m	**-**	$0.04m	$2.96m	**$0.08m**
SINGAPORE	-	-	**-**	$1.31m	-	**$0.66m**
IRELAND	-	-	**-**	-	-	**$2.76m**
TOTAL	$48.36m	$108.05m	$51.65m	$8.96m	$20.11m	$13.22m

Review of the Financial Position of the Consolidated Entity



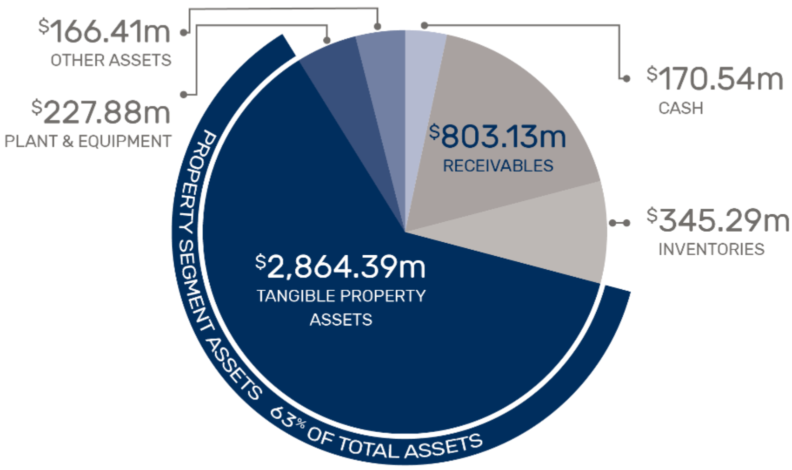


NET ASSET POSITION JUNE 2018

UP 4.4%

TO $2.94bn

COMPOSITION OF TOTAL ASSETS OF $4.58bn



The consolidated entity has tangible property assets of $2.86 billion, representing 63% of the total asset base of $4.58 billion.

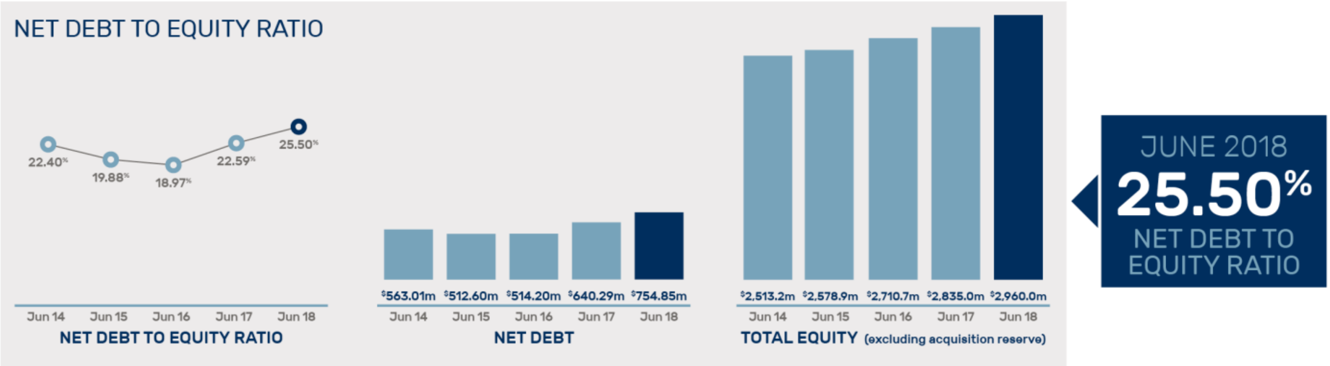
Total assets increased by 9.3%, or $387.90 million, to $4.58 billion as at 30 June 2018, from $4.19 billion in the previous year. The value of the investment property portfolio increased by $187.64 million, or 8.4%, to $2.43 billion as at 30 June 2018 primarily due to the net property revaluation increment of $51.65 million during the current year and the acquisition of other investment property assets during the current year.

Cash and cash equivalents increased by $90.32 million relative to the previous year. Property plant and equipment assets increased by $35.23 million, or 5.6%, to $660.34 million due to the development of the Flagship store at Tallaght, Dublin, capital appreciation in the freehold properties located offshore and the refurbishment and upgrades of the company-operated Flagship stores and Flagship complex during the year to finalise the consolidated entity's Flagship strategy.

Total liabilities increased by $262.87 million, or 19.1%, to $1.64 billion as at 30 June 2018 from $1.38 billion in the prior year mainly due to higher utilisation of the Syndicated Facility and other external borrowings to fund development and expansion during the year.

The consolidated entity consistently reports a solid net asset base, with robust growth of 4.4% during the year, or an increase of $125.03 million, to $2.94 billion as at 30 June 2018 from $2.81 billion as at 30 June 2017.

Net Debt to Equity Ratio



The overall debt levels of the consolidated entity remain within an acceptable range, with a low net debt to equity ratio of 25.50% as at 30 June 2018 compared to a ratio of 22.59% as at 30 June 2017. Net debt comprises total interest-bearing loans and borrowings, net of cash and cash equivalents.

Solid Cash Flows and Operating Cash Conversion Ratio

Pleasingly, cash and cash equivalents increased by $90.32 million relative to prior year, with substantial growth in net cash flows from operating activities by $29.03 million, or 6.8%, to $454.17 million for the year ended 30 June 2018. This was primarily achieved by an increase in net receipts from franchisees by $64.58 million, or 7.3%, to $947.06 million during the year. Net receipts from franchisees are affected by the movement in the aggregate amount of financial accommodation provided to franchisees for the current year relative to the movement in the prior year. During the 2018 financial year the movement in the aggregate amount of financial accommodation provided to franchisees was lower than the movement in the aggregate amount of financial accommodation provided in the prior year. This reduction was in line with a reduction in the inventory reserves held by franchisees during the 2018 financial year relative to the 2017 financial year.

There was a reduction in the net cash financing outflows by $219.02 million during the 2018 year primarily due to the proceeds received from increased borrowings of the Syndicated Facility to fund the acquisition and refurbishment of investment properties and property, plant and equipment assets. This was offset by higher investing cash flows by $104.72 million to fund expansion, growth and refurbishments and upgrades of existing capital assets.

The consolidated entity's operating cash conversion ratio, calculated as operating cash flows before net interest and tax paid as a proportion of EBITDIA (excluding property revaluations), is strong with an operating cash conversion rate of 97.6% for the 2018 financial year, an increase of 720 basis points on the cash conversion rate of 90.4% for the 2017 financial 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 net debt-to-equity target for the consolidated entity of less than 50%.

The capital structure of the consolidated entity consists of:

- debt, which includes Interest-Bearing Loans and Borrowings disclosed in Notes 18 and 21 of this report;
- Cash and cash equivalents disclosed in Note 28(a); and
- Equity attributable to equity holders of the parent, comprising ordinary shares, reserves and retained profits as disclosed in Notes 24, 25 and 26 respectively.

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

Outlook

The Flagships that have been launched to date have outperformed expectations. In the first half of the 2019 financial year, we complete the launch of 1 Flagship store in each of the 8 countries in which we, or our franchisees, operate. The Wairau Park Flagship store in New Zealand was launched on 30 June 2018 and is already exceeding expectations. We were disappointed we couldn't launch our Auburn Flagship complex in Australia and our Zagreb Flagship store in Croatia for the start of the 2019 financial year. These will be completed and launched by the end of September 2018 and, looking at the results of our other Flagship stores, we are confident they will deliver similar results. Each of the Flagship stores is designed to provide an unrivalled customer experience in terms of store design, customer service and premium product offering.

The consolidated entity is looking to capitalise on the solid performance of the overseas Harvey Norman® branded company-operated stores and is actively exploring new sites with an expectation to open up to 18 company-operated stores within the next two years. Particular emphasis has been placed on South East Asia with the expectation of opening 9 new stores in Malaysia over the next two years. In Australia, 1 Joyce Mayne® franchised complex in the Northern Territory will open in the 2019 financial year.

The consolidated entity will continue to invest in our people, our brands and in the development and enhancement of the tools provided to our franchisees to enable them to seamlessly service their customers.

Summary of Key Business Risks

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

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

Deterioration in macroeconomic conditions resulting in declining 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, wage growth, employment, economic and political instability and government fiscal, monetary and regulatory policies, that can impact the level of consumer confidence and discretionary retail spending, thereby affecting revenue from sales to customers and franchise fees. The consolidated entity seeks to reduce its exposure to these risks by closely monitoring both internal and external sources of information that provide insights into any changes in demand within the economies in which it operates.

Competition resulting in a loss of market share for franchisees in Australia and company-operated stores in overseas markets:

The integrated retail, franchise, property and digital system, and diverse category mix assists in maintaining the consolidated entity's competitive position. Market consolidation and/or acquisition may result in further competition and changes to market share. Franchisees in Australia and company-operated stores in 7 overseas regions operate across a number of categories in the strongly performing Home and Lifestyle market. Diversity mitigates the risk from existing and potential single-category competitors.

Emergence of competitors in new channels:

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

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

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

With a property portfolio of $2.86 billion, the consolidated entity is exposed to potential reductions in commercial property values. The consolidated entity has a selective and prudent acquisition and development strategy and maintains high-quality complexes and a solid, dynamic, complementary tenancy mix in order to maximise the profitability of the property segment.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (continued)
Summary of Key Business Risks (continued)

Counterparty risks of service providers:

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

Counterparty risk associated with the mining camp accommodation joint ventures:

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

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

Counterparty risk associated with the KEH Partnership retail joint venture:

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

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

Compliance by franchisees with franchise agreements:

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

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

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

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

There are a number of key controls either planned or already in place, including an ongoing program of investment in cyber security software; the implementation, maintenance and supervision of operational policies and contracts 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 response plan relating to IT systems and incidents.

REMUNERATION REPORT (AUDITED)

Letter from the Chairman of the Remuneration Committee

Dear Shareholders

The consolidated entity has delivered a solid result for the 2018 financial year achieving an underlying profit before tax of $532.54 million, representing a marginal reduction of 0.96%, from the unprecedented, record-breaking underlying result of the 2017 financial year of $537.70 million. The reported net profit before tax for the 2018 financial year of $530.17 million was at 83% of the previous year's record net profit of $639.81 million.

The consolidated entity delivered a strong increase of 4.4% in the net asset base for shareholders to $2.94 billion as at 30 June 2018. The profit before tax (PBT) return on net assets was 18.05% for the 2018 financial year.

Each of the executive directors have a significant shareholding in the Company, which provides alignment of the executive management with that of shareholders. The directors and other members of the key management personnel team are committed to growing the business and creating long-term sustainable value for all stakeholders of the consolidated entity.

Remuneration Outcomes

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

- Executive directors achieved 81.26% of their 2018 Short Term Incentive ("STI") targets for performance against a balanced scorecard of measures.
- Return on Net Assets ("RONA") of 17.15% for the year resulted in a probable vesting of 40% for the long-term incentives granted in December 2017, under the Tranche 3 of the 2016 LTI Plan.
- Tranche 2 of the 2016 LTI Plan, granted in November 2016 was reassessed for probable vesting to 60%, down from 80% last year.
- Tranche 1 of the 2016 LTI Plan, granted in November 2015 was reassessed for probable vesting, remaining unchanged at 60%.
- The 2015 LTI Plan PCI, assessed in the 2017 financial year to be $3,455,800, was paid to Executive Directors on 4 July 2018.
- The total at risk compensation expense was $782,864 or 17.3% less than the expense in the 2017 financial year.
- The total "take-home" pay was $557,648 or 4.7% more than the 2017 financial year, due to the payout of incentives from previous financial periods.

Changes to Remuneration

The Framework

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

The framework for the executive remuneration structure remained essentially the same as was in place for the 2017 financial year comprised as follows:

- Benchmarked fixed remuneration;
- At risk short term incentives in the form of performance cash incentives, subject to a balanced scorecard of measures relevant to the given financial year;
- At risk long term incentives in the form of performance rights as issued under the terms of the 2016 LTI Plan;
- The use of RONA as the measure of financial performance captures the effect of all impairments and write-downs, apart from property revaluation increments and decrements; and
- The evaluation of the performance of the executive director cohort as a team.

In respect of the STI, entry at the base level of financial achievement was required before the non-financial performance conditions became activated. This framework was introduced in 2016 to align the executive remuneration structure to best practice with the focus on long-term sustainable returns.

2018 STI Plan

The Board adopted an STI Plan for Executive Directors relevant to the desired outcomes of the 2018 financial year. The STI Plan is subject to both financial conditions (calculated exclusively in respect of RONA) as to a 50% weighting and non-financial conditions as to 50% weighting, whereby minimum financial performance conditions (i.e. entry-level achievement) must be achieved prior to the activation of the non-financial performance conditions.

With respect to the 2018 STI Plan, the minimum financial performance conditions (entry-level to the 2018 STI Plan) was set at 15% of RONA and the maximum achievement level set at 18% of RONA. Graduated achievement points were set from 15% RONA to 18% RONA.

The Board is confident that the remuneration policies continue to support the financial and strategic goals of the consolidated entity. On behalf of the Board, I invite you to review the full report and thank you for your continued interest.

Yours sincerely

Ken Gunderson-Briggs

K.W GUNDERSON-BRIGGS
Remuneration Committee Chairman

Contents of the 2018 Remuneration Report

This remuneration report for the year ended 30 June 2018 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the *Corporations Act 2001 (Cth),* as amended, (the "Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration principles and strategy
3. Remuneration governance
4. Remuneration mix - target
5. Details of short-term and long-term incentive plans
6. Performance and executive remuneration outcomes in FY18
7. Executive contractual arrangements
8. Non-executive director remuneration arrangements
9. Relationship between remuneration and the performance of the Company
10. Compensation of key management personnel
11. Additional disclosures relating to options, performance rights and shares
12. 'Take-Home Pay' for key management personnel Directors of the Company
13. Loans to key management personnel and their related parties
14. Other transactions and balances with key management personnel and their related parties

1. Introduction

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

Details of KMP of the Company and consolidated entity during the 2018 financial year are set out below. Unless otherwise indicated, the individuals were KMP for the entire financial year. For the purposes of this report, the term "executive" includes the chief executive officer ("CEO"), executive directors and senior executives of the consolidated entity.

Key Management Personnel

	Position	Term as KMP
Executive Directors		
Gerald Harvey	Executive Chairman	Full financial year
Kay Lesley Page	Executive Director & Chief Executive Officer	Full financial year
John Evyn Slack-Smith	Executive Director & Chief Operating Officer	Full financial year
David Matthew Ackery	Executive Director	Full financial year
Chris Mentis	Executive Director, Chief Financial Officer & Company Secretary	Full financial year
Non-Executive Directors		
Christopher Herbert Brown OAM	Non-Executive Director	Full financial year
Michael John Harvey	Non-Executive Director	Full financial year
Kenneth William Gunderson-Briggs	Non-Executive Director (Independent)	Full financial year
Graham Charles Paton AM	Non-Executive Director (Independent)	Full financial year
Senior Executives		
Martin Anderson	General Manager – Advertising	Full financial year
Thomas James Scott	General Manager – Property	Full financial year
Gordon Ian Dingwall	Chief Information Officer	Full financial year
Frank Robinson	General Manager – Technology & Entertainment	Commenced 1 August 2017
Haydon Ian Myers	General Manager – Home Appliances	Resigned 31 July 2017
Lachlan Roach	General Manager – Home Appliances	Commenced 1 October 2017
Rob Nelson	General Manager – Audio Visual	Resigned 31 July 2017
Ajay Calpakam	General Manager – Audio Visual	Commenced 1 August 2017

2. Remuneration Principles and Strategy

The executive remuneration strategy of the consolidated entity in 2018 is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders.

The relevant factors in determining the suitability of a board member, including the executive directors, are integrity, business savvy, an owner-oriented attitude and a deep genuine interest in the business of the consolidated entity.

In applying these principles to the consolidated entity:

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

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

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

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

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

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

d) Interest in and time to do the job means:

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

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

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

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

The following table illustrates how the remuneration strategy of the consolidated entity in 2018 aligns with the strategic direction and links remuneration outcomes to performance.

REMUNERATION REPORT (AUDITED) (continued)

2. Remuneration Principles and Strategy (continued)

Objective of the consolidated entity in 2018	To be recognised as a leader in the sectors in which the consolidated entity operates and build long-term sustainable value for shareholders

Remuneration strategy linkages to objectives of the consolidated entity in 2018	Align the interests of executives with shareholders	The remuneration framework incorporates "at risk" components, through STI and LTI plans	Short-term performance is assessed against a suite of financial and non-financial measures relevant to the success of the consolidated entity in 2018 and generating returns for shareholders
	Long-term performance is assessed against financial performance conditions calculated exclusively in respect of RONA	Attract, motivate and retain high performing individuals Longer-term remuneration encourages retention and multi-year performance focus	The remuneration offering is competitive for companies of a similar sector, size and complexity

Component	Vehicle	Purpose	Link to Performance
Fixed Remuneration	Comprises base salary, superannuation contributions and other benefits	To provide competitive fixed remuneration set with reference to role, market and experience	Consolidated entity and individual performance are considered during the annual remuneration review
Short-Term Incentive (STI)	Paid as cash as performance cash incentive (PCI)	Rewards executives for their contribution to achievement of consolidated entity outcomes	(1) 50% subject to financial conditions, of which: (a) Entry point at 15% RONA; (b) Maximum achievement at 18% RONA; (c) Graduated achievement points from 15% RONA to 18% RONA as follows; (i) 50% satisfied at 15.0% RONA (ii) 60% satisfied at 15.5% RONA (iii) 70% satisfied at 16.0% RONA (iv) 80% satisfied at 16.5% RONA (v) 85% satisfied at 17.0% RONA (vi) 90% satisfied at 17.5% RONA (vii) 100% satisfied at 18.0% RONA (2) 50% subject to non-financial conditions.
Long-Term Incentive (LTI)	Awards under the LTI Plan are granted in the form of performance rights, being a right to acquire one ordinary share in the Company at nil exercise price	Rewards executives for their contribution to the financial performance of the consolidated entity and the effective utilisation of net assets to generate wealth for shareholders	Vesting of LTI performance rights is conditional upon achievement, in aggregate, of Minimum RONA over the 2018, 2019 and 2020 financial years of 16% (for 20% vesting) with full vesting (i.e. 100%) achieved at 20% RONA

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

3. Remuneration Governance

Remuneration Committee

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

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In determining the level and composition of executive remuneration, the remuneration committee has not engaged external consultants to provide independent advice or make any remuneration recommendation in respect of the 2018 financial year.

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

REMUNERATION REPORT (AUDITED) (continued)
3. Remuneration Governance (continued)

Remuneration Approval Process

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

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

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

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

4. Remuneration Mix - Target

For the 2018 financial year, the executive remuneration framework comprised fixed remuneration, STI and LTI as outlined below.

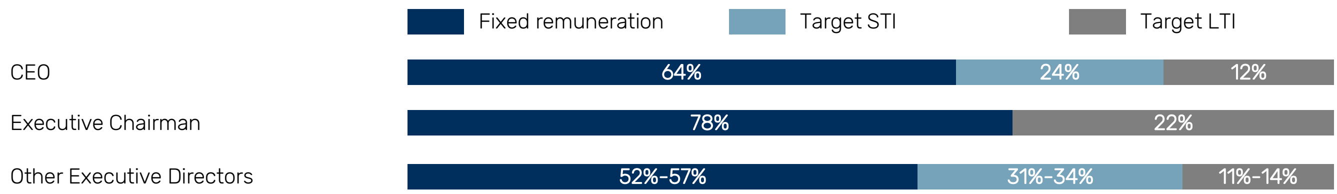
The consolidated entity aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive.

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

During the 2018 financial year, remuneration benchmarking was undertaken with reference to both sector peers and comparator groups comprising companies of a similar financial size.

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

The following summarises the target remuneration mix of the executives.



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

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

2018 STI Plan

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

REMUNERATION REPORT (AUDITED) (continued)
5. Details of Short – Term and Long – Term Incentive Plans (continued)

2018 STI Plan	
Who participates?	Executive directors
How is the STI delivered?	STI awards, in the form of a cash bonus or performance cash incentive ("PCI"), have been made annually to executive directors in order to align remuneration with the achievement of a number of performance measures, targets and initiatives covering both financial and non-financial, corporate and individual measures of performance.
When is the STI paid?	The payment of the 2018 STI Plan PCI to an executive under the 2018 STI Plan is to be made on 28 September 2018, or as soon as reasonably practicable after that date, subject to the satisfaction of 2018 STI Plan Performance Conditions and 2018 STI Plan Service Conditions.
What is the 2018 STI opportunity?	Executive directors, excluding the Executive Chairman, have a target STI opportunity of between 38% to 64% of fixed remuneration. The target STI opportunity is set at a level so as to provide sufficient incentive to executive directors to achieve the operational targets and such that the cost to the consolidated entity is reasonable in the circumstances. For the year ended 30 June 2018, the aggregate maximum amount of 2018 STI Plan PCI, potentially payable, was $2,800,000 as follows: (i) in respect of Gerald Harvey, nil; (ii) in respect of Kay Lesley Page, $800,000; (iii) in respect of John Evyn Slack-Smith, $700,000; (iv) in respect of David Matthew Ackery, $700,000; and (v) in respect of Chris Mentis, $600,000.
What are the STI performance conditions for FY2018?	Actual STI payments awarded to each executive depend on the extent to which specific measures, targets, initiatives and conditions for the 2018 financial year ("STI Targets") are met. STI Targets cover financial and non-financial measures of performance. The primary weighting of the 2018 STI Plan Performance Conditions are as follows: (a) as to 50% - the Financial Condition; and (b) as to 50% - the Non-Financial Conditions

(a) 50% Financial Condition	(b) 50% Non-Financial Conditions
RONA [Aggregate APBT ÷ Aggregate Net Assets] as defined in Section 2 above was selected as the STI performance measure as it: ▪ drives profitable use of assets and provides an alignment between comparative shareholder return and reward for executive directors; and ▪ minimises the effects of market cycles The Financial Condition is calculated in respect of the year ended 30 June 2018 and will be achieved as follows: ▪ Entry point at 15% RONA ▪ Maximum achievement level at 18% RONA ▪ Graduated achievement points from 15% RONA to 18% RONA as follows: (i) 50% satisfied at 15.0% RONA (ii) 60% satisfied at 15.5% RONA (iii) 70% satisfied at 16.0% RONA (iv) 80% satisfied at 16.5% RONA (v) 85% satisfied at 17.0% RONA (vi) 90% satisfied at 17.5% RONA (vii) 100% satisfied at 18.0% RONA	The Non-Financial Conditions are assessed in respect of the year ended 30 June 2018 and include the following non-financial measures in: ▪ Customer experience (12.50%); ▪ Improve productivity (5%); ▪ Flagship Strategy (20%); and ▪ Franchisee learning, development and growth (12.50%).

How is performance assessed?	On an annual basis, after consideration of reports and performance against STI Targets, the remuneration committee makes a final determination of the amount of STI to be paid to the CEO and other executive directors. The extent to which the Financial Condition is satisfied will be documented in the Performance Report and an Internal Audit Report, for consideration by the Remuneration Committee in accordance with the terms and conditions of the 2018 STI Plan. The Remuneration Committee (acting on behalf of the Company) may at any time, in its absolute discretion, decrease the amount of the PCI which is, or may become, payable to an executive under the 2018 STI Plan by serving a written notice to the relevant executive at any time before the payment date. Details of the 2018 STI Targets and levels of achievement in the 2018 financial year are set out in pages 40 and 41 of this report.
What happens if an executive leaves?	For "Bad Leavers" (defined by the Company as resignation or termination for cause), any STI is forfeited, unless otherwise determined by the Board. For any other reason, the Board has discretion to award STI on a pro-rated basis taking into account time and the current level of performance against performance hurdles.

REMUNERATION REPORT (AUDITED) (continued)
5. Details of Short – Term and Long – Term Incentive Plans (continued)

Tranche 3 FY2018 of the 2016 LTI Plan	LTI grants are made annually to executive directors in order to align remuneration with the creation of sustainable shareholder value over the long-term.
Who participates?	Executive directors which have an impact on the performance of the consolidated entity against the relevant long-term performance measures.
How is the LTI delivered?	Shareholders at the AGM held on 24 November 2015 approved the terms and conditions of the 2016 LTI Plan that permitted the grant of performance rights to executive directors, being a right to acquire one ordinary share in the Company at nil exercise price, in three separate tranches in the 2016, 2017 and 2018 financial years. The granting of performance rights under the 2016 LTI Plan replaced the previous LTI Plan (that was in place up to the 2015 financial year) that had previously delivered long-term incentives as a performance cash incentive (PCI).
What is the LTI opportunity?	A performance right is the right to acquire one ordinary share in the Company at nil exercise price. No amount is payable in respect of the grant of a performance right. If exercised, each performance right will be converted into one ordinary share in the Company. Executive directors have a target LTI opportunity of between 17% to 28% of fixed remuneration. A total of 400,000 performance rights under Tranche 3 FY2018 of the 2016 LTI Plan were granted to executive directors on 1 December 2017. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date with a fair value of $3.34 per entitlement share granted under Tranche 3 on 1 December 2017, based on a share price of $4.02. The fair value was derived from a discounted cash flow technique where the value of the performance right is the face value of the share at grant date less the present value of the dividends expected to be paid on the share but not received by the holder during the vesting period. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of Tranche 3 performance rights amounted to $1,336,000 in aggregate.

Tranche 3 FY2018	Key Dates
Grant date	1 December 2017
Vesting date	31 December 2020
First exercise date	1 January 2021
Last exercise date	30 June 2023

Executive Director	Number Granted	Fair Value at Grant Date	Fair Value of Performance Rights
Gerald Harvey	62,500	$3.34	$208,750
Kay Lesley Page	112,500	$3.34	$375,750
John Evyn Slack-Smith	75,000	$3.34	$250,500
David Matthew Ackery	75,000	$3.34	$250,500
Chris Mentis	75,000	$3.34	$250,500
Total	400,000		$1,336,000

What are the performance conditions for Tranche 3 of the 2016 LTI Plan?	Performance conditions are deemed to be an essential component of all variable reward entitlements. The proposed allocation of performance rights will be subject to service conditions and financial performance conditions. The Board (after consideration of the recommendations of the Remuneration Committee), may, in its discretion, impose additional non-financial performance conditions which must be satisfied as a condition of exercise of any performance rights by the Grantee.

100% Financial Condition

With the exception of the service condition, the Board has resolved that the conditions in respect of the achievement of Tranche 3 of the 2016 LTI Plan will be all financial, based exclusively on RONA, where Tranche 3 RONA means the fraction:

Tranche 3 Aggregate APBT ÷ Tranche 3 Aggregate Net Assets, expressed as a percentage. Where:
- Tranche 3 Financial Years means the financial years ending 30 June 2018, 2019 and 2020;
- Tranche 3 Aggregate APBT means the aggregate amounts of the annual net profit before income tax of the consolidated entity for each of the Tranche 3 Financial Years, but excluding property revaluation increments or decrements;
- Tranche 3 Aggregate Net Assets means the amounts of the net assets of the consolidated entity, excluding non-controlling interests, as at each of 30 June 2017, 2018 and 2019 as described in the annual report of the consolidated entity in respect of each of the Tranche 3 Financial Years.

Full vesting of the Tranche 3 performance rights is conditional upon achievement, of Tranche 3 RONA of at least 20%, with a lesser vesting as set out in the table below:

Tranche 3 RONA Achieved	Tranche 3 % of Performance Rights that will become exercisable
Less than 16%	Nil
16%	20%
17%	40%
18%	60%
19%	80%
20%	100%

REMUNERATION REPORT (AUDITED) (continued)
5. Details of Short – Term and Long – Term Incentive Plans (continued)

Tranche 3 FY2018 of the 2016 LTI Plan (continued)	
What are the service conditions of Tranche 3 of the 2016 LTI Plan?	The service condition in respect of a Grantee in respect of performance rights of that Grantee under a Tranche will be deemed satisfied if at the time of exercise of the performance rights: (a) the Grantee has not resigned or provided notice of resignation of employment from the Company, except in order to retire from the workforce; (b) the Company has not terminated the employment of the Grantee for cause; and (c) the Board has not determined that the performance rights should lapse as a result of any fraud, gross misconduct or conduct of the Grantee which brings the Company into disrepute.
How will the 2016 LTI Plan be administered?	The LTI Plan will be administered by the Board. The Board has the right (after consideration of any recommendations of the Remuneration Committee), and subject to the Listing Rules and applicable legal requirements, to: ▪ make all determinations required under the LTI Plan; and ▪ waive or modify the application of all or any service conditions, non-financial terms and conditions of the LTI Plan and performance rights granted under the LTI Plan as the Board considers appropriate.
How is performance assessed?	Level of satisfaction of LTI Plan conditions is monitored by the Remuneration Committee, with assistance from internal audit, each year, with the vesting outcomes ultimately determined at the end of the three year performance period. The LTI award for each of the financial years will be measured over a three year period, with Tranche 3 of the 2016 LTI Plan measured over the period for financial years ending 30 June 2018, 30 June 2019 and 30 June 2020.
When does the LTI vest?	Performance rights granted under Tranche 3 of the 2016 LTI Plan will vest on 31 December 2020, subject to meeting the financial performance conditions in FY2018, FY2019 and FY2020 and service conditions, and will be capable of exercise between 1 January 2021 and 30 June 2023.
How are potential LTI awards treated on termination?	In general, where a participant resigns or is terminated for cause before a performance right vests, all unvested performance rights will lapse. The Board (after consideration of the recommendations of the Remuneration Committee of the Board), has discretion to determine the treatment of any unvested performance rights where a participant ceases employment in "good leaver" circumstances (such as by reason of death, disability or otherwise in circumstances approved by the Board). In the event of fraud, dishonesty or breach of obligations, the Board may make a determination, including lapsing an award of performance rights, to ensure no unfair benefit is obtained by a participant.
How are potential LTI awards treated if a change of control occurs?	In the event of a takeover, scheme of arrangement or other transaction which may result in a person becoming entitled to exercise control over the Company, the Board has a discretion to determine whether any unvested performance rights should vest, lapse or become subject to different performance conditions, or whether any resulting shares that are subject to a restriction period, should become unrestricted.
Are executives eligible for dividends?	Performance rights will not carry any voting or dividend rights. Performance rights are non-transferable except in limited circumstances or with the consent of the Board. If exercised, each performance right will be converted into one ordinary share in the Company. Executives will then be entitled to dividends on those ordinary shares after conversion.

6. Performance and Executive Remuneration Outcomes in FY18

6A. Actual Remuneration Earned by Key Management Personnel (KMP) in FY18

The compensation expensed in respect of KMP in FY18 is set out in Table 1 (for Directors) and Table 2 (for Executives) on pages 48 and 49 of this report. This provides shareholders with a view of the remuneration earned by KMP for performance in the 2018 financial year and the value of any LTIs expensed during the financial year.

The 'take-home pay' for KMP Directors of the Board of the Company, representing the benefits paid to each Director during the year ended 30 June 2018, or as soon as practicable after that date, is set out in Section 12 of the Remuneration Report on page 54.

6B. Fixed Remuneration

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

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

REMUNERATION REPORT (AUDITED) (continued)

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

A combination of financial and non-financial measures is used to measure performance for STI awards. The aggregate maximum amount of 2018 STI Plan PCI potentially payable was $2,800,000. 50% of the STI is dependent on the satisfaction of financial performance conditions (exclusively based on RONA) and 50% is measured against the achievement of set non-financial measures. Actual performance against those measures is as follows for FY18:

(a) 85.00% achievement of the 50% Financial Condition (score of 42.50%) = $1,190,000 payable for FY18
(b) 77.52% achievement of the 50% Non-Financial Conditions (score of 38.76%) = $1,085,280 payable for FY18

The total 2018 STI Plan PCI payable in respect of the 2018 financial year is $2,275,280, representing a total achievement of 81.26% of the maximum 2018 STI PCI as shown in the tables below. The payment of the 2018 STI Plan PCI is to be made on or before 28 September 2018, or as soon as reasonably practicable after that date, subject to the satisfaction of the 2018 STI Plan Service Conditions.

Financial Conditions of the 2018 STI Plan

Achievement of 50% Financial Condition			
Calculation of FY18 RONA	FY 18 APBT (net profit excluding property revaluation) / FY 17 Net Assets (excluding non-controlling interests)	$478.53 million / $2,790.46 million	= 17.15% RONA

	Maximum 2018 STI PCI	% Financial Conditions	2018 STI PCI Financial Condition	2018 RONA %	% Financial Condition Satisfied	2018 STI PCI Payable
Gerald Harvey	Nil	n/a	Nil	n/a	n/a	Nil
Kay Lesley Page	$800,000	50%	$400,000	17.15%	85.0% (42.5% score)	$340,000
John Evyn Slack-Smith	$700,000	50%	$350,000	17.15%	85.0% (42.5% score)	$297,500
David Matthew Ackery	$700,000	50%	$350,000	17.15%	85.0% (42.5% score)	$297,500
Chris Mentis	$600,000	50%	$300,000	17.15%	85.0% (42.5% score)	$255,000
Total	$2,800,000		$1,400,000			$1,190,000

For the 2018 financial year $1,400,000, being 50% of the aggregate maximum 2018 STI Plan PCI of $2,800,000, was subject to the RONA financial condition. The entry point for the financial condition is at 15% RONA with the maximum achievement level at 18% RONA, with graduated achievement points from 15% RONA to 18% RONA. RONA for the 2018 financial year was 17.15% and therefore 85.00% of the financial condition in respect of the 2018 STI Plan PCI was satisfied.

Non-Financial Conditions of the 2018 STI Plan

Achievement of 50% Non-Financial Conditions	For the 2018 financial year $1,400,000, being 50% of the aggregate maximum 2018 STI Plan PCI of $2,800,000, was subject to set non-financial performance measures including: ▪ Customer experience (12.50%); ▪ Improve productivity (5%); ▪ Flagship Strategy (20%); and ▪ Franchisee learning, development and growth (12.50%)

	Maximum 2018 STI PCI	% Non-Financial Conditions	2018 STI PCI Non-Financial Conditions	% Non-Financial Conditions Satisfied	2018 STI PCI Payable
Gerald Harvey	Nil	n/a	Nil	n/a	Nil
Kay Lesley Page	$800,000	50%	$400,000	77.52% (38.76% score)	$310,080
John Evyn Slack-Smith	$700,000	50%	$350,000	77.52% (38.76% score)	$271,320
David Matthew Ackery	$700,000	50%	$350,000	77.52% (38.76% score)	$271,320
Chris Mentis	$600,000	50%	$300,000	77.52% (38.76% score)	$232,560
Total	$2,800,000		$1,400,000		$1,085,280

The Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management, including the Performance Report and Internal Audit Report, and noted that 77.52% of the non-financial performance hurdles for the 2018 STI Plan were substantially achieved. Based on a score of 50%, an amount of $1,085,280 representing 38.76% of the aggregate maximum STI amount attributable to the non-financial performance measures will become payable to executive directors.

REMUNERATION REPORT (AUDITED) (continued)
6C. Actual Performance Against Short Term Incentive (STI) Measures (continued)

Achievement of the Non-Financial Performance Conditions for the 2018 STI Plan are set out in the following table.

	Assessment of Non-Financial Conditions of the 2018 STI Plan					
Measure	Target	Primary Weighting	Initiatives and Conditions	Weighting of Initiatives & Conditions	Achievement	Score
Customer Experience	Grant licences to use tools to reinforce and enhance the "Shop with Confidence" Harvey Norman® brand positioning through the Customer Service Standards.	12.5%	Each franchisee in a Harvey Norman® complex to achieve an aggregate satisfaction rating from customer experience surveys of no less than 50% for that complex in Australia (expected achievement of 75%) and, in aggregate, customer satisfaction rating of no less than 50% for company-operated stores in New Zealand (expected achievement of 75%). Each franchisee in Australia and company-operated stores in New Zealand to achieve a reduction in the number of total consumer complaints over the prior year. Full achievement of this initiative is at a 5% reduction in consumer complaints.	60%	66.8%	5.01%
			Implement specified projects and develop the tools to support the "Shop With Confidence" brand positioning during FY2018.	40%	0%[1]	0%
Improve Productivity	Implement productivity improvements that lead to either cost reductions or revenue improvement.	5.0%	All stores in New Zealand to successfully complete the SAM Project by June 2018.	100%	100%	5.0%
Flagship Strategy	A Flagship store strategy to be developed and opened in Ireland, Malaysia, Australia and New Zealand to position the Harvey Norman® brand to customers and suppliers for future growth	20.0%	Open a new Flagship store at Tallaght, Ireland	25%	100%	5.0%
			Open a new Flagship store at IPC Shopping Centre, Malaysia	25%	100%	5.0%
			Open a new Flagship franchised complex at Auburn, Australia	25%	100%	5.0%
			Open a new Flagship store at Wairau Park, New Zealand	25%	100%	5.0%
Franchisee learning, development and growth	Ongoing refinement of the process by each franchisee that promotes and encourages measureable improvement in the knowledge and capability of the franchisee and their employees.	12.5%	Franchisees to identify and nominate a minimum number of 50 candidates to attend the "Franchisees in Training (FIT)" development course during FY2018.	30%	100%	3.75%
			Achieve a participation rate of female FITs in the FIT course of no less than 40% for the courses run within the 2018 financial year.	30%	0%[2]	0%
			Achieve a successful completion rate of 75% by participants in the FIT course during FY2018.	40%	100%	5.0%
Total		50.0%				38.76%

[1] Timetable for execution of specified projects not achieved
[2] Achievement of 38% was 2 percentage points below threshold

Service Conditions of the 2018 STI Plan

The 2018 STI Plan Service Conditions will be deemed to be satisfied, if and only if, as at the relevant payment date being 28 September 2018:

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

REMUNERATION REPORT (AUDITED) (continued)

6D. Actual Performance Against Long-Term Incentive (LTI) Measures for Tranche 3 of the 2016 LTI Plan

With the exception of the service condition, the Board has resolved that the conditions in respect of Tranche 3 of the 2016 LTI Plan will be all financial, based exclusively on RONA, where Tranche 3 RONA means the fraction **Tranche 3 Aggregate APBT ÷ Tranche 3 Aggregate Net Assets**, expressed as a percentage. Tranche 3 of the 2016 LTI Plan will be measured over a three-year period for financial years ending 30 June 2018, 30 June 2019 and 30 June 2020. The financial condition of Tranche 3 will be wholly satisfied if the cumulative RONA over the measurement period is 20%, with lesser vesting as set out in the LTI Plan conditions on pages 38 and 39. Tranche 3 will not vest if the RONA is less than 16% on a cumulative basis over the three-year measurement period.

A total of 400,000 performance rights were granted to executive directors on 1 December 2017. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $3.34 per entitlement share, based on a share price of $4.02 as at grant date, resulting in a total fair value of Tranche 3 of $1,336,000. The Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management, including the Performance Report and Internal Audit Report, and has estimated, based on the available evidence, that the financial performance condition for Tranche 3 of the 2016 LTI Plan will be 40% achieved by the end of the vesting period and 40% of the estimated fair value of the performance rights will meet the performance condition.

The probability of 40% vesting has been estimated based on the calculation of Tranche 3 RONA for the 2018 financial year of 17.15% (see table below for the calculation). A 17.15% RONA for FY18 resulted in a 40% vesting for year 1 of the three-year measurement period. A 40% vesting probability will result in an estimated cumulative Tranche 3 fair value of $534,400 over the vesting period. An amount of $100,526 has been recognised as remuneration to executive directors and expensed in the income statement on a straight-line basis for the year ended 30 June 2018.

Achievement of 100% Financial Condition for Tranche 3 of 2016 LTI Plan						
Calculation of FY18 RONA	FY 18 APBT (net profit excluding property revaluation) / FY 17 Net Assets (excluding non-controlling interests)			$478.53 million / $2,790.46 million		= 17.15% RONA
	Number of Performance Rights	Fair Value per Right	Fair Value of Performance Rights	Probability of Vesting %	Estimated Value of Tranche 3 2016 LTI Plan to Vest	Tranche 3 LTI Plan Expense in FY2018
Gerald Harvey	62,500	$3.34	$208,750	40%	$83,500	$15,706
Kay Lesley Page	112,500	$3.34	$375,750	40%	$150,300	$28,273
John Evyn Slack-Smith	75,000	$3.34	$250,500	40%	$100,200	$18,849
David Matthew Ackery	75,000	$3.34	$250,500	40%	$100,200	$18,849
Chris Mentis	75,000	$3.34	$250,500	40%	$100,200	$18,849
Total	400,000		$1,336,000		$534,400	$100,526

Subject to the satisfaction of the financial performance condition and service conditions of the 2016 LTI Plan, Tranche 3 will vest on 31 December 2020. The exercise price for each performance right will be nil. If exercised, each performance right will be converted into one ordinary share of the Company. Unexercised performance rights, will lapse, irrespective of whether they have become exercisable on 1 July 2023 or:

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

6E. Reassessment of Tranche 2 of the 2016 LTI Plan PCI Performance Conditions and Expense Recognised in FY18

In 2017, a total of 400,000 performance rights were granted to executive directors on 28 November 2016 under Tranche 2 of the 2016 LTI Plan. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $3.87 per entitlement share, based on a share price of $4.73 as at grant date, resulting in a total fair value of Tranche 2 of $1,548,000. Tranche 2 of the 2016 LTI Plan will be measured over a three-year period for financial years ending 30 June 2017, 30 June 2018 and 30 June 2019.

In the 2017 Remuneration Report, it was reported that the estimated achievement of Tranche 2 of the 2016 LTI Plan would have been 80% by the end of the vesting period and that 80% of the estimated fair value of the performance rights would meet the performance condition. The probability of 80% vesting had been estimated based on the calculation of Tranche 2 RONA for the 2017 financial year of 19.94%.

REMUNERATION REPORT (AUDITED) (continued)
6E. Reassessment of Tranche 2 of the 2016 LTI Plan PCI Performance Conditions and Expense Recognised in FY18 (continued)

The financial performance condition of Tranche 2 is subject to reassessment during each of the Tranche 2 Financial Years meaning the financial years ending 30 June 2017, 2018 and 2019. A reassessment of the Tranche 2 Aggregate APBT and Tranche 2 Aggregate Net Assets for the 2017 and 2018 financial years resulted in a revised RONA for the two-year aggregated period of 18.51%. A revised aggregated RONA of 18.51% for the Tranche 2 Financial Years has resulted in a revised probability of vesting of 60%. A decrease in the vesting probability from 80% in the prior year to 60% in the current year will result in an estimated cumulative expense in respect of Tranche 2 of $928,800, a decrease of $309,600 from the previous cumulative Tranche 2 expense of $1,238,400.

Reassessment of 100% Financial Condition for Tranche 2 of 2016 LTI Plan			
Calculation of Aggregated RONA for Tranche 2 Financial Years (2017 and 2018)	Tranche 2 Aggregated APBT (2017 + 2018) / Tranche 2 Aggregated Net Assets (2016 + 2017)	$1,010.28 million / $5,456.76 million	= 18.51% RONA

	Probability Vesting % in FY17	Tranche 2 Fair Value in FY17	Revised Probability Vesting in FY18	Revised Tranche 2 Fair Value in FY18	Decrease due to Reassessment	Tranche 2 LTI Plan Expense in FY2018
Gerald Harvey	80%	$193,500	60%	$145,125	($48,375)	$37,706
Kay Lesley Page	80%	$348,300	60%	$261,225	($87,075)	$67,871
John Evyn Slack-Smith	80%	$232,200	60%	$174,150	($58,050)	$45,247
David Matthew Ackery	80%	$232,200	60%	$174,150	($58,050)	$45,247
Chris Mentis	80%	$232,200	60%	$174,150	($58,050)	$45,247
Total		$1,238,400		$928,800	($309,600)	$241,318

6F. Reassessment of Tranche 1 of the 2016 LTI Plan PCI Performance Conditions and Expense Recognised in FY18

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

In the 2016 Remuneration Report, it was reported that the estimated achievement of Tranche 1 of the 2016 LTI Plan would have been 40% by the end of the vesting period and that 40% of the estimated fair value of the Tranche 1 performance rights will meet the performance condition. The probability of 40% vesting had been estimated based on the calculation of Tranche 1 RONA for the 2016 financial year of 17.56%.

The financial performance condition of Tranche 1 is subject to reassessment during each of the Tranche 1 Financial Years meaning the financial years ending 30 June 2016, 2017 and 2018. A reassessment of the Tranche 1 Aggregate APBT and Tranche 1 Aggregate Net Assets for the 2016, 2017 and 2018 financial years has resulted in a revised RONA for the three-year aggregated period of 18.21%. A revised aggregated RONA of 18.21% for the Tranche 1 Financial Years results in a probability of vesting of 60%. This revised probability of vesting is consistent with the FY 2017 estimate vesting probability of 60%. The cumulative expense in respect of Tranche 1 is $844,800, consistent with the previous cumulative Tranche 1 expense reported in the 2017 Remuneration Report.

Reassessment of 100% Financial Condition for Tranche 1 of 2016 LTI Plan			
Calculation of Aggregated RONA for Tranche 1 Financial Years (2016, 2017 and 2018)	Tranche 1 Aggregated APBT (2016 + 2017 + 2018) / Tranche 1 Aggregated Net Assets (2015 + 2016 + 2017)	$1,455.69 million / $7,993.84 million	= 18.21% RONA

	Probability Vesting % in FY17	Tranche 1 Fair Value in FY17	Revised Probability Vesting in FY18	Revised Tranche 1 Fair Value in FY18	Adjustment due to Reassessment	Tranche 1 LTI Plan Expense in FY2018
Gerald Harvey	60%	$132,000	60%	$132,000	-	$42,714
Kay Lesley Page	60%	$237,600	60%	$237,600	-	$76,883
John Evyn Slack-Smith	60%	$158,400	60%	$158,400	-	$51,255
David Matthew Ackery	60%	$158,400	60%	$158,400	-	$51,255
Chris Mentis	60%	$158,400	60%	$158,400	-	$51,255
Total		$844,800		$844,800	-	$273,362

REMUNERATION REPORT (AUDITED) (continued)

6G. Reassessment of the 2015 LTI Plan PCI Performance Conditions and Expense Recognised in FY18

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

The 2015 LTI Plan, adopted by the Board during the 2015 financial year, remained in existence for the assessment of the 2015 LTI award granted to executive directors. The LTI award for the 2015 financial year was measured against financial and non-financial performance conditions measured in the 2015 financial year and reassessed in the 2016 and 2017 financial years, subject to the terms and conditions of the 2015 LTI Plan.

In the 2017 financial year, the Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management, including the Performance Report and Internal Audit Report, and had reassessed the probable achievement of the 2015 LTI Plan PCI to be 93.4%, an increase of 3.4% from 90.0% in 2016, due to a further 3.4% achievement of set non-financial performance conditions thereby increasing the non-financial performance conditions score from 40% to 43.4%.

A revised assessment of 93.4% vesting probability resulted in the vesting of 93.4% of the 2015 LTI Plan PCI and a payment due of $3,455,800, with a payable date of on or about 30 June 2018, subject to the achievement of the 2015 LTI Plan Service Conditions. An amount of $863,359 has been recognised as remuneration to executive directors in respect of the 2015 LTI Plan PCI and expensed in the income statement for the year ended 30 June 2018. The aggregate value of the 2015 LTI Plan PCI of $3,455,800 was paid on 4 July 2018.

Reassessment of the 2015 LTI Plan Performance Conditions and Cumulative Expense	Maximum 2015 LTI Plan PCI	Revised Probability Vesting in FY18	Revised 2015 LTI PCI Payable in FY18	2015 LTI Plan PCI Expense in FY2018
Gerald Harvey	$470,000	93.4%	$438,980	$109,671
Kay Lesley Page	$880,000	93.4%	$821,920	$205,339
John Evyn Slack-Smith	$800,000	93.4%	$747,200	$186,672
David Matthew Ackery	$800,000	93.4%	$747,200	$186,672
Chris Mentis	$750,000	93.4%	$700,500	$175,005
Total	$3,700,000		$3,455,800	$863,359

REMUNERATION REPORT (AUDITED) (continued)

6H. Summary of Performance and Executive Remuneration Outcomes in FY18

Remuneration Component	Value of STI and LTI Disclosed in 2018 and 2017 Remuneration Reports						
	Maximum Amount	Achievement	Score	Amount Payable	Vesting Period	2018 Remuneration Amount	2017 Remuneration Amount
2018 STI Plan PCI							
Financial conditions (50%)	$1,400,000	85.00%	42.50%	$1,190,000	1 Year	$1,190,000	-
Non-financial conditions (50%)	$1,400,000	77.52%	38.76%	$1,085,280		$1,085,280	-
Total 100%	**$2,800,000**			**$2,275,280**		**$2,275,280**	**-**
2017 STI Plan PCI							
Financial conditions (50%)	$1,175,000	100%	50%	$1,175,000	1 Year	-	$1,175,000
Non-financial conditions (50%)	$1,175,000	88.2%	44.1%	$1,036,236		-	$1,036,236
Total 100%	**$2,350,000**			**$2,211,236**		-	**$2,211,236**
Total Short-Term Incentive PCI						**$2,275,280**	**$2,211,236**
Tranche 3 (FY18) of 2016 LTI Plan							
Financial conditions (100%)	$1,336,000	40%	40%	$534,400	4 Years	$100,526	-
Non-financial conditions (0%)	-	-	-	-	(Yr 1 of 4)	-	-
Total 100%	**$1,336,000**			**$534,400**		**$100,526**	**-**
Tranche 2 (FY17) of 2016 LTI Plan							
Financial conditions (100%)	$1,548,000	60%	60%	$928,800	4 Years	$241,318	$235,834
Non-financial conditions (0%)	-	-	-	-	(Yr 2 of 4)	-	-
Total 100%	**$1,548,000**			**$928,800**		**$241,318**	**$235,834**
Tranche 1 (FY16) of 2016 LTI Plan							
Financial conditions (100%)	$1,408,000	60%	60%	$844,800	4 Years	$273,362	$326,785
Non-financial conditions (0%)	-	-	-	-	(Yr 3 of 4)	-	-
Total 100%	**$1,408,000**			**$844,800**		**$273,362**	**$326,785**
Total LTI Performance Rights						**$615,206**	**$562,619**
2015 LTI Plan PCI							
Financial conditions (50%)	$1,850,000	100%	50%	$1,850,000	4 Years	$462,184	$462,183
Non-financial conditions (50%)	$1,850,000	86.8%	43.4%	$1,605,800	(Yr 4 of 4)	$401,175	$464,118
Total 100%	**$3,700,000**			**$3,455,800**		**$863,359**	**$926,301**
2014 LTI Plan PCI							
Financial conditions (20%)	$740,000	60%	12%	$444,000	4 Years	-	$110,924
Non-financial conditions (80%)	$2,960,000	98.13%	78.5%	$2,904,500		-	$725,629
Total 100%	**$3,700,000**			**$3,348,500**		-	**$836,553**
Total LTI Performance Cash Incentive						**$863,359**	**$1,762,854**
Total Value of STI and LTI						**$3,753,845**	**$4,536,709**

The total value of STI and LTI expensed in the Income Statement for the 2018 financial year and disclosed in this remuneration report was $3.75 million compared to $4.54 million expensed in the 2017 financial year, a decrease of $0.78 million or 17.3%, relative to the previous year. This reduction correlates with the reduction in reported profit before tax by 17.1% during the year, from $639.81 million in the 2017 financial year to $530.17 million in the 2018 financial year.

7. Executive Contractual Arrangements

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

Chief Executive Officer

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

Under the terms of the present contract the CEO's total potential employment cost is $3,275,750 comprised of:

- fixed remuneration of $2,100,000 per annum;
- maximum STI opportunity in respect of the year ended 30 June 2018 of $800,000; and
- maximum LTI opportunity in respect of the year ended 30 June 2018 of $375,750.

The CEO's termination provisions are as follows:

CEO's Termination Provisions	Notice Period	Payment in Lieu of Notice	Treatment of STI on Termination	Treatment of LTI on Termination
Employer-initiated termination	5 weeks	5 weeks	Pro-rated for time and performance	Board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee-initiated termination	5 weeks	5 weeks	Unvested awards forfeited, subject to Board discretion	Unvested awards forfeited, subject to Board discretion

Minimum Shareholding Requirement

There are no minimum shareholding requirements imposed on the CEO.

Other KMPs

All other KMPs have rolling contracts.

Standard KMP Termination Provisions	Notice Period	Payment in Lieu of Notice	Treatment of STI on Termination	Treatment of LTI on Termination
Employer-initiated termination	4-5 weeks	4-5 weeks	Pro-rated for time and performance	Board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee-initiated termination	4-5 weeks	4-5 weeks	Unvested awards forfeited, subject to Board discretion	Unvested awards forfeited, subject to Board discretion

8. Non-Executive Director Remuneration Arrangements

Remuneration Policy

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

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

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

The Board will not seek any increase for the NED pool at the 2018 AGM.

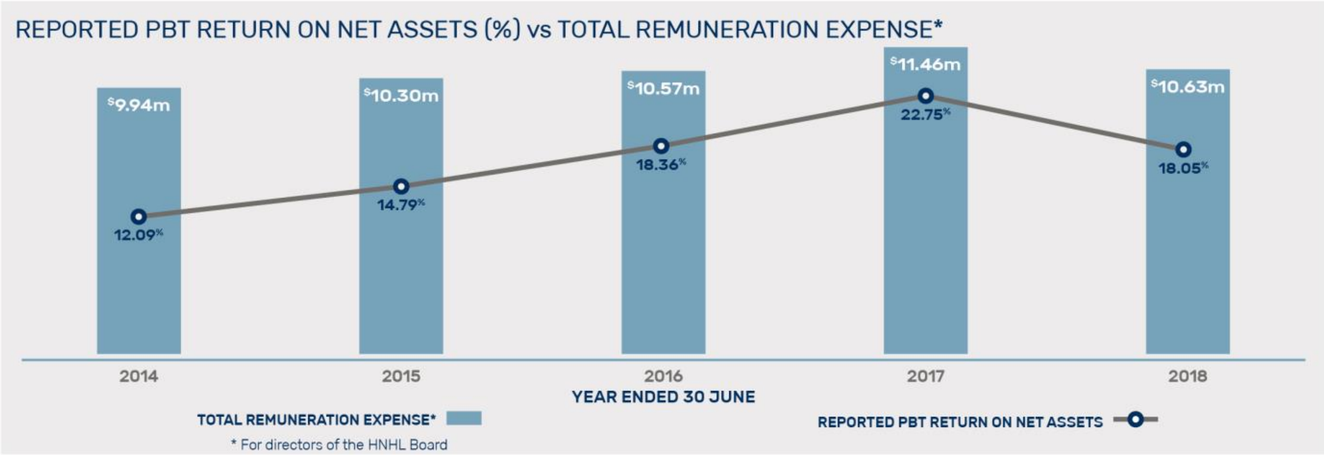
Structure

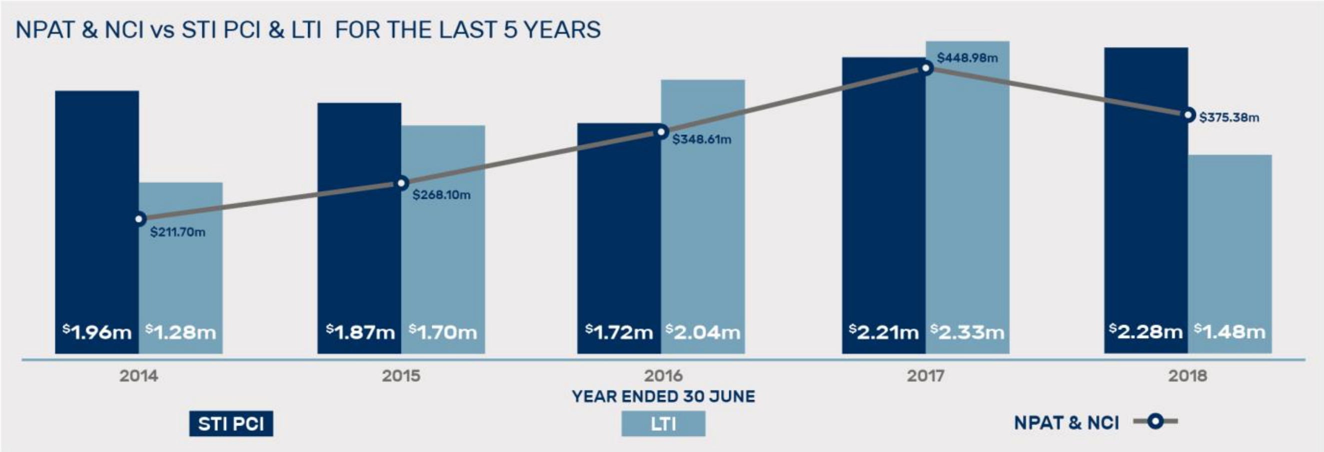
The remuneration of NEDs consists of directors' fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs. Each NED receives a fee for being a director of the Company. The structure of NED remuneration is separate and distinct from executive remuneration. The remuneration of NEDs for the years ended 30 June 2018 and 30 June 2017 are disclosed in Table 1 on page 48 of this report.

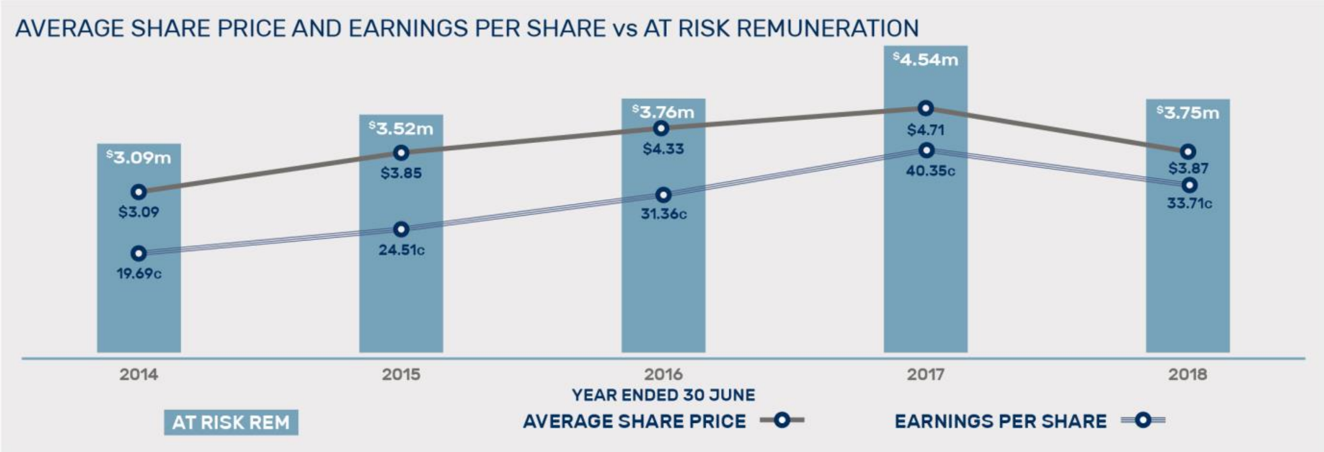
REMUNERATION REPORT (AUDITED) (continued)

9. Relationship between Remuneration and the Performance of the Company

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







Where:

NPAT & NCI = net profit after tax & non-controlling interests

APBT = net profit before tax excluding property revaluation adjustments

STI PCI = short-term performance cash incentive

LTI = long-term incentive

EPS = earnings per share

AT RISK REM = the sum of STI PCI & LTI

REMUNERATION REPORT (AUDITED) (continued)

10. Compensation of Key Management Personnel

TABLE 1: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2018 – Directors of Harvey Norman Holdings Limited:

		Short Term Benefits				Post Employment	Long Term Incentives		Other		
		Salary & Fees	Performance Cash Incentive	Other Short Term	Non-Monetary Benefits	Superannuation	Performance Cash Incentive	Performance Rights	Long Service Leave (a)	Total Remuneration	% at risk
Gerald Harvey Executive Chairman	2018	719,551	-	10,400	-	20,049	109,671	96,126	-	955,797	21.5%
	2017	746,620	-	10,400	-	19,616	223,930	87,909	-	1,088,475	28.6%
Kay Lesley Page Executive Director/CEO	2018	2,062,925	650,080	-	17,026	20,049	205,339	173,027	-	3,128,446	32.9%
	2017	2,064,922	658,666	-	15,462	19,616	419,274	158,237	-	3,336,177	37.1%
John Evyn Slack-Smith Executive Director/COO	2018	1,229,951	568,820	-	-	20,049	186,672	115,351	20,499	2,141,342	40.7%
	2017	1,230,384	541,047	-	-	19,616	381,157	105,491	20,506	2,298,201	44.7%
David Matthew Ackery Executive Director	2018	1,211,951	568,820	18,000	-	20,049	186,672	115,351	20,499	2,141,342	40.7%
	2017	1,212,384	541,047	18,000	-	19,616	381,157	105,491	20,506	2,298,201	44.7%
Chris Mentis Executive Director/CFO	2018	897,533	487,560	-	32,418	20,049	175,005	115,351	14,959	1,742,875	44.6%
	2017	905,799	470,476	-	24,585	19,616	357,336	105,491	15,097	1,898,400	49.2%
Michael John Harvey Non-Executive Director	2018	54,795	-	-	-	5,205	-	-	-	60,000	-
	2017	54,795	-	-	-	5,205	-	-	-	60,000	-
Christopher Herbert Brown Non-Executive Director	2018	132,420	-	-	-	12,580	-	-	-	145,000	-
	2017	132,420	-	-	-	12,580	-	-	-	145,000	-
Kenneth William Gunderson-Briggs Non-Executive Director	2018	158,788	-	-	-	15,085	-	-	-	173,873	-
	2017	173,377	-	-	-	16,098	-	-	-	189,475	-
Graham Charles Paton Non-Executive Director	2018	132,420	-	-	-	12,580	-	-	-	145,000	-
	2017	132,420	-	-	-	12,580	-	-	-	145,000	-
Total for the 2018 Financial Year	2018	6,600,334	2,275,280	28,400	49,444	145,695	863,359	615,206	55,957	10,633,675	35.3%
Total for the 2017 Financial Year	2017	6,653,121	2,211,236	28,400	40,047	144,543	1,762,854	562,619	56,109	11,458,929	39.6%

(a) Table 1 includes the accrual for long service leave entitlements in respect of the years ended 30 June 2018 and 30 June 2017. The Chairman (G. Harvey) and Chief Executive Officer (K.L. Page) do not have a long service leave accrual as they have elected to forgo this employee entitlement.

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

REMUNERATION REPORT (AUDITED) (continued)
10. Compensation of Key Management Personnel (continued)

TABLE 2: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2018 – Senior Executives of Harvey Norman Holdings Limited:

		Short Term Benefits				Post Employment	Long Term Incentives		Other			
		Salary & Fees	Performance Cash Incentive	Other Short Term	Non-Monetary Benefits	Superannuation	Performance Cash Incentive	Performance Rights	Termination Benefits	Long Service Leave	Total Remuneration	% at risk
Thomas James Scott	2018	574,804	-	-	-	20,049	-	-	-	9,580	604,433	-
GM – Property	2017	521,160	-	-	-	19,616	-	-	-	8,686	549,462	-
Martin Anderson	2018	295,936	-	-	25,034	21,828	-	-	-	4,932	347,730	-
GM – Advertising	2017	362,438	-	-	24,568	21,394	-	-	-	6,041	414,441	-
Gordon Ian Dingwall	2018	464,951	-	-	-	20,049	-	-	-	7,749	492,749	-
Chief Information Officer	2017	430,384	-	-	-	19,616	-	-	-	7,173	457,173	-
Rob Nelson [(a)]	2018	28,496	-	1,821	-	1,671	-	-	40,680[(g)]	-	72,668	-
GM – Audio Visual	2017	342,384	-	9,000	-	19,616	-	-	-	5,706	376,706	-
Ajay Calpakam [(b)]	2018	362,083	-	8,250	-	20,049	-	-	-	6,035	396,417	-
GM – Audio Visual	2017	-	-	-	-	-	-	-	-	-	-	-
Haydon Ian Myers [(c)]	2018	33,252	-	-	-	1,671	-	-	103,385[(g)]	-	138,308	-
GM – Home Appliances	2017	393,183	-	-	44,717	19,616	-	-	-	6,553	464,069	-
Lachlan Roach [(d)]	2018	293,677	-	6,750	-	15,037	-	-	-	4,895	320,359	-
GM – Home Appliances	2017	-	-	-	-	-	-	-	-	-	-	-
Geoff Van Der Vegt [(e)]	2018	-	-	-	-	-	-	-	-	-	-	-
GM – Technology & Entertainment	2017	400,722	-	-	39,630	17,981	-	-	11,292	-	469,625	-
Frank Robinson [(f)]	2018	444,583	-	13,750	-	20,049	-	-	-	7,410	485,792	-
GM – Technology & Entertainment	2017	-	-	-	-	-	-	-	-	-	-	-
Total for the 2018 Financial Year	2018	2,497,782	-	30,571	25,034	120,403	-	-	144,065	40,601	2,858,456	-
Total for the 2017 Financial Year	2017	2,450,271	-	9,000	108,915	117,839	-	-	11,292	34,159	2,731,476	-

(a) resigned 31 July 2017
(b) commenced 1 August 2017
(c) resigned 31 July 2017
(d) commenced 1 October 2017
(e) resigned 31 May 2017
(f) commenced 1 August 2017
(g) this amount represents the cash payment of employee leave entitlements upon resignation

REMUNERATION REPORT (AUDITED) (continued)

11. Additional Disclosures Relating to Options, Performance Rights and Shares

TABLE 3: Options Granted to Executive Directors as Part of Remuneration:

The table below discloses the number of share options granted to executive directors as remuneration during the year ended 30 June 2018 as well as the number of options that vested, were exercised or lapsed during the year. Share options do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

	Options Granted as Remuneration During the Year		Options Vested During the Year		Unvested Options at 30 June 2018		Options Exercised During the Year		Remaining Unexercised Options at 30 June 2018	
	Grant Number	Value of Options Granted $	Number of Options Vested	Value of Options Vested $	Number of Unvested Options	Value of Unvested Options $	Number of Options Exercised	Value of Options Exercised $	Number of Remaining Unexercised Options	Value of Remaining Unexercised Options $
John Evyn Slack-Smith	-	-	-	-	-	-	567,000	$159,894	-	-
Chris Mentis	-	-	-	-	-	-	567,000	$159,894	-	-
Total	-	-	-	-	-	-	1,134,000	$319,788	-	-

Movement in option holdings during the year ended 30 June 2018:

a) There were no share options issued pursuant to the 2010 Share Option Plan during the 2018 financial year.

b) On 4 September 2017, J.E. Slack-Smith exercised 567,000 options over 567,000 shares representing his full entitlement in respect of the Third Tranche of Options, previously granted on 29 November 2012, at the exercise price of $1.827 per option. The total consideration paid by J.E. Slack-Smith was $1,035,909.

c) On 8 March 2018, C. Mentis exercised 567,000 options over 567,000 shares representing his full entitlement in respect of the Third Tranche of Options, previously granted on 29 November 2012, at the exercise price of $1.827 per option. The total consideration paid by C. Mentis was $1,035,909.

Movement in option holdings during the year ended 30 June 2017

a) On 3 March 2017, C. Mentis exercised 250,000 options over 250,000 shares representing his full entitlement in respect of the Second Tranche of Options, previously granted on 29 November 2011, at the exercise price of $2.0267 per option. The total consideration paid by C. Mentis was $506,675.

b) On 23 March 2017, J.E. Slack-Smith exercised 250,000 options over 250,000 shares representing his full entitlement in respect of the Second Tranche of Options, previously granted on 29 November 2011, at the exercise price of $2.0267 per option. The total consideration paid by J.E. Slack-Smith was $506,675.

TABLE 4: Option Holdings of Key Management Personnel for the Year Ended 30 June 2018

						Vested as at 30 June 2018		
	1 July 2017	Granted as Remuneration	Options Exercised	Net Change Other	30 June 2018	Total	Exercisable	Not Exercisable
John Evyn Slack-Smith	567,000	-	(567,000)	-	-	-	-	-
Chris Mentis	567,000	-	(567,000)	-	-	-	-	-
Total	1,134,000	-	(1,134,000)	-	-	-	-	-

Apart from the KMPs disclosed above, no other director or senior executive had any other option holdings during the year ended 30 June 2018. During the 2018 financial year, J.E. Slack-Smith and C. Mentis each exercised 567,000 options over 567,000 shares in respect of the Third Tranche of Options that had vested on 31 December 2015 and were exercisable from 1 January 2016 to 30 June 2018. There were no vested options remaining as at 30 June 2018.

REMUNERATION REPORT (AUDITED) (continued)
11. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)

TABLE 5: Performance Rights Granted to Executive Directors as Part of Remuneration:

The table below discloses the number of performance rights granted to executive directors as remuneration during the year ended 30 June 2018 as well as the number of performance that vested, were exercised or lapsed during the year.

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

	Performance Rights Granted as Remuneration During Year		Performance Rights Vested During the Year		Unvested Performance Rights at 30 June 2018		Performance Rights Exercised During the Year
	Number of Rights Granted	Value of Performance Rights Granted $	Number of Performance Rights Vested	Value of Performance Rights Vested $	Number of Unvested Performance Rights	Value of Unvested Performance Rights $	Number of Performance Rights Exercised
Gerald Harvey	62,500	$208,750	-	-	187,500	$670,625	-
Kay Lesley Page	112,500	$375,750	-	-	337,500	$1,207,125	-
John Evyn Slack-Smith	75,000	$250,500	-	-	225,000	$804,750	-
David Matthew Ackery	75,000	$250,500	-	-	225,000	$804,750	-
Chris Mentis	75,000	$250,500	-	-	225,000	$804,750	-
Total	400,000	$1,336,000	-	-	1,200,000	$4,292,000	-

Movement in performance rights during the year ended 30 June 2018:

a) A total of 400,000 performance rights under Tranche 3 FY2018 of the 2016 LTI Plan were granted to executive directors on 1 December 2017. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date with a fair value of $3.34 per entitlement share granted under Tranche 3 on 1 December 2017, based on a share price of $4.02. The fair value was derived from a discounted cash flow technique where the value of the performance right is the face value of the share at grant date less the present value of the dividends expected to be paid on the share but not received by the holder during the vesting period. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of Tranche 3 performance rights amounted to $1,336,000 in aggregate.

b) As at 30 June 2018, a total of 1,200,000 performance rights under Tranche 1 FY2016 (as to 400,000 performance rights), Tranche 2 FY2017 (as to 400,000 performance rights) and Tranche 3 FY2018 (as to 400,000 performance rights) of the 2016 LTI Plan were outstanding, unvested and not capable of exercise.

REMUNERATION REPORT (AUDITED) (continued)
11. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)

TABLE 6: Performance Rights of Key Management Personnel for the Year Ended 30 June 2018

	1 July 2017 Balance at the Beginning of Year	Granted as Remuneration	Options Exercised	Net Change Other	30 June 2018 Balance at End of the Year	Vested as at 30 June 2018		
						Total	Exercisable	Not Exercisable
KMP: Board of Directors								
Gerald Harvey	125,000	62,500	-	-	187,500	-	-	-
Kay Lesley Page	225,000	112,500	-	-	337,500	-	-	-
John Evyn Slack-Smith	150,000	75,000	-	-	225,000	-	-	-
David Matthew Ackery	150,000	75,000	-	-	225,000	-	-	-
Chris Mentis	150,000	75,000	-	-	225,000	-	-	-
Total	800,000	400,000	-	-	1,200,000	-	-	-

Apart from the KMPs disclosed above, comprised of the executive directors of the Company, each of the non-executive directors or senior executives of the Company did not have any performance rights during the year ended 30 June 2018.

The closing balance of the performance rights in the Company of 1,200,000 as at 30 June 2018 is comprised of:

a) Balance at the beginning of year: 400,000 performance options under Tranche 1 FY2016; fair value at grant date of $3.52; to vest on 31 December 2018; exercisable between 1 January 2019 and 30 June 2021;

b) Balance at the beginning of year: 400,000 performance options under Tranche 2 FY2017; fair value at grant date of $3.87; to vest on 31 December 2019; exercisable between 1 January 2020 and 30 June 2022; and

c) Granted as remuneration during the year: 400,000 performance options under Tranche 3 FY2018; fair value at grant date of $3.34; to vest on 31 December 2020; exercisable between 1 January 2021 and 30 June 2023.

REMUNERATION REPORT (AUDITED) (continued)

11. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)

TABLE 7: Shareholdings/Relevant Interests of Key Management Personnel for the Year Ended 30 June 2018

	1 July 2017 Balance at the Beginning of Year	On Exercise of Options	Net Change Other	30 June 2018 Balance at the End of Year
KMP: Board of Directors				
Gerald Harvey	337,889,449	-	2,267,589	340,157,038
Kay Lesley Page	17,507,642	-	-	17,507,642
John Evyn Slack-Smith	699,818	567,000	(367,000)	899,818
David Matthew Ackery	489,134	-	-	489,134
Chris Mentis	348,341	567,000	-	915,341
Michael John Harvey	2,974,897	-	-	2,974,897
Christopher Herbert Brown	183,323,726	-	-	183,323,726
Kenneth William Gunderson-Briggs	3,137	-	3,000	6,137
Graham Charles Paton	15,682	-	-	15,682
KMP: Senior Executives				
Thomas James Scott	31,835	-	-	31,835
Total	543,283,661	1,134,000	1,903,589	546,321,250

Movement in shareholdings / relevant interests during the year ended 30 June 2018:

(a) On 1 September 2017, G. Harvey Nominees Pty Limited, a company associated with G. Harvey, acquired 1,000,000 shares in the Company, on-market, for an average consideration of $3.93 per share or $3,930,200 in total.

(b) On 4 September 2017, J.E. Slack-Smith exercised 567,000 options in respect of the Third Tranche of Options at the exercise price of $1.827 per option or $1,035,909 in total. 567,000 new shares in the Company were issued pursuant to this transaction.

(c) On 5 September 2017, J.E. Slack-Smith sold 367,000 shares in the Company on-market from Whitewood Investments Pty Limited as trustee for Whitewoods Trust, entities associated with J.E. Slack-Smith, for an average sale price of $3.89 per share or $1,429,170 in total.

(d) On 7 September 2017, J.E. Slack-Smith sold 200,000 shares in the Company, off-market, to Whitewood Investments Pty Limited as trustee for Whitewoods Trust, an entity associated with J.E. Slack-Smith, for an average sale price of $3.93 of $786,000 in total.

(e) On 6 December 2017, K. Page Pty Limited, a company associated with K.L. Page, sold 241,838 shares in the Company, off-market, to K L Page Superannuation Fund Pty Limited, another company associated with K.L. Page, for an average sale price of $4.14 per share or $1,000,000 in total.

(f) On 6 March 2018, Demlon Pty Ltd as trustee for SKGB Trust, a company associated with K. W. Gunderson-Briggs, acquired 3,000 shares in the Company, on-market, for an average consideration of $3.88 per share or $11,640 in total.

(g) On 8 March 2018, C. Mentis exercised 567,000 options in respect of the Third Tranche of Options at the exercise price of $1.827 per option or $1,035,909 in total. 567,000 new shares in the Company were issued pursuant to this transaction.

(h) On 21 March 2018, G. Harvey as Trustee for Harvey 2003 Option Trust, an entity associated with G. Harvey, acquired 1,000,000 shares in the Company, on-market, for an average consideration of $3.77 per share or $3,766,475 in total.

(i) On 27 March 2018, G. Harvey as Trustee for Harvey 2003 Option Trust, an entity associated with G. Harvey, acquired 267,589 shares in the Company, on-market, for an average consideration of $3.64 per share or $974,425 in total.

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

The below table shows the 'take-home pay' for each director of the Company, representing the benefits paid to each director during the year ended 30 June 2018, or as soon as practicable after that date. Total 'take-home pay' for the directors of the Company amounted to $12.49 million for the year ended 30 June 2018. The total value of remuneration expensed for directors of the Company in respect of the 2018 financial year was $10.63 million (refer to Table 1 on page 48 of this report). For the 2018 financial year, total 'take-home pay' was $1.86 million higher than the value of remuneration expensed to the income statement.

KMP: Board of Directors	Salary & Fees	Other Short Term	Non-Monetary Benefits	Super-annuation	Short-Term Performance Cash Incentive [a]	Long-Term Performance Cash Incentive [b]	FY2018 Total Take-Home Pay	FY2017 Total Take-Home Pay
Gerald Harvey	719,551	10,400	-	20,049	-	438,980	**1,188,980**	1,201,986
Kay Lesley Page	2,062,925	-	17,026	20,049	658,666	821,920	**3,580,586**	3,407,350
John Evyn Slack-Smith	1,229,951	-	-	20,049	541,047	747,200	**2,538,247**	2,392,050
David Matthew Ackery	1,211,951	18,000	-	20,049	541,047	747,200	**2,538,247**	2,392,050
Chris Mentis	897,533	-	32,418	20,049	470,476	700,500	**2,120,976**	2,000,350
Michael John Harvey	54,795	-	-	5,205	-	-	**60,000**	60,000
Christopher Herbert Brown	132,420	-	-	12,580	-	-	**145,000**	145,000
Kenneth William Gunderson-Briggs	158,788	-	-	15,085	-	-	**173,873**	189,475
Graham Charles Paton	132,420	-	-	12,580	-	-	**145,000**	145,000
Total Take-Home Pay 2018	6,600,334	28,400	49,444	145,695	2,211,236	3,455,800	12,490,909	
Total Take-Home Pay 2017	6,653,121	28,400	40,047	144,543	1,718,650	3,348,500		11,933,261

a) The short-term performance cash incentive of $2.21 million represented the payment of the 2017 STI Plan PCI that was earned in respect of the 2017 financial year, and was paid to executive directors in October 2017.

b) The long-term performance cash incentive of $3.46 million represented the payment of the 2015 LTI Plan PCI that was earned in respect of the 2015 financial year, and was expensed over a 4-year vesting period for the financial years ending 30 June 2015, 30 June 2016, 30 June 2017 and 30 June 2018. This was paid to executive directors on 4 July 2018.

13. Loans to Key Management Personnel and their Related Parties

There were no loans granted to key management personnel during the year ended 30 June 2018 (2017: nil). There were no loans outstanding from key management personnel as at 30 June 2018 (2017: nil).

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

		CONSOLIDATED	
		June 2018 $000	June 2017 $000
(i)	**Loans from directors to subsidiaries of Harvey Norman Holdings Limited:**		
	Derni Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited) borrowed money from entities and related parties associated with G. Harvey, M.J. Harvey and K.L. Page. Interest is payable at commercial rates. These loans are unsecured and repayable at call.	39,566,536	46,139,265
	Net amounts (paid to) / received from entities associated with the above mentioned directors and their related parties.	(6,572,729)	2,823,879
	Interest paid/payable	897,393	787,533
(ii)	**Lease of business premises from Ruzden Pty Limited:**		
	The consolidated entity leases business premises at Bundall, Queensland from Ruzden Pty Limited. Mr G. Harvey, Ms K.L. Page, Mr M.J. Harvey and I.J. Norman Nominees Pty Limited (C.H. Brown) have an equity interest in Ruzden Pty Limited. The lease arrangements were approved by shareholders in the General Meeting held 25 May 1993, and in the General Meeting held 31 August 1999. The lease is subject to normal commercial terms and conditions. Rent paid by the consolidated entity to Ruzden Pty Limited was:	4,692,124	4,588,056
(iii)	**Legal fees paid to a director-related entity:**		
	Legal fees were paid to the firm of which Mr C.H. Brown is a partner for professional services rendered to the consolidated entity in the normal course of business.	3,469,948	3,636,482
(iv)	**Other income derived by related entities of key management personnel:**		
	Certain franchises are operated by entities owned or controlled by relatives of key management personnel under normal franchisee terms and conditions. Aggregated net income derived by entities owned or controlled by relatives of key management personnel was:	762,655	1,256,314

(v) **Perth City West Retail Complex**

By a contract for sale dated 31 October 2000, Gerald Harvey, as to a one-half share as tenant in common, and a subsidiary of Harvey Norman Holdings Limited, as to a one-half share as tenant in common, purchased the Perth City West retail complex for a purchase price of $26.60 million. In the financial statements of the consolidated entity, the day-to-day management of this entity has been accounted for as a joint venture as disclosed in Note 37 to the financial statements. This transaction was executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transaction was at arm's length. The property was purchased subject to a lease of part of the property in favour of a subsidiary of Harvey Norman Holdings Limited (the "Lessee"). That lease had been granted by the previous owner of the property on arm's length normal terms and conditions. Gerald Harvey is entitled to one-half of the rental paid by the Lessee. The amount of rental and outgoings paid by the Lessee to Gerald Harvey and the subsidiary of Harvey Norman Holdings Limited for the year ended 30 June 2018 was $0.77 million each (2017: $1.67 million).

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

By a contract for sale dated 15 May 2002, a company (of which Gerald Harvey was a director) acting in its capacity as trustee of a trust, as to a one-half share as tenant in common (the "GH entity"), and a subsidiary of Harvey Norman Holdings Limited, as to a one-half share as tenant in common, purchased the Byron at Byron Resort, Spa and Conference Centre (the "Byron Bay JV"). In the financial statements of the consolidated entity, the day-to-day management of this entity has been accounted for as a joint venture as disclosed in Note 37 to the financial statements. This transaction was executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transaction was at arm's length. No capital distribution was received by each of the GH entity and a subsidiary of Harvey Norman Holdings Limited (2017: $0.30 million). A subsidiary of Harvey Norman Holdings Limited held a conference at The Byron at Byron Resort and paid the Byron Bay JV conference fees amounting to $0.12 million for the year ended 30 June 2018 (2017: $0.11 million).

REMUNERATION REPORT (AUDITED) (continued)

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

(vii) Gepps Cross Retail Complex

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

By a contract for sale dated 23 December 2010, GH Gepps Cross Pty Limited, an entity associated with Gerald Harvey ("Gerald Harvey Entity") and MJH Gepps Cross Pty Limited, an entity associated with Michael Harvey ("Michael Harvey Entity") and, M&S Gepps Cross Pty Limited, purchased the one-half share as tenant in common of the G.C. Co-Owner in the G.C. Land and retail complex. The sale was subject to the G.C. Lease. The Gerald Harvey Entity is entitled to one-quarter of the rental and outgoings paid by the G.C. Lessee amounting to $0.81 million for the year ended 30 June 2018 (2017: $0.79 million). The Michael Harvey Entity is entitled to one-eighth of the rental and outgoings paid by the G.C. Lessee amounting to $0.40 million for the year ended 30 June 2018 (2017: $0.40 million). In the financial statements of the consolidated entity, the day-to-day management of the Gepps Cross Joint Venture has been accounted for as equity accounted investment as disclosed in Note 37. The Gerald Harvey Entity is entitled to one-quarter of the profits generated by the retail complex on the G.C. Land amounting to $1.54 million for the year ended 30 June 2018 (2017: $1.55 million). The Michael Harvey Entity is entitled to one-eighth of the profits generated by the retail complex on the G.C. Land amounting to $0.77 million for the year ended 30 June 2018 (2017: $0.78 million).

(viii) Gazal Corporation Limited

Mr. G.C. Paton is an independent, non-executive director of Gazal Corporation Limited, a public company listed on the Australian Stock Exchange.

A wholly-owned subsidiary of the consolidated entity previously owned 4.17 million shares in Gazal Corporation Limited with a market value of $9.33 million as at 30 June 2017. In April 2018, following an on-market share buy-back, the consolidated entity disposed of 4.17 million shares in Gazal Corporation Limited for total consideration of $10.41 million. The consolidated entity received dividends during the year amounting to $0.33 million for the year ended 30 June 2018 (2017: $0.67 million).

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

ENVIRONMENTAL AND SOCIAL SUSTAINABILITY

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

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

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

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

The consolidated entity is a member of the following organisations and associations:

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

Environmental Regulation Performance

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

The consolidated entity's environmental obligations are regulated under both State and Federal Law. There were no environmental breaches notified to the consolidated entity by any Government agency during the year ended 30 June 2018 and up to the date of this report.

Actions of the Franchisor

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

The consolidated entity has undertaken the following recent actions with respect to solar energy, LED lighting and stormwater harvesting systems:

Solar Energy

Following an analysis across 13 franchised complexes and 24 months of data, the consolidated entity can report:

- A net saving across the franchised complexes that were analysed of 1,308,310KWh of electricity, or 10.59%;
- A reduction in CO_2 emissions across these franchised complexes of 1,209 tonnes, an 11.66% reduction, which is equivalent to taking 200 cars off the road for a 12-month period.

Approximately 60% of the previously planned installations are complete. Sites are regularly analysed for participation in the program and it is expected that the program will continue beyond the current scope to franchised complexes that demonstrate appropriate payback.

LED Lighting

The LED program is in the process of being implemented within 35 franchised complexes in Australia and 13 company-operated stores in New Zealand. Using estimates based on the energy consumption of the existing T8 lighting fittings at these locations, the estimated savings from reduced consumption of energy and repairs and maintenance spend on lighting are in excess of $1.40 million per annum and an average payback of 2.7 years. Further analysis and tracking of savings will be undertaken as the program is rolled-out.

Stormwater Harvesting Systems

During the 2018 financial year, the consolidated entity has installed rainwater harvesting systems at 3 franchised complexes, with a fourth system to be installed in November 2018. When complete, the four systems will collect rainwater totalling 916,000 litres, which is used for irrigation and reduces the reliance on the mains water supply.

Actions of Franchisees

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

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

Harvey Norman®, Domayne® and Joyce Mayne® franchisees have improved on their waste management performance and offering to customers during the 2018 financial year as follows:

Waste Stream	Percentage Improvement During 2018 Financial Year	Description
e-Waste	5.7% overall increase on FY2017 volumes	E-waste recycling is available through most Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes.
Mattresses	11,848 mattresses recycled via the Soft Landings Product Stewardship and Social Enterprise Scheme. Some franchisees may have used alternate service providers, particularly in Melbourne.	Harvey Norman® and Domayne® franchisees are founding members of the Soft Landings Mattress Product Stewardship Scheme.
Polystyrene	19.3% increase in polystyrene recycling (measured in tonnes) in FY2018.	Approximately 80% of franchised complexes in Australia recycle this separate waste stream.
Cardboard and Plastic Recycling Recycling as a percentage of franchised complex waste (excluding the above initiatives)	Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes recycled 6,824 tonnes of cardboard and paper and 47.69 tonnes of plastic (LDPE) in FY2018. Average landfill diversion: - 40% (measured by weight) - 47% (measured by volume)	Each franchisee in each franchised complex in Australia carries out cardboard and plastic recycling.
Plastic Bag Usage by Customers	Net distribution of plastic bags reduced by 7.5% in FY2018. Use of reusable smart bags increased by 2.3%.	From February 2018, all plastic bags supplied to Harvey Norman®, Domayne® and Joyce Mayne® franchisees were a minimum of 40 microns.

Social Sustainability

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

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

Employee Learning and Development

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

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

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

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

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

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

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

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

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

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

OTHER INFORMATION

Indemnification of Officers

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

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

Rounding of Amounts

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

Auditor Independence and Non-Audit Services

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

Details of the amounts paid or payable to the auditor, Ernst & Young, for the provision of non–audit services during the year ended 30 June 2018 are as follows:

- Tax compliance services $234,984 (2017: $205,823);
- Other services $42,769 (2017: $71,756)

OTHER INFORMATION (continued)
Auditor Independence and Non-Audit Services (continued)

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

Building a better working world

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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

As lead auditor for the audit of Harvey Norman Holdings Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
28 September 2018

Signed in accordance with a resolution of directors.

K. L. Page

G. HARVEY
Executive Chairman
Sydney
28 September 2018

K.L. PAGE
Executive Director / Chief Executive Officer
Sydney
28 September 2018

Introduction

The board of directors (**Board**) of Harvey Norman Holdings Limited (**HVN** or the **Company**) is committed to a high standard of corporate governance, and is responsible for establishing, maintaining and monitoring the corporate governance framework of the consolidated entity. The Board has benchmarked its practices against the ASX Corporate Governance Council's (**CGC**) published guidelines and the CGC corporate governance principles and recommendations (27 March 2014 edition) (**Principles**). The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This Corporate Governance Statement (**Statement**) summarises the Company's corporate governance practices including compliance with the Principles for the year ended 30 June 2018. The Statement has been approved by the Board.

Further details about corporate governance policies adopted by the Company and the Board and committee charters may be accessed via the Company's website www.harveynormanholdings.com.au (**website**).

The Board

Role and Responsibilities

The role and responsibility of the Board is to set and approve the strategy of the Company, to identify significant business risks and ensure arrangements are in place in order to manage those risks and review the performance of the CEO. The Board aims to foster a culture of compliance, with an emphasis on ethical behaviour, accountability, corporate and individual integrity and respect for others.

The Board has established guidelines for the composition of the Board and meeting processes.

The responsibility for implementation of strategy and risk management and operations of the business is delegated, by the Board, to the CEO and the executive management team. The CEO reports to the Board on operational issues that include:

a) Recommendations on strategic initiatives and developing and implementing corporate strategies;
b) Preparation for approval by the Board of budgets and cash flow forecasts and management of operations within the financial constraints imposed by the Board;
c) Maintenance of effective compliance and risk management frameworks;
d) Evaluation of the performance of key executives, including succession and learning and growth activities;
e) Achievement of financial and non-financial key performance indicators as set by the Board; and
f) Information to keep the Board and ASX fully informed having regard to continuous disclosure obligations.

The Company's continuous disclosure policy sets out procedures supporting the Company's compliance with its continuous disclosure obligations under the ASX listing rules. The policy is available on the Governance page of the website.

Matters which are specifically reserved for the Board are set out in the Board Charter, which is available on the Governance page of the website. Other functions reserved for the Board include:

a) Approving the annual and half-yearly financial reports;
b) Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
c) Ensuring that any significant risks are identified, assessed, appropriately managed and monitored; and
d) Reporting to shareholders.

Board Structure and Composition

The relevant factors in determining the suitability of a board member are integrity, business savvy, an owner-oriented attitude and a deep genuine interest in the business of the consolidated entity.

In applying these principles to the consolidated entity:

a) Business savvy requires a deep understanding of one or more of the sectors of retail, property, franchising and digital.
b) Integrity requires a level of fundamental honesty, candour and frankness in dealing with colleagues, regulators and other third parties. Integrity necessarily requires a director to bring an open mind and independent judgment to the discussion of any matter of concern to the Board.
c) An owner orientation or perspective of an owner requires the individual to either have:
    i. "skin in the game" by holding, controlling or benefitting from a significant parcel of shares where the financial interests of the director are aligned with the long term beneficial interest of shareholders; or
    ii. a perspective of advising owners of businesses and understanding that wealth generation is derived from the building of business interests that create long term sustainable value.

   Directors with an owner orientation retain an open mind to consider diverse views but are not strictly beholden to the whims of fashionable thinking and are able to form their own views as to what constitutes best practice in corporate governance.
d) Interest in and time to do the job means:
    i. the person has an executive role, meaning that the person's career is based on job performance at the company; or
    ii. the individual has a limited number of outside interests (i.e. the person is not a professional non-executive director),

   but in both cases the individual has an independence of mind and outlook.

Applying these criteria to the current Board, the Board is satisfied that each Director brings to the Board the necessary skills and attributes specified.

Board Structure and Composition (continued)

The length of service of each director is set out below.

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

Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could interfere materially with, or could reasonably be perceived to interfere materially with, the exercise of their unfettered and independent judgement.

A majority of the Board does not consist of independent directors. The majority of the Board consists of executive directors. The Board recognises the CGC's recommendation that a majority of the Board should consist of independent directors.

The Board believes that each executive director (and each non-executive director who is not independent) is able to bring, and does bring quality independent judgement to all relevant issues falling within the scope of the role of that executive director and that the Company, as a whole, benefits from the long-standing experience of that director in relation to the operations and business relationships of the Company. The Board notes that while the two independent, non-executive members have each served more than nine years, having regard to the totality of the defining characteristics of an independent director and the specific skills and experience of these directors, the Board still believes each of them are able to bring quality independent judgement to the issues that come before the Board.

The Board recognises the CGC's recommendation that the Chair should be an independent director. As Chair, Mr Gerald Harvey is not an independent director.

The Board believes that Mr Gerald Harvey is the most appropriate person to lead the Board as Executive Chairman and that he is able to bring, and does bring quality independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Company, as a whole, benefits from his long standing experience of its operations and business relationships.

The Company has in place with each Director a written agreement which sets out the terms of their appointment.

Board Committees

The Board has established specialist Audit, Nomination, Remuneration and Risk Committees.

The membership and responsibilities of these Committees are discussed throughout this Statement and in the Board and Committee charters that may be accessed on the Governance page of website.

Performance and Board Procedure

The performance of the Board and key executives is reviewed regularly against both measurable and qualitative indicators that align with the financial and non-financial objectives of the Company. The Nomination Committee conducted performance evaluations of each director, committee and the Board for the reporting period.

Opportunities are made available to Directors to undertake appropriate professional development, to develop and maintain the skills required for them to perform their role as a director of the Company.

Directors may seek independent professional advice at the expense of the Company, subject to procedures agreed by the Board.

The Company Secretary is responsible for all matters concerning the proper functioning of the Board and its Committees, including convening, conducting and recording of meetings, compliance with policy and charters, and advising the Board and its Committees as to governance matters. The Company Secretary is able to meet with the Chair on any matter regarding the functioning of the Board and its Committees.

Nomination Committee

The Board has established a Nomination Committee, which meets at least annually, to ensure that the Board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director and undertaking appropriate checks, including character and qualifications, of any potential candidate. Material information relating to any potential candidate is provided to shareholders before shareholders are asked to vote on the election or re-election of a director. There is an induction program for new directors.

The Nomination Committee was comprised of non-executive directors, Graham Charles Paton (Chairman), Christopher Herbert Brown and Kenneth William Gunderson-Briggs for the year.

The Nomination Committee recognises the CGC's recommendation that the Chair of the committee should be an independent director. Mr Graham Charles Paton is an independent director.

Details of attendance at meetings of the Nomination Committee are set out in the Directors' Report on page 11 of this report. Additional details regarding the Nomination Committee, including its charter, are available on the Governance page of the website.

Audit Committee

The members of the Audit Committee during the year were:

- Graham Charles Paton (Chairman)
- Christopher Herbert Brown
- Kenneth William Gunderson-Briggs

each of whom is a non-executive director and the Chairman is independent.

Details of each Audit Committee member's qualifications and their attendance at meetings of the Audit Committee during the past year are set out in the Directors' Report on pages 10 and 11 of this report. Additional details about the Audit Committee, including its charter, are available on the Governance page of the website.

Risk

The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the approach of the Company to creating long-term shareholder value.

The Board determines the risk profile of the Company and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The Board has established a separate Risk Committee, to assist the Board, and has appointed a Chief Risk Officer to collate, monitor, evaluate and report material risks to the Board.

The Board recognises the CGC's recommendation that the chair should be an independent director and that the Risk Committee should consist of a majority of independent directors. The Board considers that the frequent reporting to the Audit Committee by both the chairman of the Risk Committee and the Chief Risk Officer (the latter as providing private reports to the Audit Committee) provides an adequate and appropriate level of involvement by the independent directors in the risk management function.

The Risk Committee is not comprised of a majority of independent directors and is not chaired by an independent director. The Risk Committee is comprised of four executive directors, including the CEO and CFO. The Chief Risk Officer is required to attend all meetings of the Risk Committee to inform and assist members of the Risk Committee to carry out its functions. The chairman of the Risk Committee and the Chief Risk Officer, both regularly attend meetings of the Audit Committee to inform members of the Audit Committee of risk matters considered by the Risk Committee. The chairman of the Risk Committee regularly reports to the Board on matters considered by the Risk Committee.

The Board, in conjunction with the Chief Risk Officer, oversees an annual assessment of the effectiveness of risk management and control. The tasks of undertaking and assessing risk management are delegated to the Chief Risk Officer through the CEO, including responsibility for the day to day design and implementation of the risk management system of the Company. The Chief Risk Officer reports to the Board on the key risks of the Company and the extent to which the Chief Risk Officer believes these risks are being adequately managed.

The annual assessment has been undertaken for the year ended 30 June 2018. The key business risks identified by the Board are summarised in the Directors' Report on pages 30 and 31 of this report.

The Chief Risk Officer is required by the Board to carry out risk specific management activities in core areas, including strategic risk, operational risk, reporting risk and compliance risk. The Chief Risk Officer is then required to assess risk management and associated internal compliance and control procedures and report to the Board on the efficiency and effectiveness of these efforts by benchmarking performance substantially in accordance with Australian/New Zealand Standard for Risk Management (AS/NZS ISO 31000:2009 Risk Management).

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include:

a) Board approval of strategic plans designed to meet stakeholders' needs and manage business risk; and
b) Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of financial and non-financial KPIs.

The Board has adopted a comprehensive set of policies and procedures directed towards achieving the recognition and management of risks relating to:

a) Effectiveness and efficiency in the use of the resources of the Company.
b) Compliance with applicable laws and regulations; and
c) Preparation of reliable published financial information.

Additional details about the Risk Committee, including a copy of its charter, is available on the Governance page of the website.

Internal Audit

The internal audit function provides an objective assessment of:

a) The systems of internal control;
b) The risk and control framework; and
c) Generally, compliance by the Company with risk management protocols of the Company.

The Board has appointed a Head of Internal Audit to monitor and assess the internal control environment of the Company. The tasks of undertaking and assessing internal control effectiveness are delegated to the Head of Internal Audit through the Chief Executive Officer, including responsibility for the day to day design and implementation of the internal control system of the Company. The Head of Internal Audit reports to the Board on the key internal controls of the Company and the extent to which the Head of Internal Audit believes these controls are effective.

Internal Audit (continued)

In order to ensure the independence of the internal audit function, the Head of Internal Audit meets privately with the Audit Committee, without management present, on a regular basis. The Audit Committee is responsible for making the final decision on the Head of Internal Audit's tenure.

CEO and CFO Certification

The CEO and CFO have provided written statements to the Board in accordance with section 295A of the *Corporations Act 2001* and have also certified to the Board in relation to the year ended 30 June 2018, that:

a) Their view provided on the Company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
b) The Company's risk management and internal compliance and control system is operating effectively in all material respects.

The Board agrees with the views of the ASX on this matter and notes that due to its nature, internal control assurance from the CEO and CFO can only be reasonable rather than absolute. This is due to factors such as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive. CEO and CFO control assurance is not, and cannot, be designed to detect all weaknesses in control procedures.

In order to mitigate this risk, internal control questions are required to be answered and completed by the key management personnel of all significant business units, including finance managers, in support of the written statements of the CEO and CFO.

Remuneration

The Company aspires to maximise shareholder value by retaining a high quality Board and executive team. Directors and key executives are remunerated fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the Remuneration Committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

a) Retention and motivation of key executives;
b) Attraction of high quality management to the Company; and
c) Performance incentives that allow executives to share in the success of Harvey Norman Holdings Limited.

The Remuneration Report (contained with the Directors' Report on pages 32 to 56 of this report) contains a description of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current year. The Remuneration Report also sets out executive contractual arrangements.

There is no scheme to provide retirement benefits to non-executive directors.

The Board is responsible for determining and reviewing compensation arrangements for the Directors themselves, the Chief Executive Officer and executive team. The Board has established a Remuneration Committee, comprising three non-executive directors. Members of the Remuneration Committee throughout the year were Kenneth William Gunderson-Briggs (Chairman), Christopher Herbert Brown and Graham Charles Paton. No director participates in deliberations about, or decisions, in respect of the remuneration of that director.

The Remuneration Committee recognises the CGC's recommendation that the Chair should be an independent director. Mr Kenneth William Gunderson-Briggs is an independent director.

Details of attendance of meetings of the Remuneration Committee are set out in the Directors' Report on page 11 of this report. Additional details about the Remuneration Committee, including its charter, are available on the Governance page of the website.

Share Trading Policy

A copy of the Share Trading Policy is available on the Governance page of the website. An executive or director of the Company must not trade in any securities of the Company at any time when he or she is in possession of unpublished, price-sensitive information in relation to those securities. If the executive or director is not in possession of unpublished, price-sensitive information, then they are able to trade securities in Trading Windows.

Trading Windows apply during each period of 30 days starting:

a) One day following the announcement of the half yearly and full year results as the case may be; and
b) One day following the holding of the Annual General Meeting.

Before commencing to trade outside a Trading Window, an executive must first obtain the approval of the Company Secretary or CEO to do so and a director must first obtain approval of the Chairman.

Approval to trade outside Trading Windows will only be granted in exceptional circumstances. As required by the ASX Listing Rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

Shareholder Communication Policy

The Company aims to promote and achieve effective communication with its shareholders at all times. In this pursuit, the Company has a Shareholder Communication Policy which is available on the Governance page of the website.

The Company is committed to:

a) Ensuring that shareholders and the financial markets are provided with full and timely information about the activities of the Company in a balanced and understandable way;
b) Complying with continuous disclosure obligations contained in applicable ASX listing rules and Corporations Act 2001 in Australia; and
c) Communicating effectively with its shareholders and making it easier for shareholders to communicate with the Company.

To promote effective communication with shareholders and encourage effective participation at general meetings, information is communicated to shareholders:

a) Through the release of information to the market via the ASX;
b) Through the distribution of the Annual Report and Notice of Annual General Meeting;
c) Through shareholder meetings and investor relations presentations;
d) Through letters and other forms of communications directly to shareholders; and
e) By posting relevant information to the website.

Shareholders may receive or send communications to the Company or its share registry electronically.

The website has a dedicated Reports and Announcements page for the purpose of publishing all important company information and relevant announcements made to the market.

The external auditor is required to attend the Annual General Meeting and be available to answer any shareholder questions about the conduct of the audit and preparation of the audit report.

Code of Conduct

The Company's Code of Conduct applies to its directors, senior executives and employees and outlines the standards of behaviour the Company expects in order to promote a culture of fair and ethical behaviour, in compliance with applicable laws and standards. The Code of Conduct is published on the Governance page of the website.

Diversity

The Company is committed to promoting an environment that embraces and promotes diversity. The Company has established a Diversity Policy that aims to create a more competitive and inclusive environment for all of its employees. This policy includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

Diversity Policies

The Company has a Board Diversity Policy and an Employee Diversity Policy; these policies are published on the Governance page of the website.

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

The Company is committed to promoting an environment that embraces and promotes diversity. The Company's Diversity Policy is conducive to the selection of well qualified employees and senior management candidates from diverse backgrounds, experiences and perspectives. The Company recognises that employees of all levels will assume changing domestic responsibilities throughout their careers.

The Company is committed to promoting an environment that embraces and promotes diversity and that is conducive of the appointment of well qualified candidates to the Board. The Company recognises that members of the Board will assume changing domestic responsibilities throughout their careers.

Present Measurements

The consolidated entity presently measures:

a) The number of female and male applicants to advertised positions.
b) The number of female and male employees.
c) The different positions held by female and male employees.
d) The number of female and male employees in full time, part time and casual roles.
e) The salaries of female and male employees and whether a pay gap exists in the consolidated entity.
f) Other measures including the age of employees, the ethnicity of employees and the length of service of employees.

Diversity (continued)

Workforce Gender Profile

The table below shows the female composition of employees, senior executives* and board members over the last three financial years. Data was taken as at 30 June each year.

FEMALE COMPOSITION AT 30 JUNE	2016	2017	2018
Female Employees	43.68%	44.82%	**44.93%**
Female Senior Executives*	25.89%	29.81%	**32.69%**
Female Board Members	11.11%	11.11%	**11.11%**

* The holder of a Senior Executive position in the consolidated entity has primary responsibility for a business unit within the consolidated entity.

The consolidated entity is a participant in the annual Workplace Gender Equality Report (WGEA Report).

Diversity Measures, Targets and Initiatives

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

During the financial year ended 30 June 2018, the following measures, targets and initiatives were undertaken in accordance with the diversity objectives of the consolidated entity:

Policies and Procedures

a) The Diversity and Reconciliation Intranet page was reviewed and updated, making information and resources available to employees on key diversity areas including gender, culture, generational & mature age, disability and family & work-life balance. In particular the creation of additional resources for expectant parents and to refine "keeping-in-touch" and "flexible work" practices to ensure employees feel supported while on parental leave and returning to work.

b) Reviewed and updated Human Resources ("HR") policies and processes to ensure that they are inclusive in nature and do not expressly or implicitly operate in a manner contrary to the Employee Diversity Policy or the Board Diversity Policy.

c) Continued development of role-based training content for the Learning Management System ("LMS"), which assists managers to identify any skill or knowledge gaps of employees and ensures consistency of opportunity across all employees in equivalent roles.

d) Wherever possible, included:
   a) At least one female on a short list of applicants for all senior management roles; and
   b) At least one woman in the selection panel for all senior management roles.

Monitoring

a) Delivered the annual employee diversity survey to monitor underlying changes to the composition of the workforce, cultural heritage and caring responsibilities and assess the consolidated entity's progress in improving workplace diversity and engagement. The results of this survey were made available to employees on the Diversity and Reconciliation Intranet page.

b) Annual refresher training was delivered for Bullying, Harassment and Discrimination. An audit was conducted to capture completed training by employees and the Board in an effort to eliminate bullying and harassment in the workplace.

c) As part of the annual governance reporting the business created a workplace profile, as at 30 March 2018, and analysed this data to monitor and evaluate any gender pay gaps within the consolidated entity.

d) Continued to leverage existing recruitment systems to enable regular reporting and assessment of progress towards the adopted gender diversity objectives. An example of this is the continued rollout of recruitment and on-boarding technology to improve and promote consistent recruitment processes and better enable reporting across the consolidated entity.

Community

a) Renewed membership of the Diversity Council Australia to reinforce the consolidated entity's commitment to an inclusive culture and diversity in the workplace and to add value to diversity related initiatives.

b) Engaged the Diversity Council of Australia to deliver targeted face to face training to Senior Managers showcasing the impact of "Unconscious Bias" and "Words at Work" to encourage the promotion of fair and unbiased people practices.

c) Conducted the annual "Taste of Harmony" event in March 2018 to raise awareness and embrace the cultural diversity of the workplace. Money raised as part of this annual diversity event was once again donated to "Fitted for Work", a local charity with a mission statement to "help women experiencing disadvantage get work and keep it".

d) Once again participated in the "NRL All Stars Youth Summit" in February 2018 to further develop and grow relationships with younger members of the indigenous community and assist in their journey of attaining education and employment.

e) Continued to develop the partnership with Australia Indigenous Mentoring Experience ("AIME") to support in promoting employment opportunities to Indigenous Australians. Harvey Norman and AIME have developed an action plan for the 2019 financial year that includes attending outreach sessions and careers days to build relationships with Indigenous students.

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	CONSOLIDATED June 2018 $000	June 2017 $000
Current Assets			
Cash and cash equivalents	28(a)	170,544	80,224
Trade and other receivables	7	724,690	640,686
Other financial assets	8	31,463	29,191
Inventories	9	345,287	315,968
Other assets	10	45,144	45,878
Intangible assets	11	490	486
Total current assets		1,317,618	1,112,433
Non-Current Assets			
Trade and other receivables	12	78,443	78,777
Investments accounted for using equity method	37	4,497	26,355
Other financial assets	13	18,283	30,076
Property, plant and equipment	14	660,337	625,112
Investment properties	15	2,429,397	2,241,754
Intangible assets	16	69,067	75,237
Total non-current assets		3,260,024	3,077,311
Total Assets		4,577,642	4,189,744
Current Liabilities			
Trade and other payables	17	289,986	238,628
Interest-bearing loans and borrowings	18	422,191	386,651
Income tax payable		15,608	42,541
Other liabilities	19	66,825	41,571
Provisions	20	35,354	34,034
Total current liabilities		829,964	743,425
Non-Current Liabilities			
Interest-bearing loans and borrowings	21	503,203	333,858
Provisions	20	11,645	13,052
Deferred income tax liabilities	5(d)	280,735	267,219
Other liabilities	23	14,163	19,283
Total non-current liabilities		809,746	633,412
Total Liabilities		1,639,710	1,376,837
NET ASSETS		2,937,932	2,812,907
Equity			
Contributed equity	24	388,381	386,309
Reserves	25	185,384	174,950
Retained profits	26	2,337,241	2,229,200
Parent entity interests		2,911,006	2,790,459
Non-controlling interests	27	26,926	22,448
TOTAL EQUITY		2,937,932	2,812,907

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

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

	Note	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Sales revenue	3	1,993,760	1,833,123
Cost of sales		(1,326,339)	(1,235,602)
Gross profit		667,421	597,521
Revenues and other income items	3	1,240,703	1,305,344
Distribution expenses		(41,602)	(36,189)
Marketing expenses		(374,322)	(384,885)
Occupancy expenses	4	(241,220)	(226,994)
Administrative expenses	4	(585,683)	(492,453)
Other expenses	4	(114,573)	(107,666)
Finance costs	4	(26,344)	(20,072)
Share of net profit of joint ventures entities	37	5,792	5,200
Profit before income tax		530,172	639,806
Income tax expense	5(a) & 5(c)	(150,122)	(186,840)
Profit after tax		380,050	452,966
Attributable to:			
Owners of the parent		375,378	448,976
Non-controlling interests		4,672	3,990
		380,050	452,966
Earnings Per Share:			
Basic earnings per share (cents per share)	6	33.71 cents	40.35 cents
Diluted earnings per share (cents per share)	6	33.67 cents	40.30 cents
Dividends per share (cents per share)	26	30.0 cents	26.0 cents

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2018

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
Profit for the year	380,050	452,966
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(221)	(6,942)
Net fair value (losses) / gains on available-for-sale investments	(1,830)	4,050
Net movement on cash flow hedges	16	18
Income tax effect on net movement on cash flow hedges	(4)	(6)
Items that will not be reclassified subsequently to profit or loss:		
Fair value revaluation of land and buildings	15,553	25,467
Income tax effect on fair value revaluation of land and buildings	(2,693)	(5,362)
Other comprehensive income for the year (net of tax)	10,821	17,225
Total comprehensive income for the year (net of tax)	390,871	470,191
Total comprehensive income attributable to:		
Owners of the parent	385,067	467,496
Non-controlling interests	5,804	2,695
	390,871	470,191

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018

	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 2017	386,309	2,229,200	131,304	42,374	13,732	(20)	9,611	(22,051)	22,448	2,812,907
Other comprehensive income:										
Revaluation of land and buildings	-	-	13,222	-	-	-	-	-	(362)	12,860
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	20	-	-	-	20
Currency translation differences	-	-	-	(1,715)	-	-	-	-	1,494	(221)
Fair value of forward foreign exchange contracts	-	-	-	-	-	(8)	-	-	-	(8)
Fair value of available for sale financial assets	-	-	-	-	(1,830)	-	-	-	-	(1,830)
Other comprehensive income	-	-	13,222	(1,715)	(1,830)	12	-	-	1,132	10,821
Profit for the year	-	375,378	-	-	-	-	-	-	4,672	380,050
Total comprehensive income for the year	-	375,378	13,222	(1,715)	(1,830)	12	-	-	5,804	390,871
Cost of share based payments	-	-	-	-	-	-	745	-	-	745
Shares issued	2,072	-	-	-	-	-	-	-	-	2,072
Dividends paid	-	(267,337)	-	-	-	-	-	-	(976)	(268,313)
Distribution to members	-	-	-	-	-	-	-	-	(350)	(350)
At 30 June 2018	388,381	2,337,241	144,526	40,659	11,902	(8)	10,356	(22,051)	26,926	2,937,932

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2018 (CONTINUED)

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

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	CONSOLIDATED June 2018 $000	June 2017 $000
Cash Flows from Operating Activities			
Net receipts from franchisees		947,058	882,476
Receipts from customers		2,134,595	1,992,891
Payments to suppliers and employees		(2,388,310)	(2,252,918)
Distributions received from joint ventures		10,125	11,546
GST paid		(66,102)	(44,621)
Interest received		5,871	4,971
Interest and other costs of finance paid		(25,619)	(19,420)
Income taxes paid		(166,161)	(152,454)
Dividends received		2,713	2,669
Net Cash Flows From Operating Activities	28(b)	454,170	425,140
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment and intangible assets		(93,895)	(89,366)
Payments for purchase of investment properties		(125,661)	(114,752)
Proceeds from sale of property, plant and equipment and properties held for resale		2,422	28,592
Payments for purchase of units in unit trusts and other investments		(107)	(161)
Payments for purchase of equity accounted investments		(4,256)	(8,947)
Proceeds from sale of /(payments for purchase of) listed securities		10,436	(6,537)
Proceeds from insurance claims		2,458	-
Loans granted to joint venture entities, joint venture partners and unrelated entities		(94,882)	(7,594)
Net Cash Flows Used In Investing Activities		(303,485)	(198,765)
Cash Flows from Financing Activities			
Proceeds from shares issued		2,072	1,013
Proceeds from Syndicated Facility		210,000	70,000
Dividends paid		(267,337)	(344,962)
Loans (repaid to) / received from related parties		(6,573)	2,075
Repayment of other borrowings		(6,266)	(15,250)
Net Cash Flows Used In Financing Activities		(68,104)	(287,124)
Net Increase / (Decrease) in Cash and Cash Equivalents		82,581	(60,749)
Cash and Cash Equivalents at Beginning of the Year		42,882	103,631
Cash and Cash Equivalents at End of the Year	28(a)	125,463	42,882

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

NOTES TO THE FINANCIAL STATEMENTS

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Corporate Information

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

(b) Basis of Preparation

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

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

The consolidated financial statements of the Company and its subsidiaries (the "consolidated entity") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 28 September 2018.

(c) Statement of Compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2018. For details on the impact of future accounting standards, refer to page 84.

(d) Basis of consolidation

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

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

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

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

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

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

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

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

(e) Summary of Significant Accounting Policies

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

The accounting policies adopted are consistent with those of the previous financial year except as discussed below. The consolidated entity applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. These new pronouncements do not have a material impact on the annual consolidated financial statements of the consolidated entity. The consolidated entity has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Significant accounting judgements, estimates and assumptions

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

Significant accounting judgements:

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

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

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

At least on an annual basis, the directors of HNHL will reassess the requirements of control in accordance with AASB 10 Consolidated Financial Statements. During the 2018 financial year, after considering both the legal arrangements in place between the consolidated entity and Harvey Norman®, Domayne® and Joyce Mayne® franchisees and the practical application of those arrangements, the directors have continued to conclude that HNHL, or any subsidiary of HNHL, does not control the business operations of franchisees. In particular, HNHL, or any subsidiary of HNHL, does not have any existing rights that give the consolidated entity the current ability to direct the relevant activities that most significantly affect the returns of the franchisee. The ability to direct the relevant activities that most significantly affect the returns of the franchisee, rest with the franchisee.

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

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

(b) Operating lease commitments – consolidated entity as lessor

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

(c) Recovery of deferred tax assets

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

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

Significant accounting estimates and assumptions:

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

(a) Revaluation of investment properties

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Significant accounting judgements, estimates and assumptions (continued)

(b) Revaluation of property, plant and equipment

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

(c) Revaluation of investment properties for development

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

(d) Impairment of financial assets and trade receivables

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

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

Further details on the significant judgements considered by management relating to impairment of financial assets are disclosed in Note 7. The impairment loss is disclosed in Notes 4 and 7.

(e) Impairment of equity-accounted investments

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

(f) Share-based payment transactions

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

(g) Make good provisions

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

(h) Onerous lease provisions

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

(iii) Investment in associates and joint ventures

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

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

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

(iv) Foreign currency translation

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

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

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

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

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

(v) Property, plant and equipment

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

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

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

Revaluation of owner-occupied properties

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

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

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

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

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

Derecognition and disposal

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(vi) Borrowing costs

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

(vii) Investment properties

Investment properties

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

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

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

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

Each investment property is valued at fair value. Each investment property is the subject of a lease or licence in favour of independent third parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees ("Franchisees"). Franchisees occupy properties pursuant to a licence, terminable upon reasonable notice. The fair value in respect of each investment property has been calculated primarily using the income capitalisation valuation method, against current market rental value, and having regard to, in respect of each property:
- the highest and best use
- quality of construction
- age and condition of improvements
- recent market sales data in respect of comparable properties
- current market rental value, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction
- tenure of franchisees and external tenants
- adaptive reuse of buildings
- non-reliance on turnover rent
- the specific circumstances of the property not included in any of the above points

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

Investment property for development

Investment property for development are valued at fair value if fair value can be reliably determined. The direct sale comparison method is used for the valuation of investment property for development.

(viii) Intangible assets

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

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

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

Development expenditures on an individual project are recognised as an intangible asset when the consolidated entity can demonstrate:
- the technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- its intention to complete and its ability and intention to use or sell the asset
- how the asset will generate future economic benefits
- the availability of resources to complete the asset
- the ability to measure reliably the expenditure during development

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ix) Impairment of non-financial assets

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

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

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

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

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

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

(x) Financial assets

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

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

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

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

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

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

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

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Financial assets (continued)

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the income statement. The losses arising from impairment are recognised in the income statement as administrative expenses for loans and in other operating expenses for receivables.

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

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

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

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

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

(xi) Financial liabilities

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

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

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

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

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

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xi) Financial liabilities (continued)

modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

(xii) Derivative financial instruments and hedge accounting

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

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

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

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

Fair value hedges

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

Cash flow hedges

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

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

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

(xiii) Inventories

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

(xiv) Cash and cash equivalents

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

(xv) Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xv) Provisions (continued)

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

The consolidated entity recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the consolidated entity. As per the corporate laws of Australia, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in other comprehensive income.

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

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

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

(xvi) Share-based payment transactions

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

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

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

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

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

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

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

(xvii) Leases

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

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

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

Finance leases are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xvii) Leases (continued)

a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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

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

(xviii) Revenue

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

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

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

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

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

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

(xix) Taxes

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

Deferred tax liabilities are recognised for all taxable temporary differences except:

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(xix) Taxes (continued)

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

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

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

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

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

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

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

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

(xx) Earnings per share (EPS)

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

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

(xxi) Contributed Equity

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

(xxii) Operating segments

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team. The consolidated entity aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:
- nature of the products and services;
- nature of the production processes;
- type or class of customer for the products and services;
- methods used to distribute the products or provide the services; and, if applicable
- nature of the regulatory environment.

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Future Accounting Standards

Certain Australian Accounting Standards have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2018.

AASB 9 Financial Instruments

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

The consolidated entity will first apply AASB 9 in the financial year beginning 1 July 2018. The consolidated entity is in the process of finalising its assessment of the requirements of the new standard and its impact on the consolidated entity's financial assets or financial liabilities for the year ended 30 June 2019.

AASB 15 Revenue from Contracts with Customers

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

The consolidated entity has identified the significant performance obligations and revenue streams across the business as part of their detailed assessment of the impact of AASB 15 on the financial statements and related note disclosures of the consolidated entity. Based on the work performed to date, the consolidated entity expects that there would be no material impact on the financial statements of the consolidated entity upon implementation of the new standard for the year ended 30 June 2019. The consolidated entity will first apply AASB 15 in the financial year beginning 1 July 2018 and is expected to apply the standard retrospectively only to the contracts that are not completed at the date of initial application. The impact of the application of the standard is being monitored by the consolidated entity, and the consolidated entity expects to conclude on the impact in due course.

AASB 16 Leases

From the effective date of the new standard, AASB 16 will replace the existing accounting requirements for leases under AASB 117 Leases and the related interpretations of the current standard. Lessees will no longer distinguish between finance lease contracts and operating lease contracts. From a balance sheet perspective, right-of-use (ROU) assets and the associated lease liabilities, representing the present value of future lease payments, will be recognised on the consolidated Statement of Financial Position for all lease contracts, with the exception of short term (less than 12 months) and low-value leases. From a profit and loss perspective, lease expenses recognised under the current standard will be replaced by the depreciation charge on the ROU assets and the interest expense recognised in respect of the lease liabilities. From a cash flow presentation perspective, lease payments are required to be separated into a principal portion (presented within financing activities) and an interest portion (presented within operating activities, consistent with the consolidated entity's accounting policy).

The consolidated entity will first apply AASB 16 in the financial year beginning 1 July 2019 and is expected to apply the modified retrospective approach. Therefore the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 July 2019, with no restatement of comparative information.

The consolidated entity is in the process of completing an assessment of the impact of implementing the requirements of AASB 16. The primary impact of AASB 16 will relate to the accounting treatment, presentation and disclosures of rental lease contracts relating to the property leases of externally-leased franchised complexes in Australia and the leased company-operated stores in overseas regions – that is, where the consolidated entity is the named lessee in the lease contract. Where the consolidated entity is a lessor, the application of AASB 16 remains largely unchanged relative to the current accounting treatment.

As at 30 June 2018, 100 franchised complexes out of a total 195 franchised complexes in Australia (representing 51.3% of the total) are leased from external landlords and are subject to retail-use property leases. In overseas regions, 65 company-operated stores out of a total 89 company-operated stores (representing 73.0% of the total) are leased from external landlords and are subject to retail-use property leases. Upon adoption of the standard, the consolidated entity will be required to calculate the ROU assets and the lease liabilities in respect of these leased sites, and will recognise these amounts as part of total assets and total liabilities within the consolidated Statement of Financial Position. Upon implementation, these leased sites will be subject to the new accounting treatment, presentation and disclosure requirements as described above.

Based on the detailed analysis performed to date, the consolidated entity expects there to be a material increase in total assets and total liabilities on the consolidated Statement of Financial Position. The impact on the net asset position of the consolidated entity and the impact on the Income Statement from transition date will depend on future economic conditions, including the consolidated entity's borrowing rate at 1 July 2019 and the composition of the consolidated entity's lease portfolio, including tenure of the lease and the decisions regarding the estimated lease-term for those property leases containing renewal options.

2. OPERATING SEGMENTS

Operating Segment Revenue: 30 June 2018	June 2018 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	-	932,669	932,669
Retail – New Zealand	909,524	20,376	929,900
Retail – Singapore & Malaysia	478,401	10,687	489,088
Retail – Slovenia & Croatia	133,752	2,048	135,800
Retail – Ireland & Northern Ireland	313,325	5,636	318,961
Other Non-Franchised Retail	155,340	4,480	159,820
TOTAL RETAIL	1,990,342	43,227	2,033,569
Retail Property	99	304,516	304,615
TOTAL PROPERTY	99	304,516	304,615
EQUITY INVESTMENTS	-	6,154	6,154
OTHER	3,319	14,766	18,085
INTER-COMPANY ELIMINATIONS	-	(60,629)	(60,629)
TOTAL SEGMENT REVENUE	1,993,760	1,240,703	3,234,463

Operating Segment Revenue: 30 June 2017	June 2017 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	-	940,311	940,311
Retail – New Zealand	888,537	20,429	908,966
Retail – Singapore & Malaysia	415,693	7,912	423,605
Retail – Slovenia & Croatia	107,997	2,456	110,453
Retail – Ireland & Northern Ireland	263,763	8,200	271,963
Other Non-Franchised Retail	156,632	3,425	160,057
TOTAL RETAIL	1,832,622	42,422	1,875,044
Retail Property	125	352,905	353,030
Property Developments for Resale	-	4,578	4,578
TOTAL PROPERTY	125	357,483	357,608
EQUITY INVESTMENTS	-	6,370	6,370
OTHER	376	16,769	17,145
INTER-COMPANY ELIMINATIONS	-	(58,011)	(58,011)
TOTAL SEGMENT REVENUE	1,833,123	1,305,344	3,138,467

2. OPERATING SEGMENTS (continued)

Operating Segment Result: 30 June 2018	June 2018 $000				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	329,617	(2,471)	(27,300)	(17,306)	282,540
Retail – New Zealand	89,926	-	(7,312)	(309)	82,305
Retail – Singapore & Malaysia	32,043	(116)	(5,975)	(940)	25,012
Retail – Slovenia & Croatia	9,841	(392)	(1,862)	(187)	7,400
Retail – Ireland & Northern Ireland	8,499	(2,419)	(4,585)	(83)	1,412
Other Non-Franchised Retail	9,287	(1,643)	(1,590)	(17,223)	(11,169)
TOTAL RETAIL	149,596	(4,570)	(21,324)	(18,742)	104,960
Retail Property	218,261	(17,545)	(11,758)	(305)	188,653
Property Developments for Resale	(73)	(12)	-	-	(85)
TOTAL PROPERTY	218,188	(17,557)	(11,758)	(305)	188,568
EQUITY INVESTMENTS	6,084	(200)	-	-	5,884
OTHER	4,464	(1,823)	(4,977)	(49,444)	(51,780)
INTER-COMPANY ELIMINATIONS	(277)	277	-	-	-
TOTAL SEGMENT RESULT BEFORE TAX	707,672	(26,344)	(65,359)	(85,797)	530,172

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

2. OPERATING SEGMENTS (continued)

Operating Segment Assets and Liabilities: 30 June 2018	June 2018 $000					
	Segment Assets			Segment Liabilities		
	Segment Assets	Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,353,891	(2,460,089)	**893,802**	545,493	(216,841)	**328,652**
Retail – New Zealand	242,137	-	**242,137**	97,514	(3,683)	**93,831**
Retail – Singapore & Malaysia	173,902	(1,287)	**172,615**	111,897	(39,177)	**72,720**
Retail – Slovenia & Croatia	51,776	(2,288)	**49,488**	44,931	(526)	**44,405**
Retail – Ireland & Northern Ireland	191,452	(103,605)	**87,847**	406,360	(262,017)	**144,343**
Other Non-Franchised Retail	123,969	(30,495)	**93,474**	167,439	(76,104)	**91,335**
TOTAL RETAIL	783,236	(137,675)	**645,561**	828,141	(381,507)	**446,634**
Retail Property	2,887,036	(24,493)	**2,862,543**	2,332,929	(1,830,386)	**502,543**
Property Developments for Resale	1,850	-	**1,850**	3,023	(2,628)	**395**
TOTAL PROPERTY	2,888,886	(24,493)	**2,864,393**	2,335,952	(1,833,014)	**502,938**
EQUITY INVESTMENTS	46,848	-	**46,848**	6,361	-	**6,361**
OTHER	203,028	(75,990)	**127,038**	325,667	(266,885)	**58,782**
TOTAL SEGMENT ASSETS / LIABILITIES BEFORE TAX	7,275,889	(2,698,247)	4,577,642	4,041,614	(2,698,247)	1,343,367*

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

* Segment liabilities are exclusive of income tax payable and deferred income tax liabilities.

2. OPERATING SEGMENTS (continued)

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

Operating Segment	Description of Segment
Franchising Operations	Consists of the franchisor operations of the consolidated entity, but does not include the results, assets, liabilities or operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail – New Zealand	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in New Zealand under the Harvey Norman® brand name.
Retail – Singapore & Malaysia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman® and Space Furniture® 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, excluding the operations of the Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail Property	Consists of land and buildings that are owned by the consolidated entity for each site that are fully operational or are ready for operations. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement. This segment includes the mining camp accommodation joint ventures.
Retail Property Under Construction	Consists of sites that are currently undergoing construction at balance date intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income.
Property Developments for Resale	Consists of 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 investment in, and trading of, listed securities.
Other	This segment primarily relates to credit facilities provided to related and unrelated parties, other unallocated income and expense items and the joint venture investment in Coomboona Holdings Pty Limited.

3. REVENUES

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Sales revenue:		
Revenue from the sale of products	1,993,760	1,833,123
Revenues and other income items:		
GROSS REVENUE FROM FRANCHISEES:		
- Franchise fees	768,453	782,858
- Rent and outgoings received from franchisees	241,687	231,733
- Interest to implement and administer the financial accommodation facility	30,310	28,485
Total revenue received from franchisees	1,040,450	1,043,076
GROSS REVENUE FROM OTHER UNRELATED PARTIES:		
- Rent and outgoings received from other tenants	85,314	82,604
- Interest received from financial institutions and other parties	7,167	5,142
- Dividends received	2,747	2,814
Total revenue from other unrelated parties	95,228	90,560
OTHER INCOME ITEMS:		
- Net property revaluation increment on Australian investment properties	51,646	107,382
- Property revaluation increment for overseas controlled entity	-	669
- Net profit on the revaluation of equity investments to fair value	3,407	3,556
- Net profit on the sale of investment properties and property, plant and equipment assets	-	3,293
- Net foreign exchange gains	496	771
- Other revenue	49,476	56,037
Total other income items	105,025	171,708
Total revenues and other income items	1,240,703	1,305,344

4. EXPENSES AND LOSSES

	June 2018 $000	June 2017 $000
Tactical support	74,978	64,479
Employee benefits expense:		
- Wages and salaries	278,043	262,059
- Workers' compensation	1,282	1,237
- Superannuation contributions	13,904	13,405
- Payroll tax	10,999	9,644
- Share-based payments	761	634
- Other employee benefits	10,874	9,980
Total employee benefits expense	315,863	296,959
Minimum lease payments	171,025	160,487
Finance costs:		
- Loans from directors and director-related entities	905	992
- Bank interest paid to financial institutions	23,827	17,675
- Other	1,612	1,405
Total finance costs	26,344	20,072

4. EXPENSES AND LOSSES (continued)

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	11,157	9,066
- Plant and equipment	54,202	51,644
Amortisation of:		
- Computer software	18,339	16,758
- Net licence property and other intangible assets	1,093	401
Impairment of non-trade debts receivable from related parties (a) *(included in administrative expenses line in the Income Statement)*	45,700	18,841
Impairment of equity-accounted investment (b) *(included in administrative expenses line in the Income Statement)*	20,665	1,148
Impairment loss on repayment of external finance facility (c) *(included in administrative expenses line in the Income Statement)*	-	5,022
Total depreciation, amortisation and impairment	151,156	102,880

(a) As at 30 June 2018, non-trade debts receivable with a carrying value of $173.57 million (June 2017: $104.75 million) was assessed for impairment and the consolidated entity recognised an impairment loss of $45.70 million in the Income Statement (June 2017: $18.84 million). The non-trade debts receivable relate to the Coomboona JV, several mining camp accommodation joint ventures and other commercial loans in Australia. The impairment loss recognised in the current year was comprised of the estimated shortfall in the repayment of loans advanced to the Coomboona JV of $28.78 million (June 2017: nil) and the estimated shortfall on the recovery of the loans advanced to a retail joint venture in Australia of $16.92 million (June 2017: $18.41 million).

(b) The impairment loss incurred as at 30 June 2018 included a write-down of the carrying amount of the equity-accounted investment in the Coomboona JV to its estimated recoverable amount totalling $20.67 million (June 2017: Nil). Refer to further information provided on Page 21 regarding the Other Segment. The impairment loss incurred as at 30 June 2017 of $1.15 million related to write-down of the equity accounted investments in mining camp accommodation joint ventures.

(c) The impairment loss of $5.02 million recognised as at 30 June 2017 related to an estimated shortfall in the repayment of an external finance facility for a mining camp accommodation joint venture.

5. INCOME TAX

(a)

	June 2018 $000	June 2017 $000
Income tax recognised in the Income Statement:		
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	138,147	148,276
Adjustments in respect of current income tax of previous years	(360)	(457)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	12,335	39,021
Total income tax expense reported in the Income Statement	150,122	186,840

5. INCOME TAX (continued)

		CONSOLIDATED	
		June 2018 $000	June 2017 $000
(b)	**Income tax recognised in the Statement of Changes in Equity:**		
	The following deferred amounts were charged directly to equity during the year:		
	Deferred income tax:		
	Net gain on revaluation of cash flow hedges	4	6
	Net gain on revaluation of land and buildings	2,693	5,362
	Total income tax expense reported in equity	2,697	5,368
(c)	**Reconciliation between income tax expense and prima facie income tax:**		
	A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:		
	Accounting profit before tax	530,172	639,806
	At the statutory income tax rate of 30% (2017: 30%)	159,052	191,942
	Adjustments to arrive at total income tax expense recognised for the year:		
	Tax provision on the notional interest charged on the intercompany receivable from Harvey Norman Holdings (Ireland) Limited as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012	1,583	1,473
	Tax provision on the notional interest charged on the intercompany receivable from Harvey Norman Holdings (Ireland) Limited in respect of the 2016 financial year	-	1,560
	Adjustments in respect of current income tax of previous years	360	(457)
	Share-based payment expenses	229	190
	Expenditure not allowable for income tax purposes	1,090	731
	Income not assessable for income tax purposes	(4,395)	(4,195)
	Unrecognised tax losses	302	804
	Utilisation of tax losses	(1,300)	(771)
	Tax concession for research and development expenses	(359)	(229)
	Difference between tax capital gain and accounting profit on revaluation of pre-CGT properties	(371)	365
	Non-allowable building and motor vehicle depreciation	(90)	212
	Receipt of fully franked dividends	(830)	(889)
	Sundry items	(1,049)	(646)
	Effect of different rates of tax on overseas income and exchange rate differences	(4,100)	(3,250)
	Total adjustments	(8,930)	(5,102)
	Total income tax expense reported in the Income Statement	150,122	186,840

5. INCOME TAX (continued)

(d)

Deferred income tax assets and liabilities:	Statement of Financial Position June 2018 $000	Statement of Financial Position June 2017 $000	Income Statement June 2018 $000	Income Statement June 2017 $000
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities:				
Revaluations of investment properties to fair value	(164,227)	(147,054)	16,549	30,665
Revaluations of owner-occupied land and buildings to fair value	(36,501)	(35,288)	-	-
Non-allowable building depreciation in respect of properties in New Zealand	(13,683)	(16,202)	(2,040)	(1,676)
Reversal of building depreciation expense for investment properties	(92,370)	(78,863)	12,234	10,215
Differences between accounting carrying amount and tax cost base of computer software assets	(479)	(479)	-	-
Research and development	(16,807)	(16,466)	178	(91)
Other items	(5,487)	(4,284)	2,487	1,023
Total deferred tax liabilities	(329,554)	(298,636)		
Deferred tax assets:				
Employee provisions	9,196	8,347	(935)	(603)
Unused tax losses and tax credits	219	372	154	1,561
Unrealised losses on investments	6,199	-	(6,199)	-
Other provisions	26,771	15,008	(11,396)	(2,695)
Provision for lease makegood	266	17	(241)	1
Provision for deferred lease expenses	1,201	1,400	199	290
Lease incentives	1,341	1,362	69	121
Provision for executive remuneration	1,870	2,606	736	(781)
Revaluations of owner-occupied land and buildings to fair value	1,388	1,388	-	-
Finance leases	163	389	221	686
Discount interest-free receivables	15	15	-	-
Equity-accounted investments	83	84	1	-
Provisions for onerous leases	4	161	157	20
Revaluation of forward currency contracts to fair value	5	2	(30)	48
Lease surrender	98	266	191	237
Total deferred tax assets	48,819	31,417		
Total deferred tax	(280,735)	(267,219)	12,335	39,021

The consolidated entity has not recognised deferred tax assets relating to tax losses of $205.56 million (2017: $210.68 million) which are available for offset against taxable profits of the companies in which the losses arose.

At 30 June 2018, no deferred tax liability has been recognised (2017: nil) in respect of the unremitted earnings of certain subsidiaries, associates or joint ventures.

6. EARNINGS PER SHARE

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Basic earnings per share (cents per share)	33.71c	40.35c
Diluted earnings per share (cents per share)	33.67c	40.30c
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax	380,050	452,966
Less: Profit after tax attributable to non-controlling interests	(4,672)	(3,990)
Profit after tax attributable to owners of the parent	375,378	448,976

	NUMBER OF SHARES June 2018	NUMBER OF SHARES June 2017
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	1,113,699,590	1,112,704,211
Effect of dilutive securities (b)	1,032,320	1,329,312
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,114,731,910	1,114,033,523

(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 1,134,000 ordinary shares in the company issued during the year pursuant to the options issued to certain executive directors under the Executive Option Plan granted on 29 November 2012 (the Third Tranche), weighted on a pro-rata basis from issue date to 30 June 2018.

(b) Effect of Dilutive Securities

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 4 September 2017, a total of 567,000 options over 567,000 shares in respect of the Third Tranche were exercised reducing the unexercised portion to 567,000 options. On 3 March 2018, the remaining 567,000 options over 567,000 shares were exercised.

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

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

On 1 December 2017, the consolidated entity issued a total of 400,000 performance rights under Tranche 3 of the 2016 LTI Plan to the executive directors. These performance rights are capable of exercise from 1 January 2021 to 30 June 2023. The performance rights were valued at grant date at $3.34 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 3 performance rights amounted to $1,336,000 in aggregate.

Performance rights issued under Tranche 1, Tranche 2 and Tranche 3 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 conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date.

7. TRADE AND OTHER RECEIVABLES (CURRENT)

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Receivables from franchisees (a)	544,003	535,448
Trade receivables (b)	102,782	81,667
Consumer finance loans (c)	2,900	2,435
Provision for doubtful debts (b) (c)	(777)	(1,195)
Receivables from franchisees and trade receivables, net	648,908	618,355
Amounts receivable in respect of finance leases (d)	3,400	5,548
Provision for doubtful debts (d)	-	(2,458)
Finance leases, net	3,400	3,090
Non-trade debts receivable from: (e)		
- Related entities (including joint ventures and joint venture partners)	94,721	15,678
- Unrelated entities	6,627	3,714
Provision for doubtful debts (e)	(28,966)	(151)
Non-trade debts receivable, net	72,382	19,241
Total trade and other receivables (current)	724,690	640,686

(a) Receivables from franchisees

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

The receivables from franchisees balance of $544 million as at 30 June 2018 comprises the aggregate of the balances due from each franchisee to Derni and is net of uncollectible amounts. The indebtedness of each franchisee to Derni is reduced on a daily basis by an electronic funds transfer process. Each franchisee directs the financial institution of that franchisee to transfer the net cash receipts in the bank account of the franchisee to Derni, in reduction of outstanding indebtedness.

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

Receivables from franchisees are current and neither past due nor impaired as at 30 June 2018.

(b) Trade receivables and provisions for doubtful debts

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $0.17 million (2017: $0.76 million) has been recognised by the consolidated entity in the current year for trade receivables. This amount has been included in the other expenses line item in the Income Statement.

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

- $89.38 million of the trade receivables balance as at 30 June 2018 (2017: $69.71 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- $13.19 million of the trade receivables balance as at 30 June 2018 (2017: $11.29 million) are past due but not impaired as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances as at 30 June 2018 (2017: nil).
- $0.75 million of the trade receivables balance as at 30 June 2018 (2017: $1.17 million) are past due and impaired which have been fully provided.

	Neither past due nor impaired	Past due but not impaired 31-60 Days	Past due but not impaired 61-90 Days	Past due but not impaired +90 Days	Past due and impaired 31-60 Days	Past due and impaired 61-90 Days	Past due and impaired +90 Days	Total
2018 ($000)	89,376	5,250	2,776	5,162	52	26	673	103,315
2017 ($000)	69,708	5,758	1,771	3,756	-	13	1,160	82,166

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

(b) Trade receivables and provisions for doubtful debts (continued)

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Reconciled to:		
Trade receivables (Current)	102,782	81,667
Trade receivables (Non-current – Note 12)	533	499
Total trade receivables	103,315	82,166
Movements in the provision for doubtful debts for trade receivables were as follows:		
At 1 July	1,173	842
Charge for the year	174	762
Foreign exchange translation	24	(8)
Amounts written off	(620)	(423)
At 30 June	751	1,173

(c) Consumer finance loans and provision for doubtful debts

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

- $3.16 million of the consumer finance loans at 30 June 2018 (2017: $2.59 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- If a customer has missed a repayment in a consumer finance loan, the remaining balance of the consumer finance loan is treated as past due. $0.33 million of the consumer finance loans balance as at 30 June 2018 (2017: $0.33 million) are past due but not impaired. The consolidated entity does not hold any collateral over these balances and believes that these amounts will be recovered.
- $0.03 million of the consumer finance loans at 30 June 2018 (2017: $0.03 million) are past due and impaired which have been fully provided.

	Neither past due nor impaired	Past due but not impaired 31-60 Days	Past due but not impaired 61-90 Days	Past due but not impaired +90 Days	Past due and impaired 31-60 Days	Past due and impaired 61-90 Days	Past due and impaired +90 Days	Total
2018 ($000)	3,156	113	48	165	-	-	32	3,514
2017 ($000)	2,590	82	60	189	-	-	27	2,948

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Reconciled to:		
Consumer finance loans (current)	2,900	2,435
Consumer finance loans (non-current – Note 12)	614	513
Total consumer finance loans	3,514	2,948
Movements in the provision for doubtful debts for consumer finance loans were as follows:		
At 1 July	27	24
Charge for the year	5	3
At 30 June	32	27

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

(d) Finance lease receivables and provision for doubtful debts

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

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Aggregate of minimum lease payments and guaranteed residual values:		
Not later than one year	3,515	5,701
Later than one year but not later than five years	816	970
	4,331	6,671
Future finance revenue:		
Not later than one year	(115)	(153)
Later than one year but not later than five years	(84)	(86)
Net finance lease receivables	4,132	6,432
Reconciled to:		
Amounts receivable in respect of finance leases (current)	3,400	5,548
Amounts receivable in respect of finance leases (non-current – Note 12)	732	884
Total finance lease receivables	4,132	6,432

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

	June 2018 $000	June 2017 $000
At 1 July	2,458	5,897
Amounts written off	(2,458)	(3,439)
At 30 June	-	2,458

The consolidated entity offers finance lease arrangements as part of the consumer finance business. Finance leases are offered in respect of motor vehicles and livestock with lease terms not exceeding 4 years. All finance leases are at fixed rates for the term of the lease. A provision is made for estimated unrecoverable finance lease receivable amounts when there is objective evidence that a finance lease receivable is impaired. No impairment loss has been recognised in the current year (2017: nil).

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

- $1.41 million of the finance lease receivable balance as at 30 June 2018 (2017: $1.83 million) are neither past due nor impaired.
- $2.73 million of the finance lease receivable balance as at 30 June 2018 (2017: $2.15 million) are past due but not impaired. These receivables are subject to regular monitoring to ensure that they are recoverable. As at balance date, there were no events that required the consolidated entity to sell or re-pledge the secured leased assets.
- No finance lease receivable balance as at 30 June 2018 is past due and impaired (2017: $2.46 million).

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

Non-trade debts receivable are generally interest-bearing and are normally payable at call. The aggregate balance of current and non-current non-trade debts receivable as at 30 June 2018 was $211.96 million (2017: $144.43 million) as follows:

- $43.16 million of the non-trade debts receivable balance as at 30 June 2018 (2017: $38.76 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- $105.79 million of the non-trade debts receivable balance as at 30 June 2018 (2017: $57.37 million) are past due but not impaired. These receivables are subject to regular monitoring and periodic impairment testing to ensure that they are recoverable.
- $63.01 million of the non-trade debts receivable balance as at 30 June 2018 (2017: $48.31 million) are past due and impaired and a provision for doubtful debts has been raised in full.

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

		Past due but not impaired			Past due and impaired			
	Neither past due nor impaired	31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	Total
2018 ($000)	43,158	-	-	105,794	-	-	63,008	211,960
2017 ($000)	38,759	-	-	57,368	-	-	48,305	144,432

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

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

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Reconciled to:		
Non-trade debts receivable (current)	101,348	19,392
Non-trade debts receivable (non-current - Note 12)	110,612	125,040
Total non-trade debts receivables	211,960	144,432

Movements in the provision for doubtful debts for non-trade debts receivable were as follows:

	June 2018 $000	June 2017 $000
At 1 July	48,305	30,300
Charge for the year (i) (ii) (iii)	45,885	21,099
Amounts written off	(31,182)	(3,094)
At 30 June	63,008	48,305

(i) Impairment of non-trade receivables from the KEH Partnership retail joint venture:

The consolidated entity, through a wholly-owned subsidiary, has a 50% interest in KEH Partnership Pty Limited, a retail joint venture in Australia. The primary business of the KEH Partnership retail joint venture is the retail sale of school apparel and educational goods through the brand name of The School Locker. The 'Big Buys by Harvey Norman®' division of the KEH Partnership was closed during the second half of the 2018 financial year.

As at 30 June 2018, the consolidated entity had a commercial loan receivable from the KEH Partnership retail joint venture totalling $60.96 million in respect of the amounts advanced to The School Locker business to assist with working capital requirements (2017: $38.68 million). The amounts previously advanced to the Big Buys by Harvey Norman® business were either repaid or written off in full upon closure of that business and was nil as at 30 June 2018 (2017: $34.92 million). As at 30 June 2018, the total balance of the provision for doubtful debts relating to the non-trade receivable from The School Locker business of the KEH Partnership joint venture was $20.82 million (2017: $9.96 million). The provision for doubtful debts previously raised for The Big Buys business was fully utilised upon closure (2017: $24.97 million).

During the 2018 financial year, an impairment assessment was conducted resulting in the recognition of an expense of $16.92 million (2017: $18.41 million), with $6.06 million relating to the Big Buys by Harvey Norman® business and $10.86 million relating to The School Locker business.

As at 30 June 2018, the present value of future cash flows of The School Locker business was assessed for a five-year period, based on financial budgets and assets held as security. The effective interest rate of 7.5% was applied to the cash flow projections. Cash flow projections were limited to five years. Each of the key assumptions in the impairment assessment were subject to significant accounting estimates and assumptions including the future trading performance of the retail joint venture. Judgement was made based on these accounting estimates and assumptions to assess the recoverable amount of the non-trade receivables as at balance date.

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

The consolidated entity has made commercial advances to the mining camp joint ventures totalling $37.63 million (2017: $31.15 million) in aggregate as at 30 June 2018. The recoverable amount of non-trade receivables advanced to the mining camp joint ventures was assessed during the year. No impairment loss was recognised in the current year (2017: $0.43 million) to reduce the carrying amount of the non-trade receivable to recoverable amount. The total balance of the provision for doubtful debts as at 30 June 2018 relating to non-trade receivables from the mining camp joint ventures was $13.23 million (2017: $13.23 million).

The recoverable amount for these non-trade receivables have been determined based on the present value of estimated cash flow projections as at 30 June 2018 for a five-year period, based on financial budgets and the assets held as security. The effective interest rate applied to the cash flow projections was 7.5%. Cash flow projections were limited to five years due to the inherent risks associated with the mining industry.

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

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

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

(iii) Impairment of non-trade receivables from the Coomboona joint venture:

The total indebtedness of the Coomboona joint venture to the consolidated entity amounted to $74.99 million as at 30 June 2018 (2017: $9.86 million). An impairment assessment was conducted resulting in the recognition of an impairment expense of $28.78 million (2017: nil) to reduce the carrying amount of the Coomboona joint venture non-trade receivable to its recoverable amount.

The recoverable amount has been determined based on the estimated fair value of the securities granted by Coomboona Holdings Pty Limited (CHPL) and subsidiaries of CHPL.

Each of the key assumptions in the impairment assessment was subject to significant accounting estimates and assumptions regarding the estimated shortfall in the repayment of the loans advanced by the consolidated entity to the Coomboona joint venture. Refer to further information provided on Page 21 regarding the Other Segment.

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
8. OTHER FINANCIAL ASSETS (CURRENT)		
Listed shares held for trading at fair value	29,754	27,474
Derivatives receivable	5	25
Other current financial assets	1,704	1,692
Total other financial assets (current)	31,463	29,191
9. INVENTORIES (CURRENT)		
Finished goods at cost	350,880	321,142
Provision for obsolescence	(5,593)	(5,174)
Total inventories (current)	345,287	315,968
10. OTHER ASSETS (CURRENT)		
Prepayments	39,220	28,383
Other current assets	5,924	17,495
Total other assets (current)	45,144	45,878
11. INTANGIBLE ASSETS (CURRENT)		
Net licence property	490	486
12. TRADE AND OTHER RECEIVABLES (NON-CURRENT)		
Trade receivables (a)	533	499
Consumer finance loans (b)	614	513
Provision for doubtful debts (b)	(6)	(5)
Trade receivables, net	1,141	1,007
Amounts receivable in respect of finance leases (c)	732	884
Non-trade debts receivable from: (d)		
- Related entities (including joint ventures)	98,588	114,605
- Unrelated entities	12,024	10,435
Provision for doubtful debts (d)	(34,042)	(48,154)
Non-trade debts receivable, net	76,570	76,886
Total trade and other receivables (non-current)	78,443	78,777

12. TRADE AND OTHER RECEIVABLES (NON-CURRENT) (continued)

(a) Trade receivables

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

(b) Consumer finance loans

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

(c) Finance lease receivables

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

(d) Non-trade debts receivable

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

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
13. OTHER FINANCIAL ASSETS (NON-CURRENT)		
Listed shares held for trading at fair value	-	9,331
Listed shares held as available for sale at fair value	17,094	19,650
Units in unit trust	204	219
Other current financial assets	985	876
Total other financial assets (non-current)	18,283	30,076
14. PROPERTY, PLANT AND EQUIPMENT		
Land at fair value	195,490	182,529
Buildings at fair value	236,971	231,320
Net land and buildings at fair value (a)	432,461	413,849
Plant and equipment:		
At cost	802,107	779,989
Accumulated depreciation	(576,963)	(570,902)
Net plant and equipment	225,144	209,087
Lease make good asset:		
At cost	6,257	5,083
Accumulated depreciation	(3,525)	(2,907)
Net lease make good asset	2,732	2,176
Total plant and equipment	227,876	211,263
Total property, plant and equipment:		
Land and buildings at fair value	432,461	413,849
Plant and equipment at cost	808,364	785,072
Total property, plant and equipment	1,240,825	1,198,921
Accumulated depreciation	(580,488)	(573,809)
Total written down amount	660,337	625,112

(a) The net book value of land and buildings (other than land and buildings classified as investment properties) was $237.42 million (2017: $232.49 million) as measured on a historical cost basis.

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Land at fair value:		
Opening balance	182,529	166,399
Additions	95	5,478
Increase resulting from revaluation	11,959	7,423
Depreciation of leasehold land (b)	(1,074)	(998)
Reclassification from buildings at fair value	-	6,886
Reclassification from plant and equipment	-	861
Net foreign currency differences arising from foreign operations	1,981	(3,520)
Closing balance	195,490	182,529

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

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Buildings at fair value:		
Opening balance	231,320	223,401
Additions	10,301	6,212
Disposals	(23)	-
Increase resulting from revaluation	3,592	18,732
Depreciation for the year	(10,013)	(8,037)
Reclassification from plant and equipment	2,777	-
Reclassification to land at fair value	-	(6,886)
Net foreign currency differences arising from foreign operations	(983)	(2,102)
Closing balance	236,971	231,320
Plant and equipment at cost:		
Opening balance	773,676	770,712
Additions	76,682	75,672
Disposals	(48,749)	(67,194)
Reclassification to land at fair value	-	(861)
Reclassification to buildings at fair value	(11,032)	-
Reclassification to investment property	(55)	-
Net foreign currency differences arising from foreign operations	5,110	(4,653)
Closing balance	795,632	773,676
Plant and equipment accumulated depreciation:		
Opening balance	570,055	583,745
Depreciation for the year	52,278	50,265
Disposals	(43,624)	(60,912)
Reclassification to buildings at fair value	(8,255)	-
Reclassification to investment property	(20)	-
Net foreign currency differences arising from foreign operations	4,409	(3,043)
Closing balance	574,843	570,055
Net book value	220,789	203,621

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Leased plant and equipment at cost:		
Opening balance	6,313	1,467
Additions	195	4,872
Disposals	(33)	(26)
Closing balance	6,475	6,313
Leased plant and equipment accumulated depreciation:		
Opening balance	847	72
Depreciation for the year	1,280	776
Disposals	(7)	(1)
Closing balance	2,120	847
Net book value	4,355	5,466
Lease make good asset at cost:		
Opening balance	5,083	5,526
Additions	1,094	288
Disposals	(289)	(343)
Net foreign currency differences arising from foreign operations	369	(388)
Closing balance	6,257	5,083
Lease make good asset accumulated depreciation:		
Opening balance	2,907	2,883
Depreciation for the year	644	603
Disposals	(289)	(343)
Net foreign currency differences arising from foreign operations	263	(236)
Closing balance	3,525	2,907
Net book value	2,732	2,176
Total plant and equipment	227,876	211,263
Total property, plant and equipment	660,337	625,112

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	New Zealand	Slovenia		Singapore			Australia	Ireland	Total	
	Retail $000	Retail $000	Warehouse $000	Retail $000	Warehouse $000	Office $000	Retail $000	Retail $000	2018 $000	2017 $000
Opening balance	233,460	72,327	3,185	60,367	18,255	8,184	7,651	10,420	413,849	389,800
Additions	5,851	-	-	447	-	-	50	4,048	10,396	11,690
Disposals	(23)	-	-	-	-	-	-	-	(23)	-
Fair value adjustments	11,077	-	-	2,565	(1,589)	(618)	-	4,116	15,551	26,155
Depreciation for the year	(7,100)	(1,679)	(57)	(972)	(1,005)	(20)	(67)	(187)	(11,087)	(9,035)
Transfer from / (to) plant and equipment	5,884	-	-	-	-	-	-	(3,107)	2,777	861
Net foreign currency differences	(8,598)	4,359	192	3,083	909	422	-	631	998	(5,622)
Closing balance	240,551	75,007	3,320	65,490	16,570	7,968	7,634	15,921	432,461	413,849

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy	Fair value 30 June 2018 $000	Valuation technique	Key unobservable inputs	Range of unobservable inputs
Retail	Level 3	404,603	Discounted cash flow	Terminal yield Discount rate	4.20% - 8.25% 4.50% - 9.25%
			Income capitalisation	Net market rent per sqm p.a. Capitalisation rate	$113 - $705 per sqm p.a. 4.20% - 8.88%
			Direct sale comparison	Price per sqm of lettable area	$5,800 - $16,895 per sqm
Warehouse	Level 3	19,890	Discounted cash flow	Terminal yield Discount rate	8.00% 7.25%
			Income capitalisation	Net market rent per sqm p.a. Capitalisation rate	$87 - $105 per sqm p.a. 6.50% - 7.67%
			Direct sale comparison	Price per sqm of lettable area	$1,100 per sqm
Office	Level 3	7,968	Discounted cash flow	Terminal yield Discount rate	3.75% 4.00%
			Income capitalisation	Net market rent per sqm p.a. Capitalisation rate	$248 - $298 per sqm p.a. 3.20% - 3.50%
			Direct sale comparison	Price per sqm of lettable area	$7,493 - $9,424 per sqm
Total		432,461			

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

The income capitalisation method of valuation was used for the valuation of retail and warehouse properties in Slovenia. The income capitalisation method of valuation was used for the valuation of retail property in Ireland. The income capitalisation method, the direct sale comparison method and the discounted cash flow method were used for all properties in Singapore.

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

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

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

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

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

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

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

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

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

(c) Valuation process

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

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

14. PROPERTY, PLANT AND EQUIPMENT (continued)

(d) Sensitivity information

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

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

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

(e) Highest and best use

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

15. INVESTMENT PROPERTIES

(a) Reconciliation

	New Zealand		Australia				TOTAL	
	Retail $000	Warehouse $000	Retail $000	Warehouse $000	Office $000	Property for development $000	June 2018 $000	June 2017 $000
Opening balance	1,302	2,431	2,036,449	162,719	35,500	3,353	**2,241,754**	2,046,295
Additions	5,139	-	128,741	3,524	-	557	**137,961**	115,189
Transfers from property, plant and equipment	28	7	-	-	-	-	**35**	-
Change in class of property	(178)	178	(14,858)	15,227	-	(369)	**-**	-
Fair value adjustments*	-	-	39,976	12,160	-	(490)	**51,646**	107,382
Disposals	-	-	(590)	(1)	-	(1,201)	**(1,792)**	(27,077)
Depreciation for the year	(68)	(2)	-	-	-	-	**(70)**	(31)
Net foreign currency differences	(47)	(90)	-	-	-	-	**(137)**	(4)
Closing balance	6,176	2,524	2,189,718	193,629	35,500	1,850	**2,429,397**	2,241,754

* Fair value adjustments totalling $51.65 million in aggregate for the year ended 30 June 2018 are included in other income (2017: $107.38 million).

15. INVESTMENT PROPERTIES (continued)

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy	Fair value June 2018 $000	Valuation technique	Key unobservable inputs	Range of unobservable inputs
Retail	Level 3	2,195,894	Income capitalisation	Net market rent per sqm p.a. Capitalisation rate	$68 - $277 per sqm p.a. 6.5% - 10.0%
			Discounted cash flow	Terminal yield Discount rate	6.0% - 10.0% 6.8% - 10.5%
			Direct sale comparison	Price per sqm of lettable area	$715 - $3,533 per sqm
Warehouse	Level 3	196,153	Income capitalisation	Net market rent per sqm p.a. Capitalisation rate	$19 - $189 per sqm p.a. 7.0% - 10.0%
			Discounted cash flow	Terminal yield Discount rate	6.8% - 9.3% 7.0% -10.3%
			Direct sale comparison	Price per sqm of lettable area	$645 - $2,208 per sqm
Office	Level 3	35,500	Income capitalisation	Net market rent per sqm p.a. Capitalisation rate	$158 - $391 per sqm p.a. 7.2% - 7.8%
			Discounted cash flow	Terminal yield Discount rate	6.3% - 7.8% 6.3% - 8.3%
			Direct sale comparison	Price per sqm of lettable area	$2,151 - $5,216 per sqm
Property for development	Level 3	1,850	Direct sale comparison	Price per sqm of lettable area	$180 per sqm
Total		2,429,397			

Each investment property is valued at fair value. Each investment property is the subject of a lease or licence in favour of independent third parties, including a Harvey Norman®, Domayne® and Joyce Mayne® franchisee. A franchisee occupies properties pursuant to a licence, terminable upon reasonable notice. The fair value in respect of each investment property has been calculated primarily using the income capitalisation method of valuation, using the current market rental value, and having regard to, in respect of each property:

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

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

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

(c) Valuation process

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

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

15. INVESTMENT PROPERTIES (continued)

(c) Valuation process (continued)

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

The consolidated entity obtained independent valuations in respect of thirty seven (37) sites within the investment property portfolio during the year ended 30 June 2018. Based on the results of the independent valuations and a consideration of other internal and external factors that may impact the fair value of the overall investment property portfolio, a further twenty-one (21) sites within the investment property portfolio were identified for further review by management. The twenty-one (21) sites had generally been similarly affected by the same factors or characteristics of the properties which had been independently valued, particularly in relation to yields and market rentals.

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

(d) Sensitivity information

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

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

Included in rent and outgoings received from franchisees and rent and outgoings received from other tenants other than franchisees as disclosed in Note 3 is rent and outgoings received from investment properties of $211.48 million for the year ended 30 June 2018 (2017: $202.45 million). Operating expenses, including rates and taxes and repairs and maintenance, recognised in the income statement in relation to investment properties amounted $47.97 million for the year ended 30 June 2018 (2017: $43.75 million).

16. INTANGIBLE ASSETS (NON-CURRENT)

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
Computer software (summary)		
- At cost	193,529	181,188
- Accumulated amortisation and impairment	(127,922)	(109,834)
Net computer software	65,607	71,354
Computer Software (net of accumulated amortisation and impairment) (a):		
Opening balance	71,354	76,812
Additions	12,685	11,578
Disposals	(143)	(54)
Amortisation	(18,339)	(16,758)
Net foreign currency differences arising from foreign operations	50	(224)
Net book value	65,607	71,354
Net licence property	3,096	3,549
Other intangible assets	364	334
Net intangible assets (non-current)	69,067	75,237

(a) Computer Software

Computer software assets are carried at cost less accumulated amortisation and accumulated impairment losses. The intangible assets have been assessed as having a finite life and is amortised using the straight-line method over a period of no greater than eight and a half (8.5) years. If impairment indicators are present, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
17. TRADE AND OTHER PAYABLES (CURRENT)		
Trade and other creditors	229,267	182,917
Accruals	60,719	55,711
Total trade and other payables (current)	289,986	238,628

18. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT)

	June 2018 $000	June 2017 $000
Secured:		
Bank overdraft (a)	45,081	37,342
Commercial bills payable (b)	9,750	9,750
Syndicated Facility Agreement (c)	240,000	200,000
Other short-term borrowings (d)	82,190	87,576
Lease liabilities	1,062	1,327
Unsecured:		
Derivatives payable	52	68
Non-trade amounts owing to:		
- Directors (e)	33,160	36,341
- Other related parties (e)	10,644	14,036
- Unrelated parties	252	211
Total interest-bearing loans and borrowings (current)	422,191	386,651

(a) Bank Overdraft

Of the total bank overdraft of $45.08 million as at 30 June 2018:

- a total of $44.86 million relates to a bank overdraft due by Harvey Norman Trading (Ireland) Limited to Bank of Ireland ("BOI") (the "BOI Overdraft Facility"). Australia and New Zealand Banking Group Limited ("ANZ") has provided an Indemnity/Guarantee/Stand-by Letter of Credit Facility in favour of BOI in support of the BOI Overdraft Facility, at the request of the Company ("ANZ-BOI Facility"). The ANZ-BOI Facility is further secured by the Syndicated Facility Agreement described in Note 18(c).
- a total of $0.22 million relates to a bank overdraft facility with AmBank (M) Berhad in Malaysia which is subject to periodic review. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.

(b) Commercial Bills Payable

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

(c) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company ("Borrower") and certain other subsidiaries of the Company ("Guarantors") entered into a Syndicated Facility Agreement with certain banks ("Financiers" and each a "Financier"). On 1 December 2017, the Amending Deed (No. 5) to the Syndicated Facility Agreement was executed with the effect of extending the repayment date of Tranche A2 of the Facility totalling $200 million to 4 December 2019 and providing an additional Tranche A3 of the Facility totalling $200 million with a repayment date of 4 December 2020.

The aggregate available facility of the Syndicated Facility Agreement increased from $610 million to $810 million. The utilised amount of the Syndicated Facility Agreement as at 30 June 2018 was $740 million, repayable as set out below, $240 million of which was classified as current interest-bearing loans and borrowings and $500 million classified as non-current interest-bearing loans and borrowings. This Facility is secured by:

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

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

- in respect of Tranche A1 totalling $170 million, on 4 December 2019 ($170 million utilised at 30 June 2018);
- in respect of Tranche A2 totalling $200 million, on 4 December 2019 ($200 million utilised at 30 June 2018);
- in respect of Tranche A3 totalling $200 million, on 4 December 2020 ($130 million utilised at 30 June 2018);
- in respect of Tranche B totalling $240 million, on 4 December 2018 ($240 million utilised at 30 June 2018); and
- otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:

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

(c) Syndicated Facility Agreement (continued)

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

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

(d) Other Short-Term Borrowings

Of the total other short-term borrowings of $82.19 million:

- a total of $46.36 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 4 December 2018.
- a total of $28.68 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 4 December 2018.
- a total of $2.48 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 $3.50 million relates to a revolving credit facility with ANZ in Australia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to ANZ in respect of the obligations of the Lighting Partners Australia partnership.

(e) Directors and Other Related Parties

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

(f) Defaults and Breaches

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During the 2018 and 2017 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 2018 $000	June 2017 $000
19. OTHER LIABILITIES (CURRENT)		
Lease incentives	4,037	3,598
Unearned revenue	62,788	37,973
Total other liabilities (current)	66,825	41,571
20. PROVISIONS		
Current:		
Employee entitlements (Note 29)	34,096	31,513
Lease make good	473	792
Deferred lease expenses	785	1,200
Onerous lease costs	-	529
Total provisions (current)	35,354	34,034
Non-Current:		
Employee entitlements (Note 29)	1,994	4,768
Lease make good	5,785	4,293
Deferred lease expenses	3,866	3,991
Total provisions (non-current)	11,645	13,052

20. PROVISIONS (continued)

CONSOLIDATED	Make Good Provision $000	Deferred Lease Expenses $000	Onerous Lease Costs $000	Total $000
At 1 July 2017	5,085	5,191	529	10,805
Arising during the year	1,058	784	22	1,864
Utilised	(286)	(1,358)	(551)	(2,195)
Exchange rate variance	401	34	-	435
At 30 June 2018	6,258	4,651	-	10,909
Current 2018	473	785	-	1,258
Non-current 2018	5,785	3,866	-	9,651
Total provisions 2018	6,258	4,651	-	10,909
Current 2017	792	1,200	529	2,521
Non-current 2017	4,293	3,991	-	8,284
Total provisions 2017	5,085	5,191	529	10,805

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

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

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

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

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Secured:		
Syndicated Facility Agreement (Refer to Note 18(c) and (f))	500,000	330,000
Lease liabilities	3,203	3,858
Total interest-bearing loans and borrowings (non-current)	503,203	333,858

22. FINANCING FACILITIES AVAILABLE

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

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
Total facilities:		
- Bank overdraft	48,887	44,449
- Other borrowings	112,819	114,866
- Commercial bank bills	9,750	9,750
- Syndicated Facility Agreement	810,000	610,000
Total Available Facilities	981,456	779,065
Facilities used at reporting date:		
- Bank overdraft	45,081	37,342
- Other borrowings (current)	82,190	87,576
- Commercial bank bills (current)	9,750	9,750
- Syndicated Facility Agreement (current)	240,000	200,000
- Syndicated Facility Agreement (non-current)	500,000	330,000
Total Used Facilities	877,021	664,668
Facilities unused at reporting date:		
- Bank overdraft	3,806	7,107
- Other borrowings	30,629	27,290
- Syndicated Facility Agreement	70,000	80,000
Total Unused Facilities	104,435	114,397

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

23. OTHER LIABILITIES (NON-CURRENT)

	June 2018 $000	June 2017 $000
Lease incentives	13,625	16,061
Unearned revenue	538	3,222
Total other liabilities (non-current)	14,163	19,283

24. CONTRIBUTED EQUITY

	June 2018 $000	June 2017 $000
Ordinary shares	388,381	386,309
Total contributed equity	388,381	386,309

	June 2018 Number	June 2017 Number
Ordinary shares issued and fully paid	1,114,188,911	1,113,054,911

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

	June 2018 Number	June 2018 $000
Movements in ordinary shares on issue		
At 1 July 2017	1,113,054,911	386,309
Issue of shares under executive share option plan	1,134,000	2,072
At 30 June 2018	1,114,188,911	388,381

Ordinary Shares – Terms and Conditions

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

25. RESERVES

CONSOLIDATED $000	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2016	111,199	48,021	9,682	(32)	8,995	(22,051)	155,814
Revaluation of land and buildings	25,467	-	-	-	-	-	25,467
Tax effect of revaluation of land and buildings	(5,362)	-	-	-	-	-	(5,362)
Unrealised gain on available-for-sale investments	-	-	4,050	-	-	-	4,050
Reverse expired or realised cash flow hedge reserves	-	-	-	32	-	-	32
Net loss on forward foreign exchange contracts	-	-	-	(28)	-	-	(28)
Tax effect of net loss on forward foreign exchange contracts	-	-	-	8	-	-	8
Currency translation differences	-	(5,647)	-	-	-	-	(5,647)
Share based payment	-	-	-	-	616	-	616
At 30 June 2017	131,304	42,374	13,732	(20)	9,611	(22,051)	174,950
At 1 July 2017	131,304	42,374	13,732	(20)	9,611	(22,051)	174,950
Revaluation of land and buildings	15,915	-	-	-	-	-	15,915
Tax effect of revaluation of land and buildings	(2,693)	-	-	-	-	-	(2,693)
Unrealised loss on available-for-sale investments	-	-	(1,830)	-	-	-	(1,830)
Reverse expired or realised cash flow hedge reserves	-	-	-	20	-	-	20
Net loss on forward foreign exchange contracts	-	-	-	(12)	-	-	(12)
Tax effect of net loss on forward foreign exchange contracts	-	-	-	4	-	-	4
Currency translation differences	-	(1,715)	-	-	-	-	(1,715)
Share based payment	-	-	-	-	741	-	741
Tax effect of share based payment	-	-	-	-	4	-	4
At 30 June 2018	144,526	40,659	11,902	(8)	10,356	(22,051)	185,384

NATURE AND PURPOSE OF RESERVES:

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

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

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

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

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

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

26. RETAINED PROFITS AND DIVIDENDS

	CONSOLIDATED June 2018 $000	June 2017 $000
Movements in retained profits were as follows:		
Balance at beginning of the year	2,229,200	2,125,186
Profit for the year	375,378	448,976
Dividends paid	(267,337)	(344,962)
Balance at end of the year	2,337,241	2,229,200

	June 2018 $000	June 2017 $000
Dividends declared and paid:		
Dividends on ordinary shares:		
Final fully-franked dividend for 2017: 12.0 cents (2016: 17.0 cents)	133,635	189,134
Interim fully-franked dividend for 2018: 12.0 cents (2017: 14.0 cents)	133,702	155,828
Total dividends paid	267,337	344,962

The final dividend of $133.64 million, fully-franked, for the year ended 30 June 2017 was paid on 1 December 2017.

The interim dividend of 12.00 cents per share, totalling $133.70 million fully-franked, for the year ended 30 June 2018 was paid on 1 May 2018.

The final dividend of 18.0 cents per share totalling $200.55 million fully-franked, for the year ended 30 June 2018 will be paid on 2 November 2018. No provision has been made in the Statement of Financial Position for the payment of this final dividend.

	June 2018 $000	June 2017 $000
Franking Account Balance:		
The amount of franking credits available for the subsequent financial years are:		
- franking account balance as at the end of the financial year at 30%	590,529	564,369
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	4,900	36,008
- franking credits that will be utilised in the payment of proposed final dividend	(85,952)	(57,243)
The amount of franking credits available for future reporting years	509,477	543,134

27. NON-CONTROLLING INTERESTS

	June 2018 $000	June 2017 $000
Interest in:		
- Ordinary shares	2,691	2,691
- Reserves	13,848	12,716
- Retained earnings	10,387	7,041
Total non-controlling interests	26,926	22,448

28. CASH AND CASH EQUIVALENTS

(a) Reconciliation to Cash Flow Statement

	CONSOLIDATED June 2018 $000	June 2017 $000
Cash and cash equivalents comprise the following at end of the year:		
Cash at bank and on hand	124,458	65,969
Short term money market deposits	46,086	14,255
	170,544	80,224
Bank overdraft (Note 18)	(45,081)	(37,342)
Cash and cash equivalents at end of the year	125,463	42,882

(b) Reconciliation of Profit After Income Tax to Net Operating Cash Flows

	June 2018 $000	June 2017 $000
Profit after tax	380,050	452,966
Adjustments for:		
Net foreign exchange gains	(496)	(771)
Bad and doubtful debts	46,064	21,864
Share of net profit from joint venture entities	(5,792)	(5,200)
Depreciation of property, plant and equipment	65,359	60,710
Amortisation	19,432	17,159
Impairment of equity-accounted investments	20,665	1,148
Impairment loss on repayment of external finance facility	-	5,022
Revaluation of investment properties	(51,646)	(107,382)
Property revaluation increment for overseas controlled entity	-	(669)
Deferred lease expenses	(663)	(962)
Provision for onerous leases	-	643
Executive remuneration expenses	4,173	4,992
Profit on disposal and sale of property, plant and equipment, and the revaluation of listed securities	(2,329)	(6,849)
Movements in provisions	(766)	2,229
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(29,595)	(72,818)
Inventory	(29,738)	165
Other current assets	10,303	(19,175)
Increase/(decrease) in liabilities:		
Payables and other current liabilities	56,082	72,238
Income tax payable	(26,933)	(170)
Net cash flows from operating activities	454,170	425,140

29. EMPLOYEE BENEFITS

	CONSOLIDATED June 2018 Number	CONSOLIDATED June 2017 Number
The number of full-time equivalent employees employed as at 30 June were:	5,420	5,200

	June 2018 $000	June 2017 $000
The aggregate employee benefit liability was comprised of:		
Accrued wages, salaries and on-costs	16,822	17,132
Provisions (Current – Note 20)	34,096	31,513
Provisions (Non-current – Note 20)	1,994	4,768
Total employee benefit provisions	52,912	53,413

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

Share Options

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

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

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

Performance Rights

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

Grant Date	Expiry Date	Exercise Price	Number of Performance Rights Outstanding 2018	Number of Performance Rights Outstanding 2017	Number of Performance Rights Vested 2018	Number of Performance Rights Vested 2017
30/11/2015	30/06/2021	-	400,000	400,000	-	-
28/11/2016	30/06/2022	-	400,000	400,000	-	-
01/12/2017	30/06/2023	-	400,000	-	-	-
			1,200,000	800,000	-	-

Refer to Tables 5 and 6 of this report on pages 51 and 52 for further information.

30. REMUNERATION OF AUDITORS

	CONSOLIDATED June 2018 $	CONSOLIDATED June 2017 $
Amounts received or due and receivable by Ernst & Young for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated entity	1,926,351	1,955,946
- tax services in relation to the entity and any other entity in the consolidated entity	234,984	205,823
- other services in relation to the entity and any other entity in the consolidated entity	42,769	71,756
Total received or due and receivable by Ernst & Young	2,204,104	2,233,525

31. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

Directors	Title	Senior Executives	Title
Gerald Harvey	Executive Chairman	Martin Anderson	General Manager – Advertising
Kay Lesley Page	Executive Director and Chief Executive Officer	Thomas James Scott	General Manager – Property
John Evyn Slack-Smith	Executive Director and Chief Operating Officer	Gordon Ian Dingwall	Chief Information Officer
David Matthew Ackery	Executive Director	Robert Nelson [resigned 31 July 2017]	General Manager – Audio Visual
Chris Mentis	Executive Director, Chief Financial Officer and Company Secretary	Haydon Ian Myers [resigned 31 July 2017]	General Manager – Home Appliances
Christopher Herbert Brown OAM	Non-Executive Director	Ajay Calpakam [commenced 1 August 2017]	General Manager – Audio Visual
Michael John Harvey	Non-Executive Director	Lachlan Roach [commenced 1 October 2017]	General Manager – Home Appliances
Kenneth William Gunderson-Briggs	Non-Executive Director (Independent)	Geoff Van Der Vegt [resigned 31 May 2017]	General Manager – Technology & Entertainment
Graham Charles Paton AM	Non-Executive Director (Independent)	Frank Robinson [commenced 1 August 2017]	General Manager – Technology & Entertainment

(b) Compensation of Key Management Personnel

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

	CONSOLIDATED	
	June 2018 $	June 2017 $
Short-term	11,506,845	11,500,990
Post employment	266,098	262,382
Long-term (performance cash incentives)	863,359	1,762,854
Long-term (share-based payments)	615,206	562,619
Other – long service leave accrual	96,558	90,268
Other – termination benefits	144,065	11,292
	13,492,131	14,190,405

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

32. RELATED PARTY TRANSACTIONS

(a) Ultimate Controlling Entity

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

(b) Transactions with Other Related Parties

(i)	Several controlled entities of Harvey Norman Holdings Limited operate loan accounts with other related parties, mainly consisting of joint ventures and the other joint venture partner of the joint ventures. Refer to Notes 7 and 12. The amount of receivables from related parties at balance date was:	193,309,626	130,283,866
(ii)	The consolidated entity has a payable to other related parties (excluding transactions with KMPs and their related parties) at arm's length terms and conditions. The amount owing to other related parties at balance date was:	4,237,364	4,237,364

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

33. COMMITMENTS

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
(a) Capital expenditure contracted but not provided is payable as follows:		
Not later than one year	13,587	109,254
Later than one year but not later than five years	16,509	1,356
Total capital expenditure commitments	30,096	110,610

The consolidated entity had contractual obligations to purchase property, plant and equipment and investment properties of $30.10 million (2017: $110.61 million). The contractual obligations are mainly for acquisition of new properties in New Zealand and refurbishment of existing franchised complexes in Australia. There were no contractual obligations relating to joint venture entities for the year ended 30 June 2018 (2017: $4.55 million).

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
(b) Lease expenditure commitments [the consolidated entity as lessee]:		
(i) Operating lease expenditure contracted for is payable as follows:		
Not later than one year	155,280	147,862
Later than one year but not later than five years	386,573	360,923
Later than five years	147,366	134,812
Total operating lease liabilities	689,219	643,597

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

(ii) Geographic representation of operating lease expenditure:

30 June 2018	Australia $000	New Zealand $000	Singapore and Malaysia $000	Ireland and Northern Ireland $000	Slovenia and Croatia $000	Total $000
Not later than one year	95,332	12,336	26,954	18,538	2,120	155,280
Later than one year but not later than five years	247,129	26,072	49,812	59,410	4,150	386,573
Later than five years	89,751	5,660	-	51,816	139	147,366
Total operating lease liabilities	432,212	44,068	76,766	129,764	6,409	689,219

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

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

33. COMMITMENTS (continued)

	CONSOLIDATED June 2018 $000	CONSOLIDATED June 2017 $000
(c) Lease commitments [the consolidated entity as lessor]:		
Future minimum amounts receivable under non-cancellable operating leases are as follows:		
Not later than one year	102,626	82,982
Later than one year but not later than five years	191,232	153,998
Later than five years	43,483	33,159
Minimum lease receivable	337,341	270,139

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

	CONSOLIDATED 2018		CONSOLIDATED 2017	
	Minimum Payments $000	Present value of payments $000	Minimum Payments $000	Present value of payments $000
(d) Finance lease commitments [the consolidated entity as lessee]:				
Not later than one year	1,283	1,062	1,595	1,327
Later than one year but not later than five years	3,490	3,203	4,204	3,858
Total minimum lease payments	4,773	4,265	5,799	5,185
Less: amounts representing finance charges	(508)	-	(614)	-
Present value of minimum lease payments	4,265	4,265	5,185	5,185

34. CONTINGENT LIABILITIES

As at 30 June 2018, Harvey Norman Holdings Limited (the Company) has entered into the following guarantees, however the probability of having to make a payment under these guarantees is considered remote:

(a) Guarantees in the normal course of business relating to the payment of lease obligations under an operating lease contract for certain leased franchised complexes in Australia and certain leased company-operated stores in overseas regions.

(b) Guarantees in the normal course of business relating to lease makegood obligations under certain operating lease contracts (with the exclusion of those lease makegood payments that are considered to be probable and recognised as a provision in Note 20).

(c) Indemnities to financial institutions to support bank guarantees in respect of the performance of contracts.

(d) Financial performance guarantees in respect of obligations of certain third parties up to the amount necessary to enable those entities to meet their obligations as and when they fall due, subject to certain conditions.

No provision has been made in the financial statements in respect of these contingencies as the possibility of a probable outflow under these guarantees is considered remote.

35. FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

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

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

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

The main risks arising from the consolidated entity's financial assets and financial liabilities are:

- foreign currency risk
- interest rate risk
- equity price risk
- credit risk; and
- liquidity risk

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

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

The Board reviews and endorses policies for managing each of these risks as summarised below:

- the setting of limits for trading in derivatives; and
- hedging cover of foreign currency risk, credit allowances, and future cash flow forecast projections.

(b) Market Risk

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

(i) Foreign Currency Risk Management

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

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

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

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

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

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

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
Financial assets		
Cash and cash equivalents	29,682	17,686
Trade and other receivables	5,378	2,579
Derivatives receivable	5	25
	35,065	20,290
Financial liabilities		
Trade and other payables	28,012	20,409
Interest-bearing loans and borrowings	11,481	10,731
Derivatives payable	52	68
	39,545	31,208
Net exposure	(4,480)	(10,918)

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Market Risk (continued)

(i) Foreign Currency Risk Management (continued)

Sensitivity Analysis

The following sensitivity analysis is calculated based on the foreign currency risk exposures that are not denominated in the functional currency of the relevant subsidiary at balance date. At 30 June 2018, if foreign exchange rates were 5% higher or 5% lower (2017: 5% higher or 5% lower), as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post tax profit increase/(decrease)		Other comprehensive income increase/(decrease)	
	June 2018 $000	June 2017 $000	June 2018 $000	June 2017 $000
Consolidated				
Australian subsidiaries				
AUD/EURO + 5%	(34)	(10)	(82)	(76)
AUD/EURO - 5%	38	11	91	84
AUD/USD + 5%	4	1	(17)	(22)
AUD/USD - 5%	(4)	(1)	18	24
Slovenia and Ireland subsidiaries				
EURO/USD + 5%	(3)	(146)	-	-
EURO/USD - 5%	3	161	-	-
EURO/GBP + 5%	-	1	-	-
EURO/GBP - 5%	-	(1)	-	-
EURO/HRK + 5%	1	-	-	-
EURO/HRK - 5%	(1)	-	-	-
Croatia subsidiaries				
HRK/EURO + 5%	636	595	-	-
HRK/EURO - 5%	(703)	(658)	-	-
HRK/USD + 5%	-	(1)	-	-
HRK/USD - 5%	-	1	-	-
Singapore and Malaysia subsidiaries				
SGD/USD + 5%	17	5	-	-
SGD/USD - 5%	(19)	(5)	-	-
SGD/EURO + 5%	32	4	-	-
SGD/EURO - 5%	(35)	(5)	-	-
SGD/MYR + 5%	(683)	(283)	-	-
SGD/MYR - 5%	755	313	-	-
SGD/AUD + 5%	(2)	2	-	-
SGD/AUD - 5%	2	(2)	-	-
New Zealand subsidiaries/branches				
NZD/EURO + 5%	(5)	(3)	-	-
NZD/EURO - 5%	6	4	-	-
NZD/USD + 5%	(3)	(1)	-	-
NZD/USD - 5%	3	1	-	-

The sensitivities of post-tax profit and other comprehensive income in the current year are comparable to the prior year.

The movements in post-tax profit are due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The movements in other comprehensive income are due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Market Risk (continued)

(ii) Interest Rate Risk Management

Interest rate risk is the risk that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The consolidated entity's exposure to market interest rates relates primarily to:

- Cash and cash equivalents;
- Non-trade debts receivable from related entities and unrelated entities;
- Bank overdraft;
- Non-trade amounts owing to directors and other related parties;
- Syndicated Facility;
- Commercial bills; and
- Other short-term borrowings

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

30 June 2018	Principal subject to floating interest rate $000	Fixed interest rate maturing in: 1 year or less $000	Over 1 to 5 years $000	More than 5 years $000	Non-interest bearing $000	Total $000	Average interest rate: Floating	Fixed
Financial assets								
Cash	154,350	6,232	-	-	9,962	170,544	0.01% - 4.10%	0.01% - 2.19%
Consumer finance loans	-	-	-	-	3,514	3,514	-	-
Finance lease receivables	-	673	732	-	2,727	4,132	-	10.5% - 12.5%
Receivables from franchisees	-	-	-	-	544,003	544,003	-	-
Trade receivables	-	-	-	-	103,315	103,315	-	-
Other financial assets	-	-	-	-	49,746	49,746	-	-
Non-trade debts receivables & loans	49,648	81,409	6,839	5,185	68,879	211,960	3.89% - 6.07%	5.00% - 9.50%
	203,998	88,314	7,571	5,185	782,146	1,087,214		
Financial liabilities								
Syndicated Facility and other short-term borrowings	822,190	-	-	-	-	822,190	0.85% - 6.12%	-
Trade creditors	-	-	-	-	289,986	289,986	-	-
Other loans	43,804	-	-	-	252	44,056	2.44% - 3.17%	-
Bank overdraft	45,081	-	-	-	-	45,081	1.70% - 6.26%	-
Bills payable	9,750	-	-	-	-	9,750	1.64% - 1.91%	-
Finance lease liabilities	-	1,062	3,203	-	-	4,265	-	5.92%
Other financial liabilities	-	-	-	-	52	52	-	-
	920,825	1,062	3,203	-	290,290	1,215,380		

35. FINANCIAL RISK MANAGEMENT (continued)

(b) Market Risk (continued)

(ii) Interest Rate Risk Management (continued)

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

Sensitivity analysis

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

At 30 June 2018, if interest rates were 50 basis points higher or 50 basis points lower, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	CONSOLIDATED: Post tax profit Increase/(decrease) June 2018 $000	June 2017 $000	Other comprehensive income Increase/(decrease) June 2018 $000	June 2017 $000
If there was 50 (2017: 50) basis points higher in interest rates with all other variables held constant	**(2,642)**	(2,267)	**-**	-
If there was 50 (2017: 50) basis points lower in interest rates with all other variables held constant	**2,642**	2,267	**-**	-

The movements in post tax profit are due to higher or lower interest costs from variable rate bank debt, other loans and cash balances.

The movements in post tax profit in the current year are comparable to the prior year.

35. FINANCIAL RISK MANAGEMENT (continued)

(iii) Equity Price Risk Management

The consolidated entity is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The exposure to the risk of a general decline in equity market values is not hedged as the consolidated entity believes such a strategy is not cost effective. The fair value of the equity investments publicly traded on the ASX was $29.75 million as at 30 June 2018 (2017: $36.81 million). The fair value of the equity investments publicly traded on the NZX was $17.09 million as at 30 June 2018 (2017: $19.65 million).

Sensitivity Analysis

As at 30 June 2018, if equity prices had been 10% higher or 10% lower, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	CONSOLIDATED			
	Post tax profit Increase/(decrease)		Other comprehensive income Increase/(decrease)	
	June 2018 $000	June 2017 $000	June 2018 $000	June 2017 $000
If there was 10% (2017: 10%) increase movement in equity prices with all other variables held constant	2,136	2,606	1,709	1,965
If there was 10% (2017: 10%) decrease movement in equity prices with all other variables held constant	(2,136)	(2,606)	(1,709)	(1,965)

The movements in post tax profit are due to changes in the fair value of listed shares held for trading. The movements in other comprehensive income are due to changes in the fair value of listed shares available for sale.

(c) Credit Risk

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

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

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

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

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

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

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

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
Location of credit risk		
Australia	749,121	667,695
New Zealand	28,189	29,369
Singapore and Malaysia	15,973	14,215
Slovenia and Croatia	6,147	5,232
Ireland and Northern Ireland	3,703	2,952
Total	803,133	719,463

35. FINANCIAL RISK MANAGEMENT (continued)

(d) Liquidity Risk

Liquidity risk includes the risk that, as a result of the consolidated entity's operational liquidity requirements:
- the consolidated entity will not have sufficient funds to settle a transaction on the due date;
- the consolidated entity will be forced to sell financial assets at a value which is less than what they are worth; or
- the consolidated entity may be unable to settle or recover a financial asset at all.

To help reduce these risks, the consolidated entity:
- has readily accessible standby facilities and other funding arrangements in place; and
- maintains instruments that are tradeable in highly liquid markets.

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

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

Year ended 30 June 2018 CONSOLIDATED	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Non derivative financial assets					
Cash and cash equivalents	170,544	-	-	-	170,544
Receivables from franchisees	544,003	-	-	-	544,003
Trade and other receivables	184,915	5,354	79,990	6,014	276,273
Other financial assets	31,458	-	-	18,283	49,741
Derivative financial assets					
Forward currency contracts	5	-	-	-	5
Total financial assets	930,925	5,354	79,990	24,297	1,040,566
Non derivative financial liabilities					
Trade and other payables	289,986	-	-	-	289,986
Interest bearing loans and borrowings	444,808	380,675	134,138	-	959,621
Derivative financial liabilities					
Forward currency contracts	52	-	-	-	52
Total financial liabilities	734,846	380,675	134,138	-	1,249,659
Net maturity	196,079	(375,321)	(54,148)	24,297	(209,093)

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

For detailed information on financing facilities available as at 30 June 2018 refer to Note 22.

35. FINANCIAL RISK MANAGEMENT (continued)

(e) Fair Value of Financial Assets and Financial Liabilities

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

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

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

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

Year ended 30 June 2018 CONSOLIDATED	Quoted market price (Level 1) $000	Valuation technique – market observable inputs (Level 2) $000	Valuation technique – non market observable inputs (Level 3) $000	Total $000
Financial Assets				
Listed investments	46,848	-	-	46,848
Forward currency contracts	-	5	-	5
Total Financial Assets	46,848	5	-	46,853
Financial Liabilities				
Forward currency contracts	-	52	-	52
Total Financial Liabilities	-	-	-	52

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Forward currency contracts are measured using quoted forward exchange rates. These instruments are included in level 2.

35. FINANCIAL RISK MANAGEMENT (continued)

(f) Capital Risk Management Policy

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

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

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

Capital management is monitored through the net debt to equity ratio. The target for the consolidated entity's net debt to equity ratio is a tolerance level of up to 50%. The net debt to equity ratio as at 30 June 2018 and 30 June 2017 were as follows:

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
Borrowings (a)	925,394	720,509
Less: Cash and cash equivalents	(170,544)	(80,224)
Net Debt (c)	754,850	640,285
Total equity (b)	2,959,980	2,834,957
Debt to equity ratio [(a)/(b)]	31.26%	25.42%
Net debt to equity ratio [(c)/(b)]	25.50%	22.59%

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

(b) For the purpose of calculating the net debt to equity ratio, total equity excludes the negative acquisition reserve of $22.05 million (2017: $22.05 million).

36. DERIVATIVE FINANCIAL INSTRUMENTS

Hedging Instruments

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

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
Current Assets		
Forward currency contracts – held for trading	-	25
Forward currency contracts – cash flow hedges	5	-
Current liabilities		
Forward currency contracts – held for trading	35	40
Forward currency contracts – cash flow hedges	17	28

(a) Forward currency contracts – held for trading

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

			CONSOLIDATED			
			2018		2017	
Currency	Average Exchange Rate 2018	2017	Buy $000	Sell $000	Buy $000	Sell $000
Euro (0-12 months)	62.77	67.64	7,816	-	5,610	-
US Dollar (0-12 months)	75.85	76.03	1,814	-	3,628	-
Total			9,630	-	9,238	-

These contracts are fair valued by comparing the contracted rate to the market rates at balance date. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value losses on forward currency contracts during the year ended 30 June 2018 was $0.04 million for the consolidated entity (2017: $0.01 million).

(b) Forward currency contracts – cash flow hedges

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

- United States dollars; and
- Euro.

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

			CONSOLIDATED			
			2018		2017	
Currency	Average Exchange Rate 2018	2017	Buy $000	Sell $000	Buy $000	Sell $000
Euro (0-12 months)	62.99	66.93	2,416	-	2,271	-
US Dollar (0-12 months)	74.65	75.11	483	-	666	-
Total			2,899	-	2,937	-

36. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

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

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast inventory purchases and firm committed invoice payments for inventory purchases. During the year ended 30 June 2018, the hedges were 100% effective (2017: 100% effective), therefore the gain or loss on the contracts attributable to the hedged risk is taken directly to other comprehensive income. When the inventory is delivered the amount recognised in equity is adjusted to the inventory account in the statement of financial position.

Movement in the forward currency contract cash flow hedge reserve:

	CONSOLIDATED	
	June 2018 $000	June 2017 $000
	Increase/(Decrease)	
Opening balance	(20)	(32)
Transferred to inventory	20	32
Charged to other comprehensive income	(8)	(20)
Closing balance	(8)	(20)

37. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	CONSOLIDATED			
	Investment		Share of Profit Before Tax	
	June 2018 $000	June 2017 $000	June 2018 $000	June 2017 $000
Total joint venture entities accounted for using equity method	**4,497**	26,355	**5,792**	5,200

Name and Principal Activities	Ownership Interest		Contribution to Profit / (Loss) Before Tax	
	June 2018 %	June 2017 %	June 2018 $000	June 2017 $000
Noarlunga (Shopping complex)	**50%**	50%	**1,573**	1,591
Perth City West (Shopping complex)	**50%**	50%	**3,806**	4,023
Warrawong King St (a) (Shopping complex)	**62.5%**	62.5%	**1,100**	1,081
Byron Bay (Residential/convention development)	**50%**	50%	**(741)**	(734)
Byron Bay – 2 (Resort operations)	**50%**	50%	**246**	467
Dubbo (Shopping complex)	**50%**	50%	**631**	651
Bundaberg (Land held for investment)	**50%**	50%	**(234)**	(3)
Gepps Cross (Shopping complex)	**50%**	50%	**3,075**	3,101
QCV (b) (Miners residential complex)	**50%**	50%	**10**	(114)
KEH Partnership (Retailer) (c)	**50%**	50%	**-**	-
Coomboona Dairy (d) (Dairy farming)	**49.9%**	49.9%	**(4,565)**	(5,945)
Other	**50%**	-	**891**	1,082
			5,792	5,200

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

(b) A number of wholly-owned subsidiaries of Harvey Norman Holdings Limited ("HNHL") have entered into joint ventures with an unrelated party to provide mining camp accommodation. The respective joint ventures have been granted finance facilities as follows:
- (i) a finance facility from ANZ for the amount of $5.15 million plus interest and costs, with a maturity date of 14 June 2019.
- (ii) finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $35.05 million plus interest and costs, subject to bi-annual review.

(c) The consolidated entity, through a wholly-owned subsidiary, has a 50% interest in KEH Partnership Pty Limited, a retail joint venture in Australia. The primary business of the KEH Partnership retail joint venture is the retail sale of school apparel and educational goods through the brand name The School Locker. The 'Big Buys by Harvey Norman®' business was closed during the second half of the 2018 financial year.

The consolidated entity has a commercial loan receivable from the KEH Partnership retail joint venture totalling $60.96 million as at 30 June 2018 (Jun 2017: $73.60 million). The commercial loan was used to assist with the working capital of the retail joint venture. An impairment assessment was conducted resulting in the recognition of an expense of $16.92 million (June 2017: $18.41 million) in the 2018 financial year as disclosed in Note 4. Expenses.

The present value of future cash flows as at 30 June 2018 was assessed for a five-year period, based on financial budgets and assets held as security for the loan. The effective interest rate of 7.5% was applied to the cash flow projections. Cash flow projections were limited to five years. Each of the key assumptions in the impairment assessment is subject to judgement including the future trading performance of the retail joint venture. Judgement has been applied based on available information to assess the recoverable amount of the non-trade receivables as at balance date.

(d) HNM Galaxy Pty Limited, acting in its capacity as trustee of the HNM Galaxy Unit Trust (**HN JV Entity**), holds 49.9% of the issued shares in Coomboona Holdings Pty Limited. Eternal Sound Limited, acting in its capacity as trustee for the AAA Settlement Trust (**Eternal Sound JV Entity**), holds 50.1% of the issued shares in Coomboona Holdings Pty Limited. Coomboona Holdings Pty Limited holds all of the issued shares in companies which carry on the business of dairy farm operations, land ownership and a pedigree breeding and genetics division in Northern Victoria (**Coomboona JV**). The 49.9% interest of the consolidated entity in the Coomboona JV is equity-accounted. The Coomboona JV commenced trading in September 2015 and the equity-accounted trading losses were $4.57 million for the 2018 financial year compared to equity-accounted trading losses of $5.95 million for the previous corresponding year. Refer to further information provided on Page 21 regarding the Other Segment.

38. CONTROLLED ENTITIES AND UNIT TRUSTS

Shares held by Harvey Norman Holdings Limited

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

A.C.N. 098 004 570 Pty Limited
Aloku Pty Limited
Anwarah Pty Limited
Arisit Pty Limited[1, 2]
Arlenu Pty Limited
Arpayo Pty Limited
Australian Business Skills Centre Pty Limited[22]
Balwondu Pty Limited
Barrayork Pty Limited
Becto Pty Limited
Bellevue Hill Pty Limited
Bencoolen Properties Pte Limited [11,16]
Bestest Pty Limited
Bradiz Pty Limited
Braxpine Pty Limited
Byron Bay Facilities Pty Limited[23]
Byron Bay Management Pty Limited[24]
Caesar Mosaics Pty Limited
Calardu Albany Pty Limited
Calardu Albury Pty Limited
Calardu Alexandria DM Pty Limited
Calardu Alexandria WH Pty Limited
Calardu Alice Springs Pty Limited
Calardu Armadale WA Pty Limited
Calardu Armidale Pty Limited
Calardu Auburn Pty Limited
Calardu Ballarat Pty Limited
Calardu Ballina No. 1 Pty Limited
Calardu Ballina Pty Limited
Calardu Bathurst Pty Limited
Calardu Belrose DM Pty Limited
Calardu Bendigo Pty Ltd
Calardu Berri (SA) Pty Limited
Calardu Berrimah Pty Limited
Calardu Berrimah WH Pty Limited[26]
Calardu Broadmeadow Pty Limited
Calardu Broadmeadows VIC Pty Limited
Calardu Browns Plains No. 1 Pty Limited
Calardu Browns Plains Pty Limited
Calardu Bunbury (WA) Pty Limited
Calardu Bundaberg Pty Limited
Calardu Bundaberg WH Pty Limited
Calardu Bundall Pty Limited
Calardu Burnie Pty Limited
Calardu Cairns Pty Limited
Calardu Cambridge Pty Limited
Calardu Campbelltown Pty Limited
Calardu Cannington Pty Limited
Calardu Caringbah (Taren Point) Pty Limited
Calardu Caringbah Pty Limited
Calardu Chatswood Pty Limited
Calardu Crows Nest Pty Limited
Calardu Cubitt Pty Limited
Calardu Darwin Pty Limited
Calardu Devonport Pty Limited
Calardu Dubbo Pty Limited
Calardu Emerald Pty Limited
Calardu Frankston Pty Limited
Calardu Frankston WH Pty Limited
Calardu Fyshwick DM Pty Limited
Calardu Gepps Cross Pty Limited
Calardu Gladstone Pty Limited
Calardu Gordon Pty Limited
Calardu Guildford Pty Limited
Calardu Gympie Pty Limited
Calardu Helensvale Pty Limited[7]
Calardu Hervey Bay Pty Limited
Calardu Hobart Pty Limited
Calardu Hoppers Crossing Pty Limited
Calardu Horsham Pty Limited
Calardu Innisfail Pty Limited
Calardu Ipswich Pty Limited
Calardu Jandakot Pty Limited
Calardu Joondalup Pty Limited
Calardu Kalgoorlie Oswald St Pty Limited
Calardu Kalgoorlie Pty Limited
Calardu Karana Downs Pty Limited
Calardu Karratha Pty Limited
Calardu Kemblawarra Pty Limited
Calardu Kingaroy Pty Limited
Calardu Kotara Pty Limited
Calardu Launceston Pty Limited
Calardu Lismore Pty Limited
Calardu Loganholme Pty Limited
Calardu Macgregor Pty Ltd
Calardu Mackay No. 1 Pty Limited
Calardu Mackay No. 2 Pty Limited
Calardu Maitland Pty Limited
Calardu Malaga Pty Limited
Calardu Mandurah Pty Limited
Calardu Maribyrnong Pty Limited
Calardu Marion Pty Limited
Calardu Maroochydore Pty Limited
Calardu Maroochydore Warehouse Pty Limited
Calardu Marsden Park Pty Limited
Calardu Maryborough Pty Limited
Calardu Melville Pty Limited
Calardu Mentone Pty Limited
Calardu Midland Pty Limited
Calardu Milton Pty Limited
Calardu Morayfield Pty Limited
Calardu Morwell Pty Limited
Calardu Moss Vale Pty Limited
Calardu Mount Isa Pty Limited
Calardu Mt Gambier Pty Limited
Calardu Mudgee Pty Limited
Calardu Munno Para Pty Limited
Calardu Noarlunga Pty Limited
Calardu Noble Park WH Pty Limited
Calardu Noosa Pty Limited
Calardu North Ryde No. 1 Pty Limited
Calardu North Ryde Pty Limited
Calardu Northbridge Pty Limited
Calardu Nowra Pty Limited
Calardu Penrith Pty Limited
Calardu Perth City West Pty Limited
Calardu Port Macquarie Pty Limited
Calardu Preston Pty Limited
Calardu Pty Limited
Calardu Queensland Pty Limited
Calardu Raine Square Pty Limited
Calardu Richmond Pty Limited
Calardu Rockhampton Pty Limited
Calardu Rockingham Pty Limited
Calardu Roselands Pty Limited
Calardu Rothwell Pty Limited
Calardu Rutherford Pty Limited
Calardu Rutherford Warehouse Pty Limited
Calardu Sale Pty Limited
Calardu Silverwater Pty Limited
Calardu South Australia Pty Limited
Calardu Springvale Pty Limited
Calardu Surry Hills Pty Limited
Calardu Swan Hill Pty Limited
Calardu Taree Pty Limited
Calardu Taren Point Pty Limited
Calardu Thebarton Pty Limited
Calardu Toorak Pty Limited
Calardu Toowoomba WH Pty Limited
Calardu Townsville Pty Limited
Calardu Tweed Heads Pty Limited
Calardu Tweed Heads Traders Way Pty Limited
Calardu Vicfurn Pty Limited
Calardu Victoria Pty Limited
Calardu Wangaratta Pty Ltd
Calardu Warrawong (Homestarters) Pty Limited
Calardu Warrawong Pty Limited
Calardu Warrnambool Pty Limited
Calardu Warwick Pty Limited
Calardu West Gosford Pty Limited
Calardu Whyalla Pty Limited
Calardu Wivenhoe Pty Limited
Calardu Wodonga Pty Limited
Cannonel Recovery Pty Limited
Carlando Pty Limited
Cascade Consolidated Sdn. Bhd. [13,27]
Charmela Pty Limited
Clambruno Pty Limited
Consolidated Design Group Pty Ltd
Contemporary Design Group Pty Limited [1,2]
CP Aspley Pty Limited
CP Belmont Pty Limited
CP Bendigo Pty Limited
CP Braybrook Pty Limited
CP Bundaberg Leasing Pty Limited
CP Bundaberg Pty Limited
CP Burleigh Waters Pty Limited
CP Coburg Pty Limited
CP Dandenong Pty Limited
CP Joondalup Pty Limited
CP Loganholme Pty Limited
CP Macgregor Pty Limited
CP Mackay Pty Limited
CP Malvern Pty Limited
CP Mandurah Pty Limited
CP Maroochydoore Pty Limited
CP Maryborough Leasing Pty Limited
CP Maryborough Pty Limited
CP Midland Pty Limited
CP Moonah Pty Limited
CP Moorabbin Pty Limited
CP Morayfield Pty Limited
CP Mornington Pty Limited
CP Mt Druitt Leasing Pty Limited
CP Mt Druitt Pty Limited
CP O'Connor Pty Limited
CP Osborne Park CL Pty Limited
CP Osborne Park Pty Limited
CP Richmond Pty Limited
CP Ringwood Pty Limited
CP Thomastown Pty Limited
CP Victoria Park Pty Limited
CP Welshpool DC Pty Limited
Cropp Pty Limited
D.M. Alexandria Franchisor Pty Limited
D.M. Alexandria Leasing Pty Limited
D.M. Alexandria Licencing Pty Limited
D.M. Auburn Franchisor Pty Limited
D.M. Auburn Leasing Pty Limited
D.M. Belrose Franchisor Pty Limited
D.M. Belrose Leasing Pty Limited
D.M. Bundall Franchisor Pty Limited
D.M. Bundall Leasing Pty Limited
D.M. Castle Hill Franchisor Pty Limited
D.M. Castle Hill Leasing Pty Limited
D.M. Fyshwick Franchisor Pty Limited
D.M. Fyshwick Leasing Pty Limited
D.M. Kotara Franchisor Pty Limited
D.M. Kotara Leasing Pty Limited
D.M. Liverpool Franchisor Pty Limited
D.M. Liverpool Leasing Pty Limited
D.M. Marion Franchisor Pty Ltd
D.M. Marion Leasing Pty Ltd
D.M. Maroochydore Franchisor Pty Limited
D.M. Maroochydore Leasing Pty Limited
D.M. North Ryde Franchisor Pty Limited
D.M. North Ryde Leasing Pty Limited
D.M. Obsorne Park Leasing Pty Ltd
D.M. Osborne Park Franchisor Pty Ltd
D.M. Penrith Franchisor Pty Limited
D.M. Penrith Leasing Pty Limited
D.M. QVH Franchisor Pty Limited
D.M. QVH Leasing Pty Limited
D.M. Springvale Franchisor Pty Limited
D.M. Springvale Leasing Pty Limited
D.M. Warrawong Franchisor Pty Limited
D.M. Warrawong Leasing Pty Limited
D.M. West Gosford Franchisor Pty Ltd

38. CONTROLLED ENTITIES AND UNIT TRUSTS (continued)

Shares held by Harvey Norman Holdings Limited (continued)

D.M. West Gosford Leasing Pty Ltd
Daldere Pty Limited
Dandolena Pty Limited
Derni Pty Limited[1,2]
Divonda Pty Limited
DM Online Franchisor Pty Limited
DM Online Leasing Pty Limited
Domain Holdings Pty Limited
Domayne Furnishing Pty Limited
Domayne Holdings Limited[9, 10]
Domayne Online.com Pty Limited
Domayne Pty Limited
Dubbo JV Pty Limited
Durslee Pty Limited
Eastern Audio Pte Ltd [11,27]
E-Creation Sdn. Bhd. [13,27]
Edbrook Everton Park Pty Limited
Edbrook Pty Limited[6]
Elitetrax Marketing Sdn Bhd[13,28]
Energy Incentive Team Pty Limited[29]
Farane Pty Limited
Flormonda Pty Limited
Ganoru Pty Limited
Generic Publications Pty Limited
Gestco Pty Limited
Glo Light Pty Limited[21]
H.N. Adelaide CK Franchisor Pty Limited
H.N. Adelaide CK Leasing Pty Limited
H.N. Albany Creek Franchisor Pty Limited
H.N. Albany Creek Leasing Pty Limited
H.N. Albany Franchisor Pty Limited
H.N. Albany Leasing Pty Limited
H.N. Albury Franchisor Pty Limited
H.N. Albury Leasing Pty Limited
H.N. Alexandria Franchisor Pty Limited
H.N. Alexandria Leasing Pty Limited
H.N. Alice Springs Franchisor Pty Limited
H.N. Alice Springs Leasing Pty Limited
H.N. Ararat Franchsor Pty Limited
H.N. Ararat Leasing Pty Limited
H.N. Armadale WA Franchisor Pty Limited
H.N. Armadale WA Leasing Pty Limited
H.N. Armidale Franchisor Pty Limited
H.N. Armidale Leasing Pty Limited
H.N. Aspley Franchisor Pty Limited
H.N. Aspley Leasing Pty Limited
H.N. Atherton Franchisor Pty Limited
H.N. Atherton Leasing Pty Limited
H.N. Auburn Franchisor Pty Limited
H.N. Auburn Leasing Pty Limited
H.N. Ayr Franchisor Pty Limited
H.N. Ayr Leasing Pty Limited
H.N. Bairnsdale Franchisor Pty Limited
H.N. Bairnsdale Leasing Pty Limited
H.N. Balgowlah Franchisor Pty Limited
H.N. Balgowlah Leasing Pty Limited
H.N. Ballarat Franchisor Pty Limited
H.N. Ballarat Leasing Pty Limited
H.N. Ballina Franchisor Pty Limited
H.N. Ballina Leasing Pty Limited
H.N. Batemans Bay Franchisor Pty Limited
H.N. Batemans Bay Leasing Pty Limited
H.N. Bathurst Franchisor Pty Limited
H.N. Bathurst Leasing Pty Limited
H.N. Belmont Franchisor Pty Limited
H.N. Belmont Leasing Pty Limited
H.N. Belmont North Franchisor Pty Limited
H.N. Belmont North Leasing Pty Limited
H.N. Bendigo Franchisor Pty Limited
H.N. Bendigo Leasing Pty Limited
H.N. Bernoth Franchisor Pty Limited
H.N. Bernoth Leasing Pty Limited
H.N. Bernoth Plant & Equipment Pty Limited
H.N. Blacktown Franchisor Pty Limited
H.N. Blacktown Leasing Pty Limited
H.N. Bondi Junction Franchisor Pty Limited
H.N. Bondi Junction Leasing Pty Limited
H.N. Braybrook Franchisor Pty Limited
H.N. Braybrook Leasing Pty Limited
H.N. Broadmeadow (VIC) Franchisor Pty Limited
H.N. Broadmeadow (VIC) Leasing Pty Limited
H.N. Broadway (Sydney) Franchisor Pty Limited
H.N. Broadway (Sydney) Leasing Pty Limited
H.N. Broadway on the Mall Franchisor Pty Limited
H.N. Broadway on the Mall Leasing Pty Limited
H.N. Broken Hill Franchisor Pty Limited
H.N. Broken Hill Leasing Pty Limited
H.N. Brooklyn Franchisor Pty Limited
H.N. Brooklyn Leasing Pty Limited
H.N. Broome Franchisor Pty Ltd
H.N. Broome Leasing Pty Ltd
H.N. Browns Plains Franchisor Pty Limited
H.N. Browns Plains Leasing Pty Limited
H.N. Bunbury Franchisor Pty Limited
H.N. Bunbury Leasing Pty Limited
H.N. Bundaberg Franchisor Pty Limited
H.N. Bundaberg Leasing Pty Limited
H.N. Bundall Franchisor Pty Limited
H.N. Bundall Leasing Pty Limited
H.N. Burleigh Heads Franchisor Pty Limited
H.N. Burleigh Heads Leasing Pty Limited
H.N. Burleigh Waters Franchisor Pty Limited
H.N. Burleigh Waters Leasing Pty Limited
H.N. Busselton Franchisor Pty Limited
H.N. Busselton Leasing Pty Limited
H.N. Cairns Franchisor Pty Limited
H.N. Cairns Leasing Pty Limited
H.N. Cambridge Park Franchisor Pty Limited
H.N. Cambridge Park Leasing Pty Limited
H.N. Campbelltown Franchisor Pty Limited
H.N. Campbelltown Leasing Pty Limited
H.N. Cannington W.A. Franchisor Pty Limited
H.N. Cannington W.A. Leasing Pty Limited
H.N. Canonvale Franchisor Pty Limited
H.N. Canonvale Leasing Pty Limited
H.N. Capalaba Franchisor Pty Limited
H.N. Capalaba Leasing Pty Limited
H.N. Carindale Franchisor Pty Limited
H.N. Carindale Leasing Pty Limited
H.N. Caringbah Franchisor Pty Limited
H.N. Caringbah Leasing Pty Limited
H.N. Castle Hill Franchisor Pty Limited
H.N. Castle Hill Leasing Pty Limited
H.N. Chadstone Franchisor Pty Limited
H.N. Chadstone Leasing Pty Limited
H.N. Chatswood Franchisor Pty Limited
H.N. Chatswood Leasing Pty Limited
H.N. Chirnside Park Franchisor Pty Limited
H.N. Chirnside Park Leasing Pty Limited
H.N. City Cross Franchisor Pty Limited
H.N. City Cross Leasing Pty Limited
H.N. City West Franchisor Pty Limited
H.N. City West Leasing Pty Limited
H.N. Cleveland Franchisor Pty Limited
H.N. Cleveland Leasing Pty Limited
H.N. Cobar Franchisor Pty Limited
H.N. Cobar Leasing Pty Limited
H.N. Coburg Franchisor Pty Limited
H.N. Coburg Leasing Pty Limited
H.N. Coffs Harbour Franchisor Pty Limited
H.N. Coffs Harbour Leasing Pty Limited
H.N. Coorparoo Franchisor Pty Limited
H.N. Coorparoo Leasing Pty Limited
H.N. Cranbourne Franchisor Pty Limited
H.N. Dalby Franchisor Pty Limited
H.N. Dalby Leasing Pty Limited
H.N. Dandenong Franchisor Pty Limited
H.N. Dandenong Leasing Pty Limited
H.N. Darwin Franchisor Pty Limited
H.N. Darwin Leasing Pty Limited
H.N. Deniliquin Franchisor Pty Limited
H.N. Deniliquin Leasing Pty Limited
H.N. Dubbo Franchisor Pty Limited
H.N. Dubbo Leasing Pty Limited
H.N. Edgewater Franchisor Pty Limited
H.N. Edgewater Leasing Pty Limited
H.N. Education Franchisor Pty Limited
H.N. Education Leasing Pty Limited
H.N. Emerald Franchisor Pty Limited
H.N. Emerald Leasing Pty Limited
H.N. Energy IP Licensing Pty Limited
H.N. Enfield Franchisor Pty Limited
H.N. Enfield Leasing Pty Limited
H.N. Everton Park Franchisor Pty Limited
H.N. Everton Park Leasing Pty Limited
H.N. Forster Franchisor Pty Ltd
H.N. Forster Leasing Pty Ltd
H.N. Fortitude Valley Franchisor Pty Limited
H.N. Fortitude Valley Leasing Pty Limited
H.N. Frankston Franchisor Pty Limited
H.N. Frankston Leasing Pty Limited
H.N. Fremantle Franchisor Pty Limited
H.N. Fyshwick Franchisor Pty Limited
H.N. Fyshwick Leasing Pty Limited
H.N. Geelong Franchisor Pty Limited
H.N. Geelong Leasing Pty Limited
H.N. Gepps Cross Franchisor Pty Limited
H.N. Gepps Cross Leasing Pty Limited
H.N. Geraldton Leasing Pty Limited
H.N. Geraldton WA Franchisor Pty Limited
H.N. Gladstone Franchisor Pty Limited
H.N. Gladstone Leasing Pty Limited
H.N. Gordon Franchisor Pty Limited
H.N. Gordon Leasing Pty Limited
H.N. Gosford Leasing Pty Limited
H.N. Goulburn Franchisor Pty Limited
H.N. Goulburn Leasing Pty Limited
H.N. Grafton Franchisor Pty Limited
H.N. Grafton Leasing Pty Limited
H.N. Great Eastern Highway Franchisor Pty Limited
H.N. Great Eastern Highway Leasing Pty Limited
H.N. Greensborough Franchisor Pty Limited
H.N. Greensborough Leasing Pty Limited
H.N. Griffith Franchisor Pty Limited
H.N. Griffith Leasing Pty Limited
H.N. Gunnedah Franchisor Pty Limited
H.N. Gunnedah Leasing Pty Limited
H.N. Guthrie Street Franchisor Pty Limited
H.N. Guthrie Street Leasing Pty Limited
H.N. Gympie Franchisor Pty Limited
H.N. Gympie Leasing Pty Limited
H.N. Hamilton Franchisor Pty Limited
H.N. Hamilton Leasing Pty Limited
H.N. Hervey Bay Franchisor Pty Limited
H.N. Hervey Bay Leasing Pty Limited
H.N. Hoppers Crossing Franchisor Pty Limited
H.N. Hoppers Crossing Leasing Pty Limited
H.N. Horsham Franchisor Pty Limited
H.N. Horsham Leasing Pty Limited
H.N. Hyperdome Franchisor Pty Limited
H.N. Hyperdome Leasing Pty Limited
H.N. Indooroopilly Franchisor Pty Limited
H.N. Indooroopilly Leasing Pty Limited
H.N. Innisfail Franchisor Pty Limited
H.N. Innisfail Leasing Pty Limited
H.N. Inverell Franchisor Pty Limited
H.N. Inverell Leasing Pty Limited
H.N. Ipswich Franchisor Pty Limited
H.N. Ipswich Leasing Pty Limited
H.N. Joondalup Franchisor Pty Limited
H.N. Joondalup Leasing Pty Limited
H.N. Kalgoorlie Franchisor Pty Limited
H.N. Kalgoorlie Leasing Pty Limited
H.N. Karratha Franchisor Pty Limited
H.N. Karratha Leasing Pty Limited
H.N. Kawana Waters Franchisor Pty Limited
H.N. Kawana Waters Leasing Pty Limited
H.N. Kingaroy Franchisor Pty Limited
H.N. Kingaroy Leasing Pty Limited
H.N. Knox Towerpoint Franchisor Pty Limited
H.N. Knox Towerpoint Leasing Pty Limited

38. CONTROLLED ENTITIES AND UNIT TRUSTS (continued)

Shares held by Harvey Norman Holdings Limited (continued)

H.N. Lake Haven Franchisor Pty Limited
H.N. Lake Haven Leasing Pty Limited
H.N. Leichhardt Franchisor Pty Limited
H.N. Lismore Franchisor Pty Limited
H.N. Lismore Leasing Pty Limited
H.N. Lithgow Franchisor Pty Limited
H.N. Lithgow Leasing Pty Limited
H.N. Liverpool Franchisor Pty Limited
H.N. Liverpool Leasing Pty Limited
H.N. Loganholme Franchisor Pty Limited
H.N. Loganholme Leasing Pty Limited
H.N. Loughran Contracting Pty Limited
H.N. Mac 1 Leasing Pty Limited
H.N. Mac 1 Pty Limited
H.N. Macgregor Franchisor Pty Limited
H.N. Macgregor Leasing Pty Limited
H.N. Mackay Franchisor Pty Limited
H.N. Mackay Leasing Pty Limited
H.N. Maddington Franchisor Pty Limited
H.N. Maitland Franchisor Pty Limited
H.N. Maitland Leasing Pty Limited
H.N. Malaga Franchisor Pty Limited
H.N. Malaga Leasing Pty Limited
H.N. Mandurah Franchisor Pty Limited
H.N. Mandurah Leasing Pty Limited
H.N. Maribyrnong Franchisor Pty Limited
H.N. Maribyrnong Leasing Pty Limited
H.N. Marion Franchisor Pty Limited
H.N. Marion Leasing Pty Limited
H.N. Maroochydore Franchisor Pty Limited
H.N. Maroochydore Leasing Pty Limited
H.N. Martin Place Sydney Franchisor Pty Limited
H.N. Martin Place Sydney Leasing Pty Limited
H.N. Mentone Franchisor Pty Limited
H.N. Mentone Leasing Pty Limited
H.N. Midland Franchisor Pty Limited
H.N. Midland Leasing Pty Limited
H.N. Mildura Franchisor Pty Limited
H.N. Mildura Leasing Pty Limited
H.N. Mile End Franchisor Pty Limited
H.N. Mile End Leasing Pty Limited
H.N. Moe Franchisor Pty Limited
H.N. Moe Leasing Pty Limited
H.N. Moonah Franchisor Pty Limited
H.N. Moonah Leasing Pty Limited
H.N. Moorabbin Franchisor Pty Limited
H.N. Moorabbin Leasing Pty Limited
H.N. Moorabbin SC Franchisor Pty Limited
H.N. Moorabbin SC Leasing Pty Limited
H.N. Moore Park Franchisor Pty Limited
H.N. Moore Park Leasing Pty Limited
H.N. Morayfield Franchisor Pty Limited
H.N. Morayfield Leasing Pty Limited
H.N. Moree Franchisor Pty Limited
H.N. Moree Leasing Pty Limited
H.N. Morley Franchisor Pty Limited
H.N. Mornington Franchisor Pty Limited
H.N. Mornington Leasing Pty Limited
H.N. Morwell Franchisor Pty Limited
H.N. Morwell Leasing Pty Limited
H.N. Moss Vale Franchisor Pty Limited
H.N. Moss Vale Leasing Pty Limited
H.N. Mt Barker Franchisor Pty Limited
H.N. Mt Barker Leasing Pty Limited
H.N. Mt Gambier Franchisor Pty Limited
H.N. Mt Gambier Leasing Pty Limited
H.N. Mt Gravatt Franchisor Pty Limited
H.N. Mt Gravatt Leasing Pty Limited
H.N. Mt Isa Franchisor Pty Limited
H.N. Mt Isa Leasing Pty Limited
H.N. Mudgee Franchisor Lty Limited
H.N. Mudgee Leasing Pty Limited
H.N. Munno Para Franchisor Pty Limited
H.N. Munno Para Leasing Pty Limited
H.N. Muswellbrook Franchisor Pty Limited
H.N. Muswellbrook Leasing Pty Limited
H.N. Narre Warren Franchisor Pty Limited
H.N. Narre Warren Leasing Pty Limited
H.N. Newcastle Franchisor Pty Limited
H.N. Newcastle Leasing Pty Limited
H.N. Newcastle West Franchisor Pty Limited
H.N. Newcastle West Leasing Pty Limited
H.N. Noarlunga Franchisor Pty Limited
H.N. Noarlunga Leasing Pty Limited
H.N. Noosa Franchisor Pty Limited
H.N. Noosa Leasing Pty Limited
H.N. Norwest Franchisor Pty Limited
H.N. Nowra Franchisor Pty Limited
H.N. Nowra Leasing Pty Limited
H.N. Nunawading Franchisor Pty Limited
H.N. Nunawading Leasing Pty Limited
H.N. O'Connor Franchisor Pty Limited
H.N. O'Connor Leasing Pty Limited
H.N. Oakleigh CK Franchisor Pty Limited
H.N. Oakleigh CK Leasing Pty Limited
H.N. Orange Franchisor Pty Limited
H.N. Orange Leasing Pty Limited
H.N. Osborne Park Franchisor Pty Limited
H.N. Osborne Park Leasing Pty Limited
H.N. Oxley Franchisor Pty Limited
H.N. Oxley Leasing Pty Limited
H.N. Pacific Fair Franchisor Pty Limited
H.N. Pacific Fair Leasing Pty Limited
H.N. Parkes Franchisor Pty Limited
H.N. Parkes Leasing Pty Limited
H.N. Penrith Franchisor Pty Limited
H.N. Penrith Leasing Pty Limited
H.N. Peppermint Grove Franchisor Pty Limited
H.N. Peppermint Grove Leasing Pty Limited
H.N. Port Hedland Franchisor Pty Limited
H.N. Port Hedland Leasing Pty Limited
H.N. Port Kennedy Franchisor Pty Limited
H.N. Port Kennedy Leasing Pty Limited
H.N. Port Lincoln Franchisor Pty Limited
H.N. Port Lincoln Leasing Pty Limited
H.N. Port Macquarie Franchisor Pty Limited
H.N. Port Macquarie Leasing Pty Limited
H.N. Preston Franchisor Pty Limited
H.N. Preston Leasing Pty Limited
H.N. Richmond Franchisor Pty Limited
H.N. Richmond Leasing Pty Limited
H.N. Ringwood Franchisor Pty Limited
H.N. Ringwood Leasing Pty Limited
H.N. Riverwood Franchisor Pty Limited
H.N. Riverwood Leasing Pty Limited
H.N. Rockhampton Franchisor Pty Limited
H.N. Rockhampton Leasing Pty Limited
H.N. Rothwell Franchisor Pty Limited
H.N. Rothwell Leasing Pty Limited
H.N. Salamander Bay Franchisor Pty Limited
H.N. Salamander Bay Leasing Pty Limited
H.N. Sale Franchisor Pty Limited
H.N. Sale Leasing Pty Limited
H.N. Shepparton Franchisor Pty Limited
H.N. Shepparton Leasing Pty Limited
H.N. South Tweed Franchisor Pty Limited
H.N. South Tweed Leasing Pty Limited
H.N. Southland Franchisor Pty Limited
H.N. Southland Leasing Pty Limited
H.N. Springvale Franchisor Pty Limited
H.N. Springvale Leasing Pty Limited
H.N. Sunshine Franchisor Pty Limited
H.N. Sunshine Leasing Pty Limited
H.N. Swan Hill Franchisor Pty Limited
H.N. Swan Hill Leasing Pty Limited
H.N. Tamworth Franchisor Pty Limited
H.N. Tamworth Leasing Pty Limited
H.N. Taree Franchisor Pty Limited
H.N. Taree Leasing Pty Limited
H.N. Thomastown Franchisor Pty Limited
H.N. Thomastown Leasing Pty Limited
H.N. Toowoomba Franchisor Pty Limited
H.N. Toowoomba Leasing Pty Limited
H.N. Townsville Franchisor Pty Limited
H.N. Townsville Leasing Pty Limited
H.N. Traralgon Franchisor Pty Limited
H.N. Traralgon Leasing Pty Limited
H.N. Tura Beach Franchisor Pty Limited
H.N. Tura Beach Leasing Pty Limited
H.N. Vic/Tas Commercial Project Franchisor Pty Limited
H.N. Vic/Tas Commercial Project Leasing Pty Limited
H.N. Victoria Park Franchisor Pty Limited
H.N. Victoria Park Leasing Pty Limited
H.N. Wagga Franchisor Pty Limited
H.N. Wagga Leasing Pty Limited
H.N. Wangaratta Franchisor Pty Limited
H.N. Wangaratta Leasing Pty Limited
H.N. Warragul Franchisor Pty Limited
H.N. Warragul Leasing Pty Limited
H.N. Warrawong Franchisor Pty Limited
H.N. Warrawong Leasing Pty Limited
H.N. Warrnambool Franchisor Pty Limited
H.N. Warrnambool Leasing Pty Limited
H.N. Warwick (WA) Franchisor Pty Limited
H.N. Warwick (WA) Leasing Pty Limited
H.N. Warwick Franchisor Pty Limited
H.N. Warwick Leasing Pty Limited
H.N. Watergardens Franchisor Pty Limited
H.N. Watergardens Leasing Pty Limited
H.N. Waurn Ponds Franchisor Pty Limited
H.N. Waurn Ponds Leasing Pty Limited
H.N. West Gosford Franchisor Pty Limited
H.N. West Wyalong Franchisor Pty Limited
H.N. West Wyalong Leasing Pty Limited
H.N. Whyalla Franchisor Pty Limited
H.N. Whyalla Leasing Pty Limited
H.N. Wiley Park Franchisor Pty Limited
H.N. Wiley Park Leasing Pty Limited
H.N. Windsor Franchisor Pty Limited
H.N. Windsor Leasing Pty Limited
H.N. Woden Franchisor Pty Limited
H.N. Woden Leasing Pty Limited
H.N. Wonthaggi Franchisor Pty Limited
H.N. Wonthaggi Leasing Pty Limited
H.N. Woodville Franchisor Pty Limited
H.N. Woodville Leasing Pty Limited
H.N. Young Franchisor Pty Limited
H.N. Young Leasing Pty Limited
Hardly Normal Discounts Pty Limited
Hardly Normal Limited[9,10]
Hardly Normal Pty Limited
Harvey Cellars Pty Limited
Harvey Liquor Pty Limited
Harvey Norman (ACT) Pty Limited
Harvey Norman (QLD) Pty Limited[6]
Harvey Norman 2007 Management Pty Limited
Harvey Norman Big Buys Pty Limited
Harvey Norman Burnie Franchisor Pty Limited
Harvey Norman Burnie Leasing Pty Limited
Harvey Norman CEI d.o.o. [12]
Harvey Norman Commercial Your Solution Provider Pty Ltd
Harvey Norman Contracting Pty Limited
Harvey Norman Corporate Air Pty Limited
Harvey Norman CP Pty Limited
Harvey Norman Devonport Franchisor Pty Limited
Harvey Norman Devonport Leasing Pty Limited
Harvey Norman Education and Training Pty Limited
Harvey Norman Europe d.o.o[12]
Harvey Norman Export Pty Limited
Harvey Norman Furnishing Pty Limited
Harvey Norman Gamezone Pty Limited
Harvey Norman Glenorchy Franchisor Pty Limited
Harvey Norman Global Pty Limited
Harvey Norman Hobart Franchisor Pty Limited
Harvey Norman Hobart Leasing Pty Limited
Harvey Norman Holdings (Ireland) Limited[15]
Harvey Norman Home Cellars Pty Limited
Harvey Norman Home Loans Pty Limited
Harvey Norman Home Starters Pty Limited
Harvey Norman Homemaker Centre Pty Limited
Harvey Norman Launceston Franchisor Pty Limited

38. CONTROLLED ENTITIES AND UNIT TRUSTS (continued)

Shares held by Harvey Norman Holdings Limited (continued)

Harvey Norman Launceston Leasing Pty Limited
Harvey Norman Leasing (Blanchardstown) Limited[15,18]
Harvey Norman Leasing (Carrickmines) Limited [15,18]
Harvey Norman Leasing (Castlebar) Limited [15,18]
Harvey Norman Leasing (Cork) Limited[15,18]
Harvey Norman Leasing (Drogheda) Limited[15,18]
Harvey Norman Leasing (Dublin) Limited[15,18]
Harvey Norman Leasing (Dundalk) Limited[15,18]
Harvey Norman Leasing (Eastgate) Limited[15,18]
Harvey Norman Leasing (Limerick) Limited[15,18]
Harvey Norman Leasing (Mullingar) Limited[15,18]
Harvey Norman Leasing (N.Z.) Limited[9,10]
Harvey Norman Leasing (Naas) Limited[15,18]
Harvey Norman Leasing (NI) Limited[15,18]
Harvey Norman Leasing (Rathfarnham) Limited[15,18]
Harvey Norman Leasing (Tralee) Limited[15,18]
Harvey Norman Leasing (Waterford) Limited[15,18]
Harvey Norman Leasing Pty Limited
Harvey Norman Limited[10]
Harvey Norman Mortgage Service Pty Limited
Harvey Norman Net. Works Pty Limited
Harvey Norman OFIS Pty Limited
Harvey Norman Online.com Pty Limited
Harvey Norman Ossia (Asia) Pte Limited[11,16,17]
Harvey Norman Properties (N.Z.) Limited[9,10]
Harvey Norman Rental Pty Limited
Harvey Norman Retailing Pty Limited
Harvey Norman Rosney Franchisor Pty Limited
Harvey Norman Security Pty Limited
Harvey Norman Shopfitting Pty Limited
Harvey Norman Singapore Pte Limited[11,19,16]
Harvey Norman Stores (N.Z.) Pty Limited[1,2]
Harvey Norman Stores Pty Limited
Harvey Norman Superlink Pty Limited
Harvey Norman Tasmania Pty Limited
Harvey Norman Technology Pty Limited
Harvey Norman The Bedding Specialists Pty Limited
Harvey Norman The Computer Specialists Pty Limited
Harvey Norman The Electrical Specialists Pty Limited
Harvey Norman The Furniture Specialists Pty Limited
Harvey Norman Trading (Ireland) Limited[15,18]
Harvey Norman Trading d.o.o.[12]
Harvey Norman Ulverstone Franchisor Pty Limited
Harvey Norman Victoria Pty Limited
Harvey Norman Zagreb d.o.o.[14]
Havrex Pty Limited[6]
HN Allens Road Leasing Limited[9,10]
HN Blenheim Leasing Limited[9,10]
HN Botany Leasing Limited[9,10]
HN Botany Outlet Leasing Limited[9,10,33]
HN Bundaberg Markets Pty Limited[30]
HN Byron No. 2 Pty Limited
HN Byron No. 3 Pty Limited
HN Commercial Leasing Limited[9,10]
HN Coomboona Pty Limited
HN Downing Street Leasing Limited[9,10]
HN Edmonton Road Leasing Limited[9,10]
HN Hamilton Central Leasing Limited[9,10]
HN Harris Road Leasing Limited[9,10]
HN Henderson Leasing Limited[9,10]
HN Hornby Leasing Limited[9,10]
HN Licensing Pty Limited
HN Lincoln Centre Leasing Limited[9,10]
HN Maleme Street Leasing Limited[9,10]
HN Manukau Leasing Limited[9,10]
HN Mowbray Street Leasing Limited[9,10]
HN Mt Roskill Leasing Limited[9,10]
HN Napier Leasing Limited[9,10]
HN Online Franchisor Pty Limited
HN Online Leasing Pty Limited
HN Paraparaumu Leasing Limited[9,10]
HN QCV Benaraby No.1 Pty Limited
HN QCV Benaraby Pty Limited
HN QCV Blackwater Land Pty Limited
HN QCV Bottle Tree Pty Limited
HN QCV Concepts Pty Limited
HN QCV Fairview Pty Limited
HN QCV Injune Pty Limited
HN QCV LOR Pty Limited
HN QCV Pty Limited
HN QCV Sarina Land Pty Limited
HN QCV Sarina Pty Limited
HN QCV Toowoomba Land Pty Limited
HN QCV Toowoomba Pty Limited
HN Queenstown Leasing Limited[9,10]
HN Rangitikei Street Leasing Limited[9,10]
HN Tauranga Commercial Leasing Limited[9,10]
HN Tauranga Leasing Limited[9,10]
HN Tory Street Leasing Limited[9,10]
HN Tower Junction Leasing Limited[9,10]
HN Westgate Leasing Limited[9,10]
HN Whakatane Leasing Limited,[9,10]
HN Wingate Leasing Limited[9,10]
HN Woolston Leasing Limited[9,10]
HN Zagreb Investment Pty Limited
HNL Pty Limited
HNM Galaxy Pty Limited
HNZ Retailing NZ Limited[9,10,31]
Hodberg Pty Limited[5]
Hodvale Pty Limited[5]
Home Mart Furniture Pty Limited
Home Mart Pty Limited
Hoxco Pty Limited[6]
J.M. Albury Franchisor Pty Limited
J.M. Albury Leasing Pty Limited
J.M. Alexandria Franchisor Pty Limited
J.M. Alexandria Leasing Pty Limited
J.M. Ballina Franchisor Pty Limited
J.M. Ballina Leasing Pty Limited
J.M. Bennetts Green Franchisor Pty Limited
J.M. Bennetts Green Leasing Pty Limited
J.M. Campbelltown Franchisor Pty Limited
J.M. Campbelltown Leasing Pty Limited
J.M. Caringbah Franchisor Pty Limited
J.M. Caringbah Leasing Pty Limited
J.M. Chancellor Park Franchisor Pty Limited
J.M. Chancellor Park Leasing Pty Limited
J.M. Contracting Services Pty Limited
J.M. Darwin Franchisor Pty Limited[7]
J.M. Darwin Leasing Pty Limited[7]
J.M. Dubbo Franchisor Pty Limited
J.M. Dubbo Leasing Pty Limited
J.M. Leasing Pty Limited
J.M. Mackay Franchisor Pty Limited
J.M. Mackay Leasing Pty Limited
J.M. Maitland Franchisor Pty Limited
J.M. Maitland Leasing Pty Limited
J.M. Maroochydore Franchisor Pty Limited
J.M. Maroochydore Leasing Pty Limited
J.M. Marrickville Franchisor Pty Limited
J.M. McGraths Hill Franchisor Pty Limited
J.M. McGraths Hill Leasing Pty Limited
J.M. Morayfield Franchisor Pty Limited
J.M. Morayfield Leasing Pty Limited
J.M. Mudgee Franchisor Pty Limited
J.M. Mudgee Leasing Pty Limited
J.M. Muswellbrook Franchisor Pty Limited
J.M. Muswellbrook Leasing Pty Limited
J.M. Nowra Franchisor Pty Limited
J.M. Nowra Leasing Pty Limited
J.M. Plant & Equipment Hire Pty Limited
J.M. Rockhampton Franchisor Pty Limited
J.M. Rockhampton Leasing Pty Limited
J.M. Share Investment Pty Limited
J.M. Toukley Franchisor Pty Limited
J.M. Toukley Leasing Pty Limited
J.M. Townsville Franchisor Pty Limited
J.M. Townsville Leasing Pty Limited
J.M. Wagga Wagga Franchisor Pty Limited
J.M. Wagga Wagga Leasing Pty Limited
J.M. Wallsend Franchisor Pty Limited
J.M. Wallsend Leasing Pty Limited
J.M. Warners Bay Franchisor Pty Limited
J.M. Warners Bay Leasing Pty Limited
J.M. Warrawong Franchisor Pty Limited
J.M. Warrawong Leasing Pty Limited
J.M. West Gosford Franchisor Pty Limited
J.M. West Gosford Leasing Pty Limited
J.M. Young Franchisor Pty Limited
J.M. Young Leasing Pty Limited
Jartoso Pty Limited
JM Online Franchisor Pty Limited
JM Online Leasing Pty Limited
Jondarlo Pty Limited
Joyce Mayne Furnishing Pty Limited
Joyce Mayne Liverpool Leasing Pty Limited
Joyce Mayne Penrith Pty Limited
Joyce Mayne Shopping Complex Pty Limited
Kalinya Development Pty Limited
Kambaldu Pty Limited
Kita Pty Limited
Koodero Pty Limited
Korinti Pty Limited
Lamino Pty Limited
Lesandu Adelaide City Pty Limited
Lesandu Albany Pty Limited
Lesandu Albury Pty Limited
Lesandu Alexandria (JM) Pty Limited
Lesandu Alexandria DM Pty Limited
Lesandu Alexandria Pty Limited
Lesandu Alice Springs Pty Limited
Lesandu Ararat Pty Limited
Lesandu Aspley Pty Limited
Lesandu Atherton Pty Limited
Lesandu Auburn Stone Pty Limited
Lesandu Ayr Pty Limited
Lesandu Bairnsdale Pty Limited
Lesandu Balgowlah Pty Limited
Lesandu Ballina JM Pty Limited
Lesandu Batemans Bay Pty Limited
Lesandu Bathurst Pty Limited
Lesandu Belmont Pty Limited
Lesandu Belrose DM Pty Limited
Lesandu Benalla Pty Limited
Lesandu Bennetts Green JM Pty Limited
Lesandu Bentleigh Pty Limited
Lesandu Berrimah JM Pty Limited[7]
Lesandu Berrimah Pty Limited
Lesandu Blacktown Pty Limited
Lesandu Bondi Junction Pty Limited
Lesandu Brisbane City Pty Limited
Lesandu Brisbane Pty Limited
Lesandu Broadbeach Pty Limited
Lesandu Broadway Pty Limited
Lesandu Broken Hill Pty Limited
Lesandu Broome Pty Ltd
Lesandu Browns Plains No. 1 Pty Limited
Lesandu Browns Plains Pty Limited
Lesandu Burleigh Heads Flooring Pty Limited
Lesandu Busselton Pty Limited
Lesandu Cambridge Pty Limited
Lesandu Canberra Pty Limited
Lesandu Cannington Pty Limited
Lesandu Cannonvale Pty Limited
Lesandu Capalaba Pty Limited
Lesandu Carindale Pty Limited
Lesandu Castle Hill DM Pty Limited
Lesandu Castle Hill Pty Limited
Lesandu Cessnock (JM) Pty Limited
Lesandu Chadstone Pty Limited
Lesandu Charmhaven Pty Limited
Lesandu Chatswood Express Pty Limited
Lesandu Chatswood Pty Limited
Lesandu Chirnside Park Pty Limited
Lesandu Cleveland Pty Limited
Lesandu Cobar Pty Limited
Lesandu Coffs Harbour Pty Limited
Lesandu Coorparoo Pty Limited
Lesandu CP Belmont Pty Limited
Lesandu CP Burleigh Waters Pty Limited
Lesandu CP Coburg Pty Limited

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38. CONTROLLED ENTITIES AND UNIT TRUSTS (continued)

Shares held by Harvey Norman Holdings Limited (continued)

Lesandu CP Joondalup Pty Limited
Lesandu CP Macgregor Pty Limited
Lesandu CP Macgregor WH Pty Limited
Lesandu CP Maryborough Pty Limited
Lesandu CP Moonah Pty Limited
Lesandu CP Mornington Pty Limited
Lesandu CP Osborne Park Pty Limited
Lesandu CP Richmond CL Pty Limited
Lesandu CP Richmond Pty Limited
Lesandu CP Richmond WH Pty Limited
Lesandu Cranbourne Pty Limited
Lesandu Dalby Pty Limited
Lesandu Dandenong Pty Limited
Lesandu Deniliquin Pty Limited
Lesandu Dubbo JM Pty Limited
Lesandu Dubbo Pty Limited
Lesandu Eden Pty Limited
Lesandu Engadine Pty Limited
Lesandu Erina Flooring Pty Limited
Lesandu Forster Pty Limited
Lesandu Fyshwick Pty Limited
Lesandu Gepps Cross Pty Limited
Lesandu Gladstone Pty Limited
Lesandu Gordon Pty Limited
Lesandu Goulburn Pty Limited
Lesandu Grafton Pty Limited
Lesandu Greensborough Pty Limited
Lesandu Griffith Pty Limited
Lesandu Gunnedah Pty Limited
Lesandu Hamilton (VIC) Pty Limited
Lesandu Hamilton Pty Limited
Lesandu Hervey Bay Pty Limited
Lesandu HN Pty Limited
Lesandu Horsham Pty Limited
Lesandu Indooroopilly Pty Limited
Lesandu Ingham Pty Limited
Lesandu Innisfail Pty Limited
Lesandu Inverell Pty Limited
Lesandu Ipswich Pty Limited
Lesandu Jandakot Pty Limited
Lesandu Joondalup Pty Limited
Lesandu Kalgoorlie Pty Limited
Lesandu Karratha Pty Limited
Lesandu Kewdale Pty Limited
Lesandu Knox Towerpoint Pty Limited
Lesandu Kotara DM Pty Limited
Lesandu Launceston Pty Limited
Lesandu Laverton Pty Limited[7]
Lesandu Light Street DM Pty Limited
Lesandu Lismore Pty Limited
Lesandu Lithgow Pty Limited
Lesandu Loganholme Pty Limited
Lesandu Mackay Pty Limited
Lesandu Maitland JM Pty Limited
Lesandu Maitland Pty Limited
Lesandu Malaga Pty Limited
Lesandu Mandurah Pty Limited
Lesandu Marion Pty Limited
Lesandu Maroochydoore JM Pty Limited
Lesandu Maroochydore Flooring Pty Limited
Lesandu McGraths Hill (JM) Pty Limited
Lesandu Melbourne City DM Pty Limited
Lesandu Mentone Pty Limited
Lesandu Midland Pty Limited
Lesandu Mile End Pty Limited
Lesandu Mitchell Pty Limited
Lesandu Moe Pty Limited
Lesandu Moorabbin Pty Limited
Lesandu Moore Park Pty Limited
Lesandu Moree Pty Limited
Lesandu Mornington Pty Limited
Lesandu Morwell WH Pty Limited
Lesandu Moss Vale Pty Limited
Lesandu Mt Barker Pty Limited
Lesandu Mt Gravatt Pty Limited
Lesandu Mt Isa Pty Limited
Lesandu Munno Para Pty Limited
Lesandu Muswellbrook JM Pty Limited
Lesandu Muswellbrook Pty Limited
Lesandu Narrabri Pty Limited
Lesandu Narre Warren Pty Limited
Lesandu Newcastle West Pty Limited
Lesandu Noarlunga Pty Limited
Lesandu Noosa Pty Limited
Lesandu North Ryde DM Pty Limited
Lesandu Notting Hill Pty Limited
Lesandu Nowra Pty Limited
Lesandu Oakleigh CK Pty Limited
Lesandu O'Connor Pty Limited
Lesandu Orange Pty Limited
Lesandu Osborne Park Pty Limited
Lesandu Oxley Pty Limited
Lesandu Penrith DM Pty Limited
Lesandu Penrith Pty Limited
Lesandu Peppermint Grove Pty Limited
Lesandu Perth City West Pty Limited
Lesandu Port Lincoln Pty Limited
Lesandu Port Macquarie Pty Limited
Lesandu Pty Limited
Lesandu Raymond Terrace Pty Limited
Lesandu Richlands Pty Limited
Lesandu Richmond (VIC) Pty Limited
Lesandu Riverwood Pty Limited
Lesandu Rockhampton Pty Limited
Lesandu Rothwell Pty Limited
Lesandu S.A. Pty Limited
Lesandu Salamander Bay Pty Limited
Lesandu Sale Pty Limited
Lesandu Shepparton Pty Limited
Lesandu Silverwater Pty Limited
Lesandu Sippy Downs JM Pty Limited
Lesandu Southport Pty Limited
Lesandu Stanmore Pty Limited
Lesandu Sunshine Pty Limited
Lesandu Swan Hill Pty Limited
Lesandu Sydenham Pty Limited
Lesandu Sydney City SS Pty Limited
Lesandu Tamworth Pty Limited
Lesandu Taree Home Mart Pty Limited
Lesandu Taree Pty Limited
Lesandu Taren Point Pty Limited
Lesandu Tasmania Pty Limited
Lesandu Temora Pty Limited
Lesandu Thomastown Pty Limited
Lesandu Toukley Pty Limited
Lesandu Townsville Pty Limited
Lesandu Tura Beach Pty Limited
Lesandu Tweed Heads Flooring Pty Limited
Lesandu Tweed Heads Pty Limited
Lesandu Underwood Pty Limited
Lesandu WA Furniture Pty Limited
Lesandu WA Pty Limited
Lesandu Wagga Wagga JM Pty Limited
Lesandu Wagga Wagga Pty Limited
Lesandu Wallsend JM Pty Limited
Lesandu Wangaratta Pty Limited
Lesandu Warana Pty Limited
Lesandu Warners Bay JM Pty Limited
Lesandu Warragul Pty Limited
Lesandu Warrawong Pty Limited
Lesandu Warwick (WA) Pty Limited
Lesandu Warwick Pty Limited
Lesandu Waurn Ponds Pty Limited
Lesandu West Gosford DM Pty Limited
Lesandu West Wyalong Pty Limited
Lesandu Wiley Park Pty Limited
Lesandu Windsor Pty Limited
Lesandu Wollongong Pty Limited
Lesandu Wonthaggi Pty Limited
Lesandu Woodville Pty Limited
Lesandu Young JM Pty Limited
Lexeri Pty Limited
Lightcorp Pty Limited
Lighting Venture International Pty Limited[7]
Lighting Venture Pty Limited[21]
Lodare Pty Limited
Loreste Pty Limited
Malvis Pty Limited
Manutu Pty Limited
Maradoni Pty Limited
Marinski Pty Limited
Murray Street Development Pty Limited
Mymasterpiece Pty Limited [5]
Nedcroft Pty Limited
Network Consumer Finance (Ireland) Limited[15,18]
Network Consumer Finance (N.Z.) Limited[9,10]
Network Consumer Finance Pty Limited[1,2,32]
Nomadale Pty Limited[6]
Norman Ross Limited [10,34]
Norman Ross Pty Limited
Oldmist Pty Limited
Osraidi Pty Limited
P & E Crows Nest Pty Limited
P & E Homewest Pty Limited
P & E Leichhardt Pty Limited
P & E Maddington Pty Limited
P & E Shopfitters Pty Limited
Packcom Pty Limited
PEM Corporate Pty Limited
Pertama Holdings Pte Limited [11,16,17]
Pertama Mechandising Pte Ltd [11,27]
Plezero Pty Limited
Poliform Pty Limited[25]
R.Reynolds Nominees Pty Limited
Sarsha Pty Limited[1,2]
Setto Pty Limited
Shakespir Pty Limited
Solaro Pty Limited
Space Furniture Pte Limited[11,16]
Space Furniture Pty Limited[3]
Spacepol Pty Limited
Steamstyle Venture Pty Limited
Stonetess Pty Limited
Stores (NZ) Limited[10]
Stores Securitisation Pty Limited
Strathloro Pty Limited
Stupendous Pty Limited[20]
Swaneto Pty Limited
Swanpark Pty Limited[6]
Tatroko Pty Limited
Tessera Stones & Tiles Australia Pty Limited
Tessera Stones & Tiles Pty Limited[8]
The Byron At Byron Pty Limited
Tisira Pty Limited
Valecomp Recovery Pty Limited
Ventama Pty Limited[4]
Wadins Pty Limited
Wanalti Pty Limited
Warungi Pty Limited
Waytango Pty Limited
Webzone Pty Limited
Wytharra Pty Limited
Yoogalu Pty Limited[1,2]
Zabella Pty Limited
Zavarte Pty Limited
Zirdano Pty Limited
Zirdanu Pty Limited

38. CONTROLLED ENTITIES AND UNIT TRUSTS (continued)

Shares held by Harvey Norman Holdings Limited (continued)

Note:	
1	Company is a member of the "Closed Group".
2	Company is relieved under the Class Order described in Note 39.
3	Derni Pty Ltd holds 49% and Kita Pty Ltd holds 51% of the shares in Space Furniture Pty Limited.
4	Shares held by Sarsha Pty Limited.
5	Shares held by Harvey Norman Retailing Pty Limited.
6	Shares held by Harvey Norman Stores Pty Limited.
7	Company incorporated during the year.
8	Shares held by Stonetess Pty Limited.
9	Shares held by Harvey Norman Limited.
10	Company incorporated in New Zealand.
11	Company incorporated in Singapore.
12	Company incorporated in Slovenia.
13	Company incorporated in Malaysia.
14	Company incorporated in Croatia.
15	Company incorporated in Ireland.
16	Harvey Norman Singapore Pte Limited owns 100% of the shares in Bencoolen Properties Pte Limited, 60% of the shares in Harvey Norman Ossia (Asia) Pte Limited, 100% of the shares in Space Furniture Pte Limited, and 50.62% of the shares in Pertama Holdings Pte Limited.
17	Harvey Norman Ossia (Asia) Pte Limited holds 49.38% of the shares in Pertama Holdings Pte Limited.
18	Shares held by Harvey Norman Holdings (Ireland) Limited.
19	Shares held by Setto Pty Limited.
20	Shares held by Calardu Pty Limited.
21	Lighting Venture Pty Limited holds 65% of shares in Glolight Pty Limited.
22	Yoogalu Pty Limited holds 50.5% of the shares in Australian Business Skills Centre Pty Limited.
23	HN Byron No 3 Pty Limited holds 50% of the shares in Byron Bay Facilities Pty Limited.
24	Yoogalu Pty Limited holds 50% of the shares in Byron Bay Management Pty Limited.
25	Derni Pty Limited holds 1% and Kita Pty Limited holds 99% of the shares in Poliform Pty Limited.
26	Former name is Calardu Jandakot No. 1 Pty Limited.
27	Shares held by Pertama Holdings Pte Limited.
28	Shares held by Cascade Consolidated Sdn.Bhd.
29	Shares held by Network Consumer Finance Pty Limited.
30	HN Bundaberg Markets Pty Limited holds 50% of the shares in Lana's Farmers Markets Pty Limited.
31	This entity was incorporated in New Zealand on 29 June 2018.
32	Network Consumer Finance was mistakenly and incorrectly included and described as a Released Group Entity in the Revocation Deed entered into on or about 29 June 2015. This error was rectified by way of a Rectification Deed entered into on or about 10 January 2018.
33	This entity was incorporated in New Zealand on 27 June 2018.
34	Shares held by Harvey Norman Stores (N.Z.) Pty Limited.

38. CONTROLLED ENTITIES AND UNIT TRUSTS (continued)

Units in Unit Trusts held by Harvey Norman Holdings Limited

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

39. DEED OF CROSS GUARANTEE

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

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

39. DEED OF CROSS GUARANTEE (continued)

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

Statement of Financial Position	2018 $000	2017 $000
Current Assets		
Cash and cash equivalents	109,170	39,703
Trade and other receivables	696,053	602,819
Other financial assets	31,457	29,166
Inventories	170,830	164,381
Intangible assets	459	455
Other assets	15,878	16,355
Total current assets	1,023,847	852,879
Non-Current Assets		
Trade and other receivables	1,915,235	1,861,481
Other financial assets	111,326	150,440
Property, plant and equipment	28,684	12,177
Intangible assets	62,104	67,450
Total non-current assets	2,117,349	2,091,548
Total Assets	3,141,196	2,944,427
Current Liabilities		
Trade and other payables	107,624	84,975
Interest-bearing loans and borrowings	289,675	265,245
Income tax payable	9,484	39,680
Provisions	28,734	26,701
Other liabilities	25,806	8,840
Total current liabilities	461,323	425,441
Non-Current Liabilities		
Interest-bearing loans and borrowings	500,217	330,272
Provisions	1,707	4,409
Deferred income tax liabilities	60,370	74,386
Other liabilities	199	3,242
Total non-current liabilities	562,493	412,309
Total Liabilities	1,023,816	837,750
NET ASSETS	2,117,380	2,106,677
Equity		
Contributed equity	388,381	386,309
Reserves	10,393	11,365
Retained profits	1,718,606	1,709,003
TOTAL EQUITY	2,117,380	2,106,677

Income Statement	2018 $000	2017 $000
Profit before income tax	332,084	408,001
Income tax	(55,144)	(86,840)
Profit after tax	276,940	321,161

Retained Earnings	2018 $000	2017 $000
Retained earnings at the beginning of the year	1,709,003	1,732,804
Profit after tax from continuing operations	276,940	321,161
Dividends provided for or paid	(267,337)	(344,962)
Retained earnings at the end of the year	1,718,606	1,709,003

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

40. PARENT ENTITY FINANCIAL INFORMATION

	PARENT ENTITY	
	June 2018 $000	June 2017 $000
Statement of Financial Position		
Current assets	49	36
Non-current assets	2,263,529	2,224,829
Total assets	2,263,578	2,224,865
Current liabilities	6,286	37,231
Non-current liabilities	85,053	78,166
Total liabilities	91,339	115,397
Contributed equity	388,381	386,309
Retained profits	1,783,858	1,723,159
Total Equity	2,172,239	2,109,468
Income Statement		
Profit for the Year	328,036	342,924
Total Comprehensive Income	328,036	342,924

Guarantees

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

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

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

Contingent Liabilities

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

41. SIGNIFICANT EVENTS AFTER BALANCE DATE

On 31 August 2018, the Company announced a renounceable, pro-rata entitlement offer of new fully-paid ordinary shares in the Company to raise approximately $163.85 million (before costs) (**Entitlement Offer**), with an offer price of $2.50 per share. The Entitlement Offer forms part of the Company's ongoing capital management program. It is intended that the proceeds of the Entitlement Offer will be used to reduce the amount of Company consolidated entity debt.

With the exception of the above, 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' DECLARATION

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

In the opinion of the directors:

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

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

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

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

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

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2018.

In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 39 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.

G. HARVEY
Executive Chairman
Sydney
28 September 2018

K.L. PAGE
Executive Director / Chief Executive Officer
Sydney
28 September 2018

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Harvey Norman Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

Building a better working world

1. Assessment of control for the purposes of consolidation

Why significant	How our audit addressed the key audit matter
The Group operates a franchise business model in Australia. There is significant judgement involved in the Group's determination as to whether it has control over the store franchisees and therefore should consolidate their results. Given the significance of the judgment involved in the assessment and importance of this conclusion to the presentation of the financial statements this was considered to be a key audit matter. Note 1(d) and Note 1(e)(ii)(a) describes the accounting policies in relation to the basis of consolidation and control assessment considerations.	Our audit procedures included the following: ▶ Assessed the judgements and conclusions reached by the Directors that store franchisees are not controlled. ▶ In conjunction with our International Financial Reporting Standards specialists, we considered the application of Australian Accounting Standard AASB10 *Consolidated Financial Statements*, in particular the criteria relating to control, in the context of the franchise agreements and how these arrangements operate in practice. In particular the following areas were considered: - termination rights available to the Group; - Financial assistance provided to franchisees; and - Inventory purchasing arrangements available to franchisees. ▶ Enquired of the Directors and their external lawyers as to whether any changes were made during the year to the standard franchise agreements used by the Group, or the way in which the franchisees and the Group interact in practice. ▶ Confirmed the results of these discussions by reviewing current agreements between franchisees and the Group. ▶ Considered any changes that may impact the control assessment made by the Directors. ▶ Considered the legal application of current franchise agreements with the Group's external lawyers. ▶ Enquired of a sample of franchisees to confirm our understanding of how the current franchise agreements operate in practice.

2. Recoverability of Receivables from Franchisees

Why significant	How our audit addressed the key audit matter
Receivables from franchisees are significant to the Group, representing 11.9% of total assets at 30 June 2018. Note 7(a) describes the nature of the balances receivable from franchisees, while Note 1(x) outlines the accounting policy in relation to loans and receivables. The assessment of the recoverability of franchisee receivables was a key audit matter given the value of the balance and the judgements exercised by the Group in making this assessment.	Our audit procedures included the following: ▶ Considered the Group's assessment of the recoverability of receivables from individual franchisees. ▶ We selected a sample of franchisee loan receivables and obtained confirmation from the franchisees that they acknowledge the amounts owing at year end. ▶ We reviewed a sample of General Security Deeds between the franchisees and the Group that provides the Group with security over the assets of franchisees. ▶ We considered the value of assets provided as security by each of the franchisees against each franchisee receivable balance. ▶ Enquired of management and considered any evidence arising post year end of adverse performance of the franchisees, which could impact the recoverability of receivables from franchisees. ▶ We considered the adequacy of the disclosures included in Note 7(a) and Note 1 to the financial statements.

3. Valuation of investment properties and owner-occupied properties

Why significant	How our audit addressed the key audit matter
Investment properties and owner occupied properties (properties) represent 62.5% of the total assets as at 30 June 2018. Investment properties are carried at fair value with changes in fair value recognised in the income statement. Note 1(vii) and Note 15 of the financial report, describes the basis upon which fair value has been determined. Owner-occupied properties, represented as Land and Buildings, are carried at fair value, with changes in fair value recognised in equity. Note 1(v) and Note 14 of the financial report, describes the basis upon which fair value has been determined. The Group engages independent external valuation experts to conduct valuations of each property at least once every three years. Directors' valuations are performed where the Group identifies a material change in the fair value of properties not selected for external valuation may have occurred during the year. The valuation of properties was considered a key audit matter given: ▶ the value of the properties relative to total assets of the Group; ▶ the judgement exercised by the Group in selecting the sample of properties subject to internal valuations during the period; ▶ judgements exercised by both independent valuation specialists and the Directors in determining fair value; and ▶ by their nature, the use of Directors' valuations.	Our audit procedures included the following: ▶ We assessed the Group's accounting policies with respect to investment properties and owner-occupied properties for compliance with the relevant Australian Accounting Standards. ▶ We assessed whether we could rely on the work of those responsible for the Directors' valuations and the work of the independent valuation experts by considering their competence, capabilities and objectivity. ▶ We selected a sample of the property valuations performed by both independent valuation experts and the Directors and assessed the reasonableness of the key assumptions (as disclosed in Note 14 and Note 15) used in the valuations with reference to external market evidence. This work included the involvement of Ernst & Young real estate valuation specialists in its execution. ▶ We considered the adequacy of the disclosures included in Note 1, Note 14 and Note 15 of the financial report.

4. Recoverability of Non-trade Receivables from Related Entities

Why significant	How our audit addressed the key audit matter
Included in Notes 7 and 12 to the financial statements are non-trade amounts owing from related entities (including joint ventures and joint venture partners) and associated provisions for doubtful debts. We considered this to be a key audit matter due to the judgements involved in considering recoverability and the adequacy of the associated provision for doubtful debts at 30 June 2018.	Our audit procedures included the following: ▶ Considered the Directors' assessment of the recoverability of non-trade debts receivable from related entities. ▶ Considered the extent to which assets were provided as security against the carrying value of receivables. ▶ Assessed the value of the assets provided as security against the receivables. ▶ Considered the adequacy of the recorded provision for doubtful debts against these receivables.

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

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2018 Annual Report, but does not include the financial report and our auditor’s report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

Building a better
working world

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 32 to 56 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Harvey Norman Holdings Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
28 September 2018

SHAREHOLDER INFORMATION

DISTRIBUTION OF SHAREHOLDINGS AS AT 26 SEPTEMBER 2018

Size of Holding	Ordinary Shareholders
1 – 1,000	5,265
1,001 – 5,000	6,487
5,001 – 10,000	1,900
10,001 – 100,000	1,693
100,001 and over	146
	15,491
Number of Shareholders with less than a marketable parcel	697

VOTING RIGHTS

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

TWENTY LARGEST SHAREHOLDERS AS AT 26 SEPTEMBER 2018

Number of Ordinary Shares	Shareholder	Percentage of Ordinary Shares
349,439,179	Mr. Gerald Harvey	31.36%
183,323,726	Mr. Christopher Herbert Brown	16.45%
149,801,940	HSBC Custody Nominees Limited	13.44%
86,699,760	Citicorp Nominees Pty Limited	7.78%
70,598,386	J P Morgan Nominees Australia Limited	6.34%
52,262,874	Ms. Margaret Lynette Harvey	4.69%
39,665,050	National Nominees Limited	3.56%
30,929,047	BNP Paribas Nominees Pty Limited, BNP Paribas Noms Pty Limited & BNP Paribas Noms (NZ) Limited	2.78%
17,896,300	Enbeear Pty Limited	1.61%
17,507,642	Ms. Kay Lesley Page	1.57%
5,213,182	Argo Investments Limited	0.47%
2,974,897	Mr. Michael Harvey	0.27%
2,065,000	BKI Investment Company Limited	0.19%
2,033,120	Bond Street Custodians Limited	0.18%
1,887,127	Omnilab Media Investments Pty Limited	0.17%
1,547,248	AMP Life Limited	0.14%
1,536,834	Powerwrap Limited	0.14%
1,260,000	Glenn Hargraves Investments	0.11%
1,233,049	Mr. Arthur Brew	0.11%
950,000	Peter & Lyndy White	0.09%
1,018,824,361		**91.44%**

AUSTRALIAN CAPITAL TERRITORY

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

NEW SOUTH WALES (SYDNEY SUBURBAN)

ALEXANDRIA
1/84 O'Riordan Street,
Alexandria NSW 2015
Phone: (02) 8339 7000

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

AUBURN RENOVATIONS
Level 1
250 Parramatta Road
Auburn NSW 2144
Phone: (02) 9202 4888

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

BLACKTOWN
Unit C5
Cnr Blacktown
& Bungarribee Roads
Blacktown NSW 2148
Phone: (02) 8822 8400

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

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

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

CARINGBAH
41 – 49 Willarong Road
Taren Point NSW 2229
Phone: (02) 9589 8800

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

GORDON
Level 1, Gordon Centre
802 - 808 Pacific Highway
Gordon NSW 2072
Phone: (02) 9496 9200

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

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

McGRATHS HILL
McGrath's Hill Home
Shop 6
264 – 272 Windsor Road
McGraths Hill NSW 2756
Phone: (02) 4587 6800

MOORE PARK
Supa Centa Moore Park
Cnr South Dowling Street
& Dacey Avenue
Moore Park NSW 2021
Phone: (02) 9662 9888

PENRITH
Penrith Homemaker Centre
Mulgoa Rd & Wolseley St
Penrith NSW 2750
Phone: (02) 4737 5111

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

WILEY PARK (BATHROOMS)
1155 Canterbury Road
Wiley Park NSW 2196
Phone: (02) 9784 4400

NEW SOUTH WALES (COUNTRY)

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

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

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

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

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

BROADMEADOW
(CLEARANCE CENTER)
35 Lambton Road
Broadmeadow NSW 2292
Phone: (02) 4028 4100

BROKEN HILL
329-331 Blende Street
Broken Hill NSW 2880
Phone: (08) 8084 4900

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

COFFS HARBOUR
Park Beach Home Base
252 Pacific Highway
Coffs Harbour NSW 2450
Phone: (02) 6653 0300

DENILIQUIN
Cnr. Hardinge &
Harfleur Streets
Deniliquin NSW 2710
Phone: (03) 5881 0700

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

FORSTER
29 Breese Parade
Forster NSW 2428
Phone: (02) 6539 9100

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

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

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

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

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

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

LAKE HAVEN
Homemaker Lake Haven
59 – 83 Pacific Highway
Charmhaven NSW 2263
Phone: (02) 4394 6000

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

NEW SOUTH WALES (COUNTRY) (continued)

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

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

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

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

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

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

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

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

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

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

PARKES
Shop 1
5-11 Saleyards Road
Parkes NSW 2870
Phone: (02) 6862 8900

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

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

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

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

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

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

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

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

WARRAWONG
157 - 161 King Street
Warrawong NSW 2502
Phone: (02) 4223 8800

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

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

NORTHERN TERRITORY

ALICE SPRINGS
Shop 211
1 Colson Street
Alice Springs NT 0870
Phone: (08) 8950 4000

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

QUEENSLAND (BRISBANE SUBURBAN)

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

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

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

CARINDALE
Westfield Carindale
Carindale Street and Old Cleveland Road
Carindale QLD 4152
Phone: (07) 3398 0600

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

EVERTON PARK
North-West Homemaker Centre
429 Southpine Road
Everton Park QLD 4053
Phone: (07) 3550 4444

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

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

MT GRAVATT
Westfield Garden City
Shop 2135
2049 Logan Street
Upper Mt Gravatt QLD 4122
Phone: (07) 3347 7000

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

QUEENSLAND (COUNTRY)

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

AYR
101 Queen Street
Ayr QLD 4807
Phone: (07) 4790 4600

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

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

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

BURLEIGH WATERS
Burleigh HomeSpace
14/1 Santa Maria Crt
Burleigh Waters QLD 4220
Phone: (07) 5586 2000

CAIRNS
Cairns Hypermarket
101 - 103 Spence Street
Cairns City QLD 4870
Phone: (07) 4050 0300

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

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

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

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

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

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

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

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

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

MACKAY
Cnr Heaths Road & Bruce Highway
Mackay QLD 4740
Phone: (07) 4951 8800

MAROOCHYDORE
Maroochydore Homemaker Centre
11/55 Maroochy Blvd
Maroochydore QLD 4575
Phone: (07) 5452 1500

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

MORAYFIELD
245 Morayfield Road
Morayfield QLD 4510
Phone: (07) 5428 8000

MT ISA
Overlander Shopping Centre
121 Marian Street
Mt Isa City QLD 4825
Phone: (07) 4745 0100

NOOSA
7 - 9 Gibson Road
Noosaville QLD 4566
Phone: (07) 5473 1911

ROCKHAMPTON
Red Hill Homemaker Centre
406-412 Yaamba Road
North Rockhampton QLD 4701
Phone: (07) 4923 5000

ROTHWELL
Unit 1
439 - 443 Anzac Avenue
Rothwell QLD 4022
Phone: (07) 3897 8800

TOOWOOMBA
910 - 932 Ruthven Street
Toowoomba QLD 4350
Phone: (07) 4636 7300

TOWNSVILLE
Domain Central Centre
103 - 142 Duckworth Street
Garbutt QLD 4814
Phone: (07) 4775 8800

WARWICK
Cnr Victoria St & Palmerin St
Warwick QLD 4370
Phone: (07) 4666 9000

TASMANIA

BURNIE
Cnr Marine Terrace & Edward St
Burnie TAS 7320
Phone: (03) 6436 8800

CAMBRIDGE PARK
Cambridge Park Homemaker Centre
Unit B10
66 - 68 Kennedy Drive
Cambridge Park TAS 7170
Phone: (03) 6248 3300

DEVONPORT
Devonport Homemaker Centre
2 Friend Street
Devonport TAS 7310
Phone: (03) 6420 7600

HOBART CITY
171 Murray Street
Hobart TAS 7000
Phone: (03) 6230 1100

LAUNCESTON
Cnr William and Charles Streets
Launceston TAS 7250
Phone: (03) 6337 9400

MOONAH
191-197 Main Rd Cnr, Derwent Park Rd
Moonah TAS 7009
Phone: (03) 6277 7777

SOUTH AUSTRALIA (ADELAIDE SUBURBAN)

CITY CROSS
Rundle Mall, Shop 50
31-33 Rundle Mall
Adelaide SA 5000
Phone: (08) 8168 8800

GEPPS CROSS
Gepps Cross Home HQ
Unit 1, 760 Main North Road
Gepps Cross SA 5094
Phone: (08) 8342 8888

MARION
822 - 826 Marion Road
Marion SA 5043
Phone: (08) 8375 7777

MILE END COMMERCIAL
20 William Street
Mile End SA 5031
Phone: (08) 8150 8000

MT BARKER
Mt Barker Homemaker Centre
6 Dutton Road
Mount Barker SA 5251
Phone: (08) 8393 0800

MUNNO PARA
Munno Para Shopping City
600 Main North Road
Smithfield SA 5114
Phone: (08) 8254 0700

NOARLUNGA
3/2 Seaman Drive
Noarlunga SA 5168
Phone: (08) 8329 5400

WOODVILLE
853 - 867 Port Road
Woodville SA 5011
Phone: (08) 8406 0100

DIRECTORY OF HARVEY NORMAN®, DOMAYNE® & JOYCE MAYNE® SHOPPING COMPLEXES (CONTINUED)

SOUTH AUSTRALIA (COUNTRY)

MT GAMBIER
Cnr Kennedy Avenue &
Jubilee Highway East
Mt Gambier SA 5290
Phone: (08) 8724 6800

PORT LINCOLN
Cnr St Andrews Terrace and
Verran Terrace
Port Lincoln SA 5606
Phone: (08) 8683 7700

WHYALLA
Cnr Jamieson St and Kelly Street
Whyalla SA 5600
Phone: (08) 8645 6100

VICTORIA (MELBOURNE SUBURBAN)

BROADMEADOWS
1185 - 1197 Pascoe Vale Rd
Broadmeadows VIC 3047
Phone: (03) 9621 2800

CHADSTONE
699 Warrigal Road
Chadstone VIC 3148
Phone: (03) 9567 6666

CHIRNSIDE PARK
Chirnside Park Showroom Centre
286 Maroondah Highway
Chirnside Park VIC 3116
Phone: (03) 9722 4400

COBURG
Shop 8, 64 - 74 Gaffney St
Coburg VIC 3058
Phone: (03) 9240 2500

DANDENONG
141 - 165 Frankston -
Dandenong Road
Dandenong VIC 3175
Phone: (03) 8791 3333

FOUNTAIN GATE
Westfield Fountain Gate
8 Overland Drive
Narre Warren VIC 3805
Phone: (03) 8796 6777

HOPPERS CROSSING
Unit 1, 201 - 219 Old
Geelong Road
Hoppers Crossing VIC 3029
Phone: (03) 8734 0000

KNOX
Shop 3105, Knox City
Shopping Centre,
425 Burwood Highway
Wantirna South VIC 3152
Phone: (03) 9881 3700

MARIBYRNONG
Harvey Norman Centre
169 Rosamond Road
Maribyrnong VIC 3032
Phone: (03) 9304 7000

MELBOURNE QV (& DM)
Upper Terrace, Level 4,
Shops 9-13,
210 Lonsdale Street
Melbourne VIC 3000
Phone: (03) 8664 4300

MOORABBIN
420 South Road
Moorabbin VIC 3189
Phone: (03) 9269 3400

NUNAWADING
396-408 Whitehorse Road
Nunawading VIC 3131
Phone: (03) 9837 1200

PRESTON
121 Bell Street
Preston VIC 3072
Phone: (03) 9269 3300

RICHMOND
479 Bridge Road
Richmond VIC 3121
Phone: (03) 8416 4100

SPRINGVALE
26/917 Princes Highway
Springvale VIC 3171
Phone: (03) 9518 8500

SUNSHINE
City West Plaza
484 Ballarat Road
Sunshine VIC 3020
Phone: (03) 9334 6000

THOMASTOWN
308-320 Settlement Road
Thomastown VIC 3074
Phone: (03) 9463 4777

VIC / TAS COMMERCIAL
4 Central Blvd
Port Melbourne VIC 3204
Phone: (03) 8530 6300

WATERGARDENS
Watergardens Town Centre
450 Melton Highway
Taylors Lakes VIC 3038
Phone: (03) 9449 6300

VICTORIA (COUNTRY)

ARARAT
47-49 Vincent Street
Ararat VIC 3377
Phone: (03) 5352 9100

BAIRNSDALE
294 Main Street
Bairnsdale VIC 3875
Phone: (03) 5153 9700

BALLARAT
1322 Howitt Street
Wendouree VIC 3355
Phone: (03) 5332 5100

BENDIGO
Cnr High St and Furness St
Kangaroo Flat VIC 3555
Phone: (03) 5447 6000

FRANKSTON
87 Cranbourne Road
Frankston VIC 3199
Phone: (03) 8796 0600

GEELONG
420 Princes Highway
Corio VIC 3214
Phone: (03) 5272 9900

HAMILTON
LG2, The Hub
148 Gray Street
Hamilton VIC 3300
Phone: (03) 5551 3500

HORSHAM
148-150 Firebrace Street
Horsham VIC 3400
Phone: (03) 5381 5000

MILDURA
Cnr Fifteenth Street &
Etiwanda Ave
Mildura VIC 3500
Phone: (03) 5051 2200

MOE
19 Moore Street
Moe VIC 3825
Phone: (03) 5127 9500

MORNINGTON
Building C3
Peninsula Lifestyle Centre
Bungower Road
Mornington VIC 3931
Phone: (03) 5970 2500

MORWELL
232 Commercial Road
Morwell VIC 3840
Phone: (03) 5120 0200

SALE
363 - 373 Raymond Street
Sale VIC 3850
Phone: (03) 5149 5100

SHEPPARTON
Riverside Plaza
Bldg A, 8025 Goulburn Valley
Hwy
Kialla VIC 3630
Phone: (03) 5820 2900

SWAN HILL
68 Nyah Road
Swan Hill VIC 3585
Phone: (03) 5032 0500

TRARALGON
123 Argyle Street
Traralgon VIC 3844
Phone: (03) 5175 6700

WANGARATTA
8 - 12 Murphy Street
Wangaratta VIC 3677
Phone: (03) 5723 8800

WARRAGUL
33 Victoria Street
Warragul VIC 3820
Phone: (03) 5623 9000

WARRNAMBOOL
84 Raglan Parade
Warrnambool VIC 3280
Phone: (03) 5564 7700

WAURN PONDS
Geelong Homemaker Centre
33 Princes Highway
Waurn Ponds VIC 3216
Phone: (03) 5240 6200

WONTHAGGI
37 McKenzie Street
Wonthaggi VIC 3995
Phone: (03) 5672 0800

WESTERN AUSTRALIA (PERTH SUBURBAN)

ARMADALE
10 Prospect Road
Armadale WA 6112
Phone: (08) 9498 4400

CANNINGTON
1363 Albany Highway
Cannington WA 6107
Phone: (08) 9311 1100

CITY WEST
City West Centre
City West Shopping Centre
25 Sutherland Street
West Perth WA 6005
Phone: (08) 9215 8600

JOONDALUP
36 Clarke Crescent
Joondalup WA 6027
Phone: (08) 9301 3311

MALAGA
27 Kent Way
Malaga WA 6090
Phone: (08) 9270 6300

MIDLAND
Cnr Clayton and Lloyd Sts
Midland WA 6056
Phone: (08) 9374 8600

O'CONNOR
133 Garling Street
O'Connor WA 6163
Phone: (08) 9337 0888

OSBORNE PARK
469 - 475 Scarborough Beach Road
Osborne Park WA 6017
Phone: (08) 9441 1100

PORT KENNEDY
400-402 Saltaire Way
Port Kennedy WA 6172
Phone: (08) 9524 0111

WESTERN AUSTRALIA (COUNTRY)

ALBANY
Unit 1 / 5 Brooks Garden Blvd
Albany WA 6330
Phone: (08) 9892 6800

BUNBURY
Cnr Sandridge and Denning Road
East Bunbury WA 6230
Phone: (08) 9722 0100

BROOME
2 Haynes Street
Broome WA 6725
Phone: (08) 9195 3600

BUSSELTON
24 - 26 Bussell Highway
Busselton WA 6280
Phone: (08) 9781 0700

GERALDTON (Furniture & Bedding)
38 Chapman Road
Geraldton WA 6530
Phone: (08) 9964 0111

GERALDTON (Computers)
18 Anzac Terrace
Geraldton WA 6530
Phone: (08) 9964 0111

KALGOORLIE
29 Davidson Street
Kalgoorlie WA 6430
Phone: (08) 9093 5500

KARRATHA
Unit 7,
Lot 25 Balmoral Road
Karratha WA 6174
Phone: (08) 9186 8100

MANDURAH
9 Gordon Road
Mandurah WA 6210
Phone: (08) 9582 5800

PORT HEDLAND
Boulevard Shopping Centre
Cnr Anderson St & McGregor St
Port Hedland WA 6721
Phone: (08) 9173 8000

DOMAYNE

ALEXANDRIA
84 O'Riordan Street
Alexandria NSW 2015
Phone: (02) 8339 7000

AUBURN
103 - 123 Parramatta Road
Auburn NSW 2144
Phone: (02) 8748 4200

BELROSE
Homemaker Supa Centa
Shop 1, 4 - 6 Niangala Close
Belrose NSW 2085
Phone: (02) 9479 8800

BUNDALL
29 - 45 Ashmore Road
Bundall QLD 4217
Phone: (07) 5553 2100

CARINGBAH
212 Taren Point Road
Taren Point NSW 2229
Phone: (02) 8536 5200

CASTLE HILL
Home Hub C/Hill South Building
Level 1, Shop 82
16 Victoria Avenue
Castle Hill NSW 2154
Phone: (02) 9846 8800

FORTITUDE VALLEY
Homemaker The Valley
Shop 1, 1058 Ann Street
Fortitude Valley QLD 4006
Phone: (07) 3620 6600

FYSHWICK
80 Collie Street
Fyshwick ACT 2604
Phone: (02) 6126 2500

GOSFORD
400 Manns Road
West Gosford NSW 2250
Phone: (02) 4337 4800

KOTARA
Kotara Home
Unit 1, 1 Kullaiba Rd
Kotara NSW 2289
Phone: (02) 4941 3900

LIVERPOOL
The Grove Homemaker Centre
2-18 Orange Grove Road
Liverpool NSW 2170
Phone: (02) 8778 2222

MAITLAND
Unit 6
366 New England Highway
Rutherford NSW 2320
Phone: (02) 4932 2300

MARION
Unit 2, 919-929 Marion Road
Marion SA 5043
Phone: (08) 8198 2400

MAROOCHYDORE
Maroochydore Homemaker Centre
Unit 14, 11-55 Maroochy Boulevard
Maroochydore QLD 4558
Phone: (07) 5452 1400

MELBOURNE QV
Upper Terrace, Level 4 QV
Shops 9-13, 210 Lonsdale St
Melbourne VIC 3000
Phone: (03) 8664 4300

NORTH RYDE
31 - 35 Epping Road
North Ryde NSW 2113
Phone: (02) 9888 8888

DIRECTORY OF HARVEY NORMAN®, DOMAYNE® & JOYCE MAYNE® SHOPPING COMPLEXES (CONTINUED)

DOMAYNE (continued)

OSBORNE PARK (& HN)
475 Scarborough Beach Rd
Osborne Park WA 6017
Phone: (08) 9416 9100

PENRITH
Penrith Homemaker Centre
Cnr Wolseley Street and
Mulgoa Road
Penrith NSW 2750
Phone: (02) 4737 5000

SPRINGVALE
10/917 Princes Highway
Springvale VIC 3171
Phone: (03) 9565 8200

WARRAWONG
119 - 121 King Street
Warrawong NSW 2502
Phone: (02) 4255 1800

JOYCE MAYNE

CHANCELLOR PARK
Showroom 2
30 Chancellor Village Blvd
Sippy Downs QLD 4556
Phone: (07) 5477 2200

MAROOCHYDORE
Maroochydore Homemaker Ctr
15/11-55 Maroochy Blvd
Maroochydore QLD 4558
Phone: (07) 5475 1800

NOWRA
Unit 2A, Cnr Central Ave &
Princes Highway
Nowra NSW 2541
Phone: (02) 4448 0000

TOOWOOMBA
675 Ruthven Street
Toowoomba QLD 4350
Phone: (07) 4613 7100

TOWNSVILLE
Domain Central
18/103 Duckworth Street
Garbutt QLD 4814
Phone: (07) 4759 9900

WARRAWONG
113 King Street
Warrawong NSW 2502
Phone: (02) 4276 0000

NEW ZEALAND

ASHBURTON
Cnr West & Moore Streets
Ashburton
Phone: 0011 643 307 5000

BLENHEIM
19 - 21 Maxwell Road
Blenheim
Phone: 0011 643 520 9700

BOTANY DOWNS
500 Ti Rakau Drive
Botany Downs
Phone: 0011 649 272 5700

BOTANY ELECTRICAL OUTLET
Unit F, 451 Ti Rakau Drive
Botany Auckland
Phone: 0011 649 253 9200

CHRISTCHURCH
Cnr Moorhouse Ave
& Colombo Street
Christchurch
Phone: 0011 643 367 7500

DUNEDIN
Cnr MacLaggan
& Rattray Streets
Dunedin
Phone: 0011 643 471 6510

GISBORNE
51 Customhouse Street
Gisborne
Phone: 0011 646 869 2900

HAMILTON
10 - 16 The Boulevard
Te Rapa Hamilton
Phone: 0011 647 850 7300

HAMILTON ELECTRICAL OUTLET
Unit 1 - 79 Tristram Street
Hamilton
Phone: 0011 647 848 2700

HASTINGS
303 East St Aubyn Street
Hastings
Phone: 0011 646 872 6800

HENDERSON
1 - 12 Ratanui Street
Henderson
Phone: 0011 649 835 5000

HORNBY
10-14 Chappie Place
Hornby Christchurch
Phone: 0011 643 344 8100

INVERCARGILL
245 Tay Street
Invercargill
Phone: 0011 643 219 9100

LINCOLN CENTRE
111 Lincoln Road
Henderson Auckland
Phone: 0011 649 621 1590

LOWER HUTT
28 Rutherford Street
Lower Hutt Wellington
Phone: 0011 644 894 8200

MANUKAU
Manukau Supa Centre
8/72 Cavendish Drive
Manukau City Auckland
Phone: 0011 649 261 4300

MT MAUNGANUI
10 Owens Place
Mt Maunganui
Phone: 0011 647 572 7200

MT ROSKILL
167-169 Stoddard Road
Mt Roskill Auckland
Phone: 0011 649 621 1500

MT WELLINGTON
20 - 54 Mt Wellington Hwy
Mt Wellington Auckland
Phone: 0011 649 570 3440

NAPIER
Shop 5
20-60 Wellesley Road
Napier
Phone: 0011 646 833 9500

NELSON
69 St Vincent Street
Nelson
Phone: 0011 643 539 5000

NEW PLYMOUTH
23 Smart Road
New Plymouth
Phone: 0011 646 759 2900

NORTHWOOD
Unit 1, 1 Radcliffe Road
Northwood
Christchurch
Phone: 0011 646 375 9800

PALMERSTON NORTH
361 - 371 Main Street West
Palmerston North
Phone: 0011 646 355 6500

PARAPARAUMU
Coastlands Shopping Centre
State Highway 1
Paraparaumu
Phone: 0011 644 296 3100

PORIRUA
19 Parumoana Street
Porirua
Wellington
Phone: 0011 644 230 6100

PUKEKOHE
Pukekohe Mega Centre
182-196 Manukau Road
Pukekohe Auckland
Phone: 0011 649 237 3500

QUEENSTOWN
2A/12 Hawthorne Drive
Remarkables Park
Queenstown
Phone: 0011 643 901 0900

RANGITIKEI STREET
Unit C
210-248 Rangitikei Street
Palmerston North
Phone: 0011 646 953 3500

ROTORUA
35 Victoria Street
Rotorua
Phone: 0011 647 343 9800

TAURANGA
683-697 Cameron Road
Tauranga
Phone: 0011 647 557 9500

TIMARU
226 Evans Street
Timaru
Phone: 0011 643 687 7000

DIRECTORY OF HARVEY NORMAN®, DOMAYNE® & JOYCE MAYNE® SHOPPING COMPLEXES (CONTINUED)

NEW ZEALAND (continued)

TOWER JUNCTION
Clarence Building
66 Clarence Street
Tower Junction
Christchurch
Phone: 0011 643 968 3600

WAIRAU PARK
10 Croftfield Lane
Wairau Park
Glenfield Auckland
Phone: 0011 649 440 6300

WANGANUI
287 Victoria Avenue
Wanganui
Phone: 0011 646 349 6000

WELLINGTON
77-87 Tory Street
Wellington
Phone: 0011 644 381 4250

WESTGATE
Westgate Lifestyle Centre
63 – 65 Maki Street
Westgate Auckland
Phone: 0011 649 822 8200

WHAKATANE
The Hub
State Highway 30
Whakatane
Phone: 0011 647 306 0600

WHANGAREI
5 Gumdigger Place
Whangarei
Phone: 0011 649 470 0300

IRELAND

BLANCHARDSTOWN
Units 421 - 423
Blanchardstown Retail Park
Blanchardstown
Dublin 15
Phone: 0011 353 1 824 7400

CARRICKMINES
Unit 230 Retail
The Park
Carrickmines Dublin 18
Phone: 0011 353 1 299 6900

CASTLEBAR
Units D - F
Castlebar Retail Park
Breaffy Road,
Castlebar
Phone: 0011 353 94 906 3900

CORK
Kinsale Road
Ballycurreen
Cork, Dublin
Phone: 0011 353 21 425 0900

DROGHEDA
Units 8 - 11
Drogheda Retail Park
Donore Road
Drogheda, Co Louth
Phone: 0011 353 41 987 8200

LIMERICK
Units 5 - 7
City East Retail Park
Ballysimon Road
Limerick
Phone: 0011 353 61 422 800

LITTLE ISLAND
Units 9 - 11
Eastgate Retail Park
Little Island
Co Cork
Phone: 0011 353 21 500 1500

NAAS
Unit G - K
New Hall Retail Park
Naas, Co Kildane
Phone: 0011 353 04 590 7700

RATHFARNHAM
Unit 7A-7C
Nutgrove Retail Park
Rathfarnham Dublin 14
Phone: 0011 353 1 491 6300

SWORDS
Units 5 - 7
Airside Retail Park
Crowscastle
Swords, Co Dublin
Phone: 0011 353 1 890 9900

TALLAGHT
Airton Retail Park
Corner Airton & Greenhills Road
Tallaght, Dublin 22
Phone: 0011 353 01 468 4500

TRALEE
Unit 8A
Manor West Retail Park
Tralee, Co Kerry
Phone: 0011 353 66 716 4900

WATERFORD
Units 5 - 8
Butlerstown Retail Park
Butlerstown Roundabout
Outer Ring Road
Co Waterford
Phone: 0011 353 51 319 900

NORTHERN IRELAND

BOUCHER ROAD
Balmoral Plaza
24 Boucher Road
Belfast BT12 6HR
Phone: 0011 44 28 903 896 00

HOLYWOOD
Units B-D
306 Holywood Exchange
Airport Road W,
Holywood Belfast BT3 9DY
Phone: 0011 44 28 9039 5800

SLOVENIA

CELJE
Kidričeva ulica 26A
3000 Celje
Phone: 0011 386 1585 5000

KOPER
Ankaranska Cesta 3C
6000 Koper
Phone: 0011 386 5610 0100

LJUBLJANA
Letališka Cesta 3D
1000 Ljubljana
Phone: 0011 386 1585 5000

MARIBOR
Bohova 1A
2311 Hoče
Phone: 0011 386 2300 4850

NOVO MESTO
Ljubljanska Cesta 95B
8000 Novo Mesto
Phone: 0011 386 7309 9920

CROATIA

ZAGREB
Kings Cross,
Ul. Velimira Škorpika 34,
10090 Zagreb Crotia
Phone: 0011 385 1556 6200

DIRECTORY OF HARVEY NORMAN®, DOMAYNE® & JOYCE MAYNE® SHOPPING COMPLEXES (CONTINUED)

SINGAPORE

BEDOK POINT
799 New Upper Changi Road
#B1-01/02, 16/32 and K1/K14
Bedok Point
Singapore 467351
Phone: 0011 65 6446 7218

BUKIT PANJANG
1 Jelebu Road
Bukit Panjang Plaza
#03-06/06A/06B/07A
Singapore 677743
Phone: 0011 65 6767 1500

DJITSUN MALL
5 Ang Mo Kio Central 2
#02-01/02
Singapore 569663
Phone: 0011 65 6554 5630

HOUGANG MALL
90 Hougang Avenue 10
#02-13 to 15
Hougang Mall
Singapore 538766
Phone: 0011 65 6488 2305

JURONG POINT
1 Jurong West Central 2
#03-34 to 39
Jurong Point Shopping Centre
Singapore 648886
Phone: 0011 65 6795 2135

MILLENIA WALK
No. 9 Raffles Boulevard
#01-59 to 63, #02-37 to 41,
#03-02, Millenia Walk
Singapore 039596
Phone: 0011 65 6311 9988

NORTHPOINT
1 Northpoint Drive
B1-136 to 138 & B2-108 to 112
Northpoint City South Wing
Singapore 768019
Phone: 0011 65 6702 5188

ONE KM
11 Tanjong Katong Road
#02-41 to 44
Singapore 437157
Phone: 0011 65 6702 5220

PARKWAY
80 Marine Parade Road
#01-35/35A/36, #02-34/34A, 35/36, Parkway Parade
Singapore 449269
Phone: 0011 65 6346 4705

SQUARE TWO
#B1-06 to 75
10 Sinaran Drive
Singapore 307506
Phone: 0011 65 6397 6190

SUNTEC CITY
6 Temasek Boulevard
#01-634/640
Suntec City Mall, East Atrium
Tower 3/4,
Singapore 038986
Phone: 0011 65 6332 2312

VIVACITY
750B Chai Chee Road
#01-01 to 06, #01-09 to 12,
#02-02 to 06,
Viva Business Park
Singapore 469000
Phone: 0011 65 6245 1516

WESTMALL
No. 1 Bt Batok Central Link
#03-06 to 09 West Mall
Singapore 658713
Phone: 0011 65 6794 2812

MALAYSIA

AMPANG POINT
Lot S01, 2nd Floor
Ampang Shopping Centre
Jalan Mamanda 3,
68000 Ampang,
Selangor Darul Ehsan,
Malaysia
Phone: 0011 603 4260 1020

BUKIT TINGGI
42 1st Floor
AEON Bukit Tinggi Shopping Ctre
No. 1 Persiaran Batu Nilam 1/KS6
Bandar Bukit Tinggi 2
41200 Klang
Selangor Darul Ehsan, Malaysia
Phone: 0011 603 3326 2631

CITTA MALL
Lot S-32 – Lot S-38, Citta Mall
No 1 Jalan PJU 1A/48
PJU 1A, Ara Damansara
47301 Petaling Jaya
Selangor Darul Ehsan,
Malaysia
Phone: 0011 603 7846 1025

GURNEY PARAGON
Lot 163D-4-02,
Gurney Paragon Mall
Persiaran Gurney
10250, Penang, Malaysia
Phone: 0011 604 229 8886

IOI CITY MALL
LG-27B & 28 Lower Ground Floor, IOI City Mall
IOI Resort, Lebuh IRC
Putrajaya 62502 Sepang
Selangor Darul Ehsan,
Malaysia
Phone: 0011 603 8957 7918

IKANO POWER CENTRE
Unit L1.10 & L2.07,
IPC Shopping Centre
No 2 Jalan PJU 7/2
Mutiara Damansara
47800 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Phone: 0011 603 7732 1688

MID VALLEY
Lot S-066, 2nd Floor (South Court) Mid Valley Megamall
Mid Valley City
Lingkaran Syed Putra
59100 Kuala Lumpur, Malaysia
Phone: 0011 603 2282 2860

MONT KIARA
Lot L2-07 & L2-08,1 Mont' Kiara
No 1 Jalan Kiara
50480 Kuala Lumpur, Malaysia
Phone: 0011 603 6203 6380

NU SENTRAL
Unit L3.01, Nu Sentral Mall,
KL Sentral
No. 201, Jalan Tun Sambathan
50470 Kuala Lumpur,
Malaysia
Phone: 0011 603 2260 7866

PAVILION
Lot 5.24.04 Level 5
Pavilion Kuala Lumpur
No. 168 Jalan Bukit Bintang
55100 Kuala Lumpur, Malaysia
Phone: 0011 603 2142 3735

PARADIGM MALL
Lot 1F-01 & 02, 1st Floor
Paradigm Mall
No.1 Jalan SS 7/26A,
Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan,
Malaysia
Phone: 0011 603 7887 3589

QUEENSBAY
Lot 2F-86 South Zone
Queensbay Mall
No 100 Persiaran Bayan Indah
11900 Bayan Lepas
Penang, Malaysia
Phone: 0011 604 630 8210

SETIA CITY MALL
L1-MM03, Setia City Mall
No. 7 Persiaran Setia Dagang
Bandar Setia Alam,
Seksyen U13
40170 Shah Alam,
Selangor Darul Ehsan,
Malaysia
Phone: 0011 603 3345 6085

SUNWAY PYRAMID
LG2.140 Lower Ground Two
Sunway Pyramid Shopping Centre
No. 3 Jalan PJS 11/15
Bandar Sunway
46150 Petaling Jaya
Selangor Darul Ehsan, Malaysia
Phone: 0011 603 5622 1300

SUNWAY VELOCITY
Level 3 & 4, Lot 3-24
Lingkaran SV Sunway Velocity
Sunway Velocity Mall
55100 Kuala Lumpur Malaysia
Phone: 0011 603 9226 6002

VIVACITY MEGAMALL
Unit L1-MA01, L1-MA02,
L1-017 & L2-MA02,
L2-019, L2-020
Level 1 & Level 2, Vivacity Megamall
Jalan Wan Alwi, 93350 Kuching
Sarawak, East Malaysia
Phone: 0011 60 82 263 433