Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

2022

ANNUAL REPORT

Australia
New Zealand
Singapore
Slovenia
Ireland
Northern Ireland
Malaysia
Croatia

2022 ANNUAL REPORT

Key Dates

17 October 2022
Record Date for Determining Entitlement to Final 2022 Dividend

14 November 2022
Payment of Final 2022 Dividend

24 November 2022 at 11:00am
Annual General Meeting of Shareholders

28 February 2023
Announcement of Half-Year Profit to 31 December 2022 & Announcement of Interim 2023 Dividend

3 April 2023
Record Date for Determining Entitlement to Interim Dividend

2 May 2023
Payment of Interim 2023 Dividend

Contents

Company Info

Registered Office
A1 Richmond Road,
Homebush West NSW 2140
Ph: 02 9201 6111
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Share Registry
Boardroom Pty Limited,
Level 12, 225 George Street,
Sydney NSW 2000
Ph: 02 9290 9600

Auditors
Ernst & Young (EY)

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

Solicitors
Brown Wright Stein

Company Secretary
Mr. Chris Mentis

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2022 RESULTS

EBITDA

$1.437 billion

Decrease of **$20.58 million** from FY21

Reported PBT

$1.140 billion

Decrease of **$42.09 million** from FY21

Income Tax Expense

$323 million

Decrease of **$13.12 million** from FY21

Net Property Revaluations

$213.68 million through P&L
$41.97 million through equity

vs. $140.37m through P&L & $55.18m through equity in FY21

Total System Sales Revenue

$9.558 billion

Decrease of **$163.13 million** from FY21

ARIARNE TITMUS

Australian Olympic Gold Medalist, Tokyo 2020 Olympics

Harvey Norman® is proud to partner with Ariarne Titmus throughout her Tokyo 2020 journey and now on the path to Paris 2024 including the recent 2022 Commonwealth Games in Birmingham, UK.

At her first Olympic outing, Ariarne remarkably took home two individual gold medals in the 200m and 400m freestyle, placing her among Australia's most successful swimmers. Most recently in Birmingham, Ariarne achieved a clean sweep with three individual gold medals in 200m, 400m and 800m freestyle, in addition to a gold medal for her relay team that won the 4 x 200m Freestyle relay. Ariarne, at 22 years old, finished all 3 of her individual events with Commonwealth Games records holding the status of one of the most dominant freestyle swimmers in the world as well as being the first athlete in 50 years to take out all 3 gold medals in the Commonwealth Games woman's freestyle. In addition, Ariarne broke Katie Ledecky's long standing 400m Freestyle World Record at the 2022 Australian Championships, placing her as one of the all-time middle distance greats.

Ariarne isn't shy of a challenge and has become an inspirational figure, with the highest engagement figures out of all Australian swimmers. Ariarne has proven to be an insightful speaker and a humble role model to future generations quoting in a post-game interview "I'm just from a small town in Tassie and this goes to show that if you believe you can do something you can 100% do it if you work for it". Ariarne also as gracious in defeat as she is in victory quoting "If I went to the Olympics and didn't win gold in the 400 but I swam the time I did, I would've still been happy because I would have swum the best that I could, it just hadn't been enough on that day".

Ariarne is passionate about health and fitness and is a self-confessed foodie.

Harvey Norman® proudly supporting Ariarne since 2020

2022 FINANCIAL HIGHLIGHTS

HARVEY NORMAN HOLDINGS LIMITED (HNHL)

EBITDA

$1.437bn

DOWN BY $20.58m or -1.4% FROM $1.457bn IN FY21
UP BY $491.88m or 52.1% FROM $944.67m IN FY20

EBITDA
Excluding AASB16 net impact and net property revaluations

$1.044bn

DOWN BY $102.83m or -9.0% FROM $1.147bn IN FY21
UP BY $301.26m or 40.6% FROM $742.47m IN FY20

EBIT

$1.193bn

DOWN BY $40.15m or -3.3% FROM $1.233bn IN FY21
UP BY $471.51m or 65.4% FROM $721.08m IN FY20

EBIT
Excluding AASB16 net impact and net property revaluations

$953.20m

DOWN BY $105.95m or -10.0% FROM $1.059bn IN FY21
UP BY $298.34m or 45.6% FROM $654.86m IN FY20

REPORTED PBT

$1.140bn

DOWN BY $42.09m or -3.6% FROM $1.183bn IN FY21
UP BY $479.15m or 72.5% FROM $661.29m IN FY20

PBT
Excluding AASB16 net impact and net property revaluations

$942.79m

DOWN BY $107.09m or -10.2% FROM $1.050bn IN FY21
UP BY $307.19m or 48.3% FROM $635.60m IN FY20

REPORTED PROFIT AFTER TAX & NCI

$811.53m

DOWN BY $29.89m or -3.6% FROM $841.41m IN FY21
UP BY $330.99m or 68.9% FROM $480.54m IN FY20

PROFIT AFTER TAX & NCI
Excluding AASB16 net impact and net property revaluations

$673.55m

DOWN BY $75.22m or -10.0% FROM $748.76m IN FY21
UP BY $211.38m or 45.7% FROM $462.16m IN FY20

TOTAL SYSTEM SALES REVENUE

$9.558 billion

AGGREGATED HEADLINE FRANCHISEE SALES REVENUE*...**$6.750bn**
COMPANY-OPERATED SALES REVENUE.........................**$2.807bn**

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

HNHL CONSOLIDATED REVENUES

$4.506 billion

SALES OF PRODUCTS TO CUSTOMERS.........................**$2.807bn**
REVENUE RECEIVED FROM FRANCHISEES.........................**$1.301bn**
REVENUES AND OTHER INCOME ITEMS.........................**$397.19m**

NET DEBT TO EQUITY: 10.31%

NET DEBT OF **$450.77m** in JUN-22 vs

NET DEBT OF $295.54m in JUN-21

UNUSED, AVAILABLE FINANCING FACILITIES OF
$189.64m

NET ASSETS
$4.29 billion
Up 10.3% from $3.89bn in Jun-21

BASIC EARNINGS PER SHARE
65.13c
Down from 67.53c in FY21
Up from 39.19c in FY20

DIVIDENDS PER SHARE (FULLY-FRANKED)
37.5c
Up from 35.0c in FY21

544 FRANCHISEES IN AUSTRALIA

195 FRANCHISED COMPLEXES IN AUSTRALIA

109 OVERSEAS COMPANY OPERATED STORES

Dear Shareholder,

COVID-19 has continued to have a significant impact on the operations and profitability of businesses across the globe. Amid these ongoing and unprecedented challenges, the 8 countries in which our brands operate have delivered solid results in FY22. The results achieved this year are a testament to the strength and resilience of our integrated retail, franchise, property and digital system.

Profit before tax excluding the effects of AASB 16 *Leases* and net property revaluations for FY22 was $942.79 million, down –10.2% on FY21. Our PBT for 1H22 was significantly affected by COVID government-mandated lockdowns in Australia, New Zealand and Malaysia ending the half down –20.1% on 1H21, but increased 3.5% in 2H22.

In Australia, our franchisees were negatively affected by the prolonged mandated lockdowns and closures of *'Delta'*, the business challenges presented by the emergence of *'Omicron'* prior to the peak Christmas trading period and the ongoing threat of rising rates of transmission, infection and re-infection presented by its sub-variants. Our franchisees have managed their businesses well by focusing on the customer journey and overall experience with the Harvey Norman®, Domayne® and Joyce Mayne® brands, including the continued application of COVID-safe practices to prioritise health and safety.

With 195 franchised complexes located within close proximity of their customers, franchisees have been able to fully embrace pandemic-inspired construction and renovation activity by offering the best range of technology and home and lifestyle products in their expansive showrooms. Household savings remain at record highs, growing by over $286 billion or 30% since the start of the pandemic, primarily skewed towards higher income households. Franchisees are well-placed to benefit from any unwind in the built-up household savings as they predominantly service the middle-to-upper product markets, and are expected to benefit from the sustained investment in the home as devices and appliances require replacement and upgrade. Geographically, approximately 65% of the franchised complexes are located in regional areas. The pandemic has resulted in a population shift from metropolitan cities to regional areas which is expected to support a base for sustained retail growth for franchisees.

Overseas, with the exception of our company-operated stores in New Zealand and Malaysia that were subjected to government-mandated closures during the first half of FY22, our company-operated stores in Singapore, Ireland, Northern Ireland, Slovenia and Croatia were open and trading throughout 2022. Our offshore company-operated retail segment remains strong representing 25% of total consolidated PBT (excluding net property revaluations).

Our property portfolio is robust and anchors our balance sheet. Our total freehold property segment assets of over $3.7 billion continues to deliver stable income streams and capital growth, appreciating in value by over $365 million or +11% this year for both freehold investment properties and owner-occupied properties.

We are pleased to report another solid net asset base, growing by 10% to $4.29 billion as at 30 June 2022, from $3.89 billion at the end of the previous financial year. This was achieved by managing a complementary and diverse operating model across all key home and lifestyle product categories that can be swiftly adapted to capitalise on the changing marketplace and navigate through headwinds that may arise.

We will continue to support our Australian franchisees and invest in our overseas company-operated stores so that they can continue to support and service their local communities and give their loyal customers an unparalleled retail experience. It is with your support and trust that we continue to build our brands to be the strongest home and lifestyle retailer.

Solid Financial Results

- Reported earnings before interest, tax, depreciation & amortisation (EBITDA) of **$1.437 billion**, down by $20.58 million or –1.4% from $1.457 billion in FY21, and up by $491.88 million or +52.1% from $944.67 million in FY20
  ► 1H22 down by $25.43 million or –3.3%; 2H22 up by $4.84 million or +0.7%.
- EBITDA (excluding AASB 16 impact and net property revaluations) of **$1.044 billion**, down by $102.83 million or –9.0% from $1.147 billion in FY21, and up by $301.26 million or +40.6% from $742.47 million in FY20
  ► 1H22 down by $121.15 million or –18.4%; 2H22 up by $18.32 million or +3.8%.
- Reported earnings before interest & tax (EBIT) of **$1.193 billion**, down by $40.15 million or –3.3% from $1.233 billion in FY21, and up by $471.51 million or +65.4% from $721.08 million in FY20.
- EBIT (excluding AASB 16 impact and net property revaluations) of **$953.20 million**, down by $105.95 million or –10.0% from $1.059 billion in FY21, and up by $298.34 million or +45.6% from $654.86 million in FY20
  ► 1H22 down by $122.34 million or –19.9%; 2H22 up by $16.39 million or +3.7%.
- Reported profit before tax (PBT) of **$1.140 billion**, down by $42.09 million or –3.6% from $1.183 billion in FY21, and up by $479.15 million or +72.5% from $661.29 million in FY20, delivering a robust **return on net assets of 26.6%** for FY22 compared to 30.4% in FY21 and 19.0% for FY20.

Solid Financial Results (continued)

- PBT (excluding AASB 16 impact and net property revaluations) of **$942.79 million**, down by $107.09 million or -10.2% from $1.050 billion in FY21, and up by $307.19 million or +48.3% from $635.60 million in FY20
  ► 1H22 down by $122.50 million or -20.1%; 2H22 up by $15.40 million or +3.5%.
- Net profit after tax and non-controlling interests (**NPAT&NCI**) of **$811.53 million**, down by $29.89 million or –3.6% from $841.41 million in FY21, and up by $330.99 million or +68.9% from $480.54 million in FY20
  ► 1H22 down by $31.12 million or -6.7%; 2H22 up by $1.23 million or +0.3%.
- NPAT&NCI (excluding AASB 16 impact and net property revaluations) of **$673.55 million**, down by $75.22 million or -10.0% from $748.76 million in FY21, and up by $211.38 million or +45.7% from $462.16 million in FY20
  ► 1H22 down by $86.58 million or -19.8%; 2H22 up by $11.36 million or +3.7%.
- **Overseas company-operated retail** profit result of **$232.00 million**, down by $8.80 million or -3.7%, amid government imposed lockdowns in 1H22 and the emerging headwinds affecting retail towards the end of FY22
  ► 1H22 down by $9.67 million or -7.0%; 2H22 up by $0.88 million or +0.9%.
- **Earnings per share** of **65.13 cents**, down by 2.40 cents or –3.6% from 67.53 cents in FY21, and up by 25.94 cents or +66.2% from 39.19 cents for FY20.
- Very strong balance sheet surpassing the $7 billion milestone for the first time, with **total assets of $7.25 billion**, up by $573.47 million or +8.6% primarily driven by organic growth from overseas store expansion and increases in the tangible freehold property portfolio.
- **Net assets** of **$4.29 billion** as 30 June 2022, up by $401.11 million, or +10.3%, from $3.89 billion as at 30 June 2021.

Property

- **30 June 2022:** 195 franchised complexes in Australia and 109 company-operated stores overseas.
- Strong freehold property portfolio valued at **$3.74 billion** as at 30 June 2022, up by $367.36 million or +10.9%, consisting of 95 freehold investment properties in Australia, 26 owner-occupied land and buildings in New Zealand, Singapore, Slovenia, Ireland and Australia and joint venture assets.
- 3 new franchised complexes opened in Australia during FY22 located at Murwillumbah, New South Wales (September 2021), Port Pirie, South Australia (November 2021) and Charters Towers, Queensland (April 2022).
- 1 new company-operated store opened in Malaysia in December 2021 located at Pavilion Bukit Jalil, Kuala Lumpur and 1 new commercial outlet opened in Hamilton, New Zealand in March 2022. The new store at Fonthill, Dublin, Ireland opened shortly after year-end (slightly delayed due to the pandemic). The proposed third Croatian store at Rijeka has been delayed to calendar 2023.
- During 2H22, the premium refit program, which was hampered by the government mandated closures during 1H22, was recommenced. Given COVID supply chain issues and labour shortages, we have reassessed expected completion dates and we now expect to complete up to 25 premium refits over the next 5 years.

We thank our staff for their continued loyalty and commitment to our long-term vision and strategy. Thank you to our loyal franchisees for successfully running their businesses amid the turbulence of the pandemic and changing retail environment, and for their continued support of their local communities. We value and appreciate the ongoing support and confidence of our shareholders in the leadership and future direction of our business.

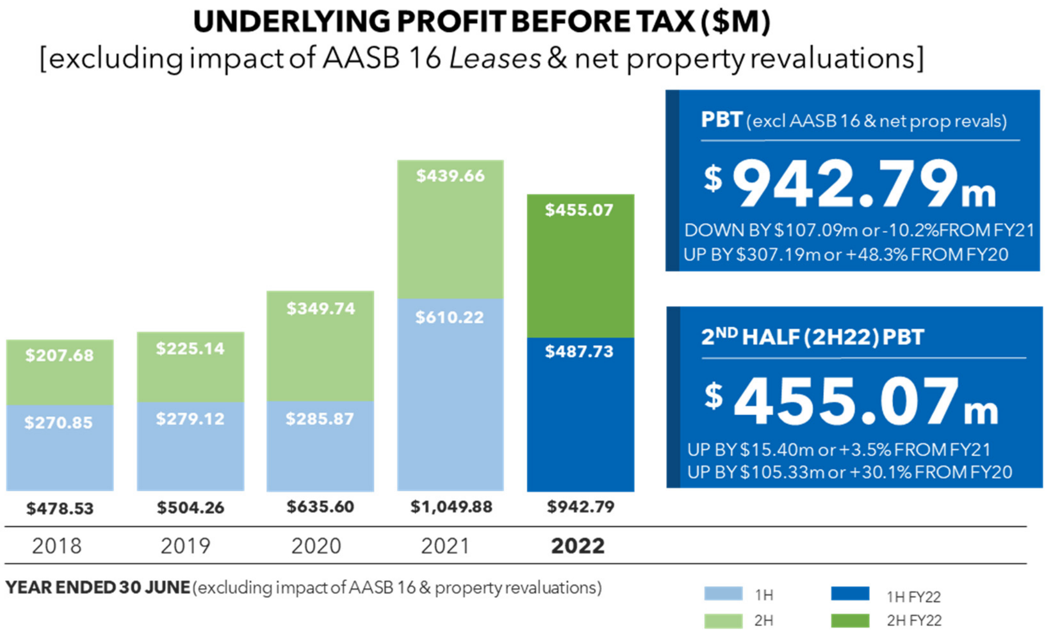
G. HARVEY Chairman Sydney 30 September 2022	K.L. PAGE Chief Executive Officer Sydney 30 September 2022

Group Results for 30 June 2022

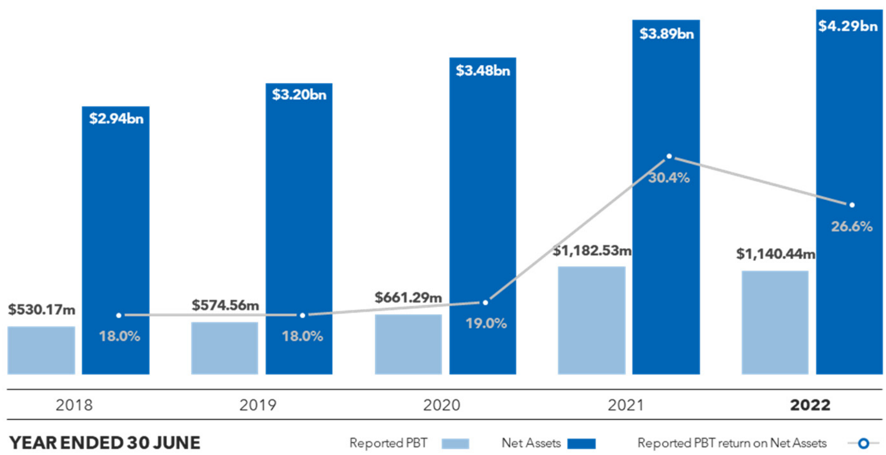
The directors are pleased to report a solid **profit before tax (PBT) result for the year ended 30 June 2022 (FY22) of $1.140 billion**, a decrease of $42.09 million, or -3.6%, from $1.183 billion for the year ended 30 June 2021 (**FY21**). When compared to a more stable recent reporting period such as the year ended 30 June 2020 (**FY20**), the FY22 result increased by $479.15 million or 72.5%.

In the first half of FY22 (**1H22**), our Australian franchisees were negatively affected by nearly 4-months of government-mandated lockdowns due to the *'Delta'* variant and there were protracted mandatory closures in our 2 largest overseas regions with all company-operated stores in New Zealand and Malaysia closed for varying periods. The second half of FY22 (**2H22**) saw an acceleration of consumer and business confidence as COVID restrictions eased, however, business challenges persisted with the emergence of macroeconomic headwinds affecting discretionary retail, exacerbated by geopolitical tensions, ongoing supply chain disruptions and labour shortages.

Excluding the effects of AASB 16 *Leases* and the net property revaluation adjustments in each year, profit before tax was **$942.79 million** for FY22, a decrease of $107.09 million, or -10.2%, from $1.050 million in FY21. When compared to the pre-pandemic levels of FY20, the FY22 increase was $307.19 million or up 48.3%. 1H22 resulted in a decline in profitability for the consolidated entity by $122.50 million or -20.1%, from $610.22 million in 1H21 to $487.73 million in 1H22. We significantly improved in the second half, with **2H22 generating a record second half with PBT of $455.07 million excluding the AASB 16 and net property revaluation adjustments, growing by $15.40 million or 3.5%,** from $439.66 million in 2H21.



The PBT return on net assets was 26.6% for FY22, compared to a PBT return on net assets of 30.4% for FY21 and 19.0% for FY20.



Reported profit after tax and non-controlling interests was $811.53 million for FY22, a decrease of $29.89 million or -3.6%, from $841.41 million in FY21, and an increase of $330.99 million or 68.9% from FY20. Excluding the after-tax effects of net property revaluation adjustments and AASB 16 *Leases* in each year, profit after tax was $673.55 million for FY22, a decrease of $75.22 million or -10.0% from $748.76 million in FY21, and an increase of $211.38 million or 45.7% from FY20. The effective tax rate for the consolidated entity was 28.28% for FY22 compared to an effective tax rate of 28.39% for FY21. The effective tax rate of the consolidated entity is akin to the 30% corporate tax rate in Australia, despite the corporate tax rates of the 7 overseas countries where our company-operated retail stores operate ranging from 12.5% to 28%.

Segment Analysis

An Integrated Retail, Franchise, Property and Digital System

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

1 Overseas Company–Operated Retail Segment

$232.00m

Profit Before Tax
Representing **20.3%** of PBT
or **25.0%** (excluding net property revaluations)

Down by $8.80m or –3.7% on FY21

Up by $79.92m or +52.6% on FY20

Retail revenue for the overseas company-operated retail segment was $2.63 billion for FY22, up by $28.14 million or +1.1% from FY21. Offshore growth moderated this year due to extensive hard lockdowns and closures in New Zealand and Malaysia during 1H22, coupled with supply-chain disruptions due to COVID-19 and the emerging headwinds affecting retail towards the end of FY22.

Profit before tax of the overseas company-operated retail segment was $232.00 million for FY22, a decrease of $8.80 million or -3.7%. Profitability improved in the second half, with an aggregate result of $103.52 million, increasing by $0.88 million, or +0.9%, in 2H22 after declining by -$9.67 million, or -7.0%, in aggregate for 1H22.

The retail result for NZ decreased by $12.53 million or -8.9%, to $129.08 million in FY22.

The retail result for Singapore and Malaysia increased by $9.45 million or +26.3%, to $45.36 million in FY22.

The retail result for Ireland and Northern Ireland decreased by $5.73 million or -11.0%, to $46.16 million in FY22.

The retail result for Slovenia and Croatia remained consistent with the previous year at $11.40 million.

2 Franchising Operations Segment

$553.02m

Profit Before Tax
Representing **48.5%** of PBT

Down by $75.17m or –12.0% on FY21

Up by $204.42m or 58.6% on FY20

Profitability of the franchising operations (**FO**) segment declined by $75.17 million or -12.0% to $553.02 million for FY22, compared to $628.19 million for FY21. The FO segment improved significantly in 2H22, increasing by $15.94 million, or +6.5%, to $260.16 million, after being down by -$91.11 million, or -23.7%, in 1H22. The profitability of this segment was negatively impacted by approximately four months of government mandated closures in NSW, VIC and the ACT in response to the *'Delta'* variant in 1H22, the challenges presented by the *'Omicron'* variant in 2H22 and the emergence of macroeconomic headwinds affecting discretionary retail towards the end of FY22.

This decrease was due to a reduction in FO segment revenues by $44.54 million or -3.6%, to $1.19 billion for FY22, primarily due to a decrease in franchise fees received from franchisees by $42.59 million or -4.0%, on the back of a 2.9% decrease in aggregated franchisee sales revenue to $6.75 billion for FY22, compared to $6.95 billion for FY21. Profitability was also impacted by rent waivers provided by the franchisor to those franchisees affected by retail closures in NSW, VIC and ACT and a rise in brand support advertising costs to promote and enhance the Harvey Norman®, Domayne® and Joyce Mayne® brands.

The FO margin was 8.19% for FY22, compared to 9.04% for FY21 and 5.66% for FY20.

3 Property Segment

$366.48m

Profit Before Tax
Representing **32.1%** of PBT

Up by $74.94m or +25.7% on FY21

Up by $193.30m or +111.6% on FY20

The retail property segment delivered a strong result of $370.10 million in FY22 compared to a result of $291.79 million in FY21, an increase of $78.31 million or +26.8%.

This was primarily achieved by a $73.31 million increase in the net property revaluation increment to $213.68 million for FY22, up from a net revaluation increment of $140.37 million for FY21.

Excluding net property revaluations, the retail property segment grew by $9.11 million, or +11.6%, to $87.63 million in 2H22, after being down by -$4.11 million, or -5.6% in 1H22.

Strong freehold property portfolio valued at $3.74 billion as at 30 June 2022, up by $367.36 million or +10.9%.

Leasehold property portfolio valued at $1.15 billion as at 30 June 2022, $675.60 million relating to leases of investment properties sub-leased to external parties and $472.51 million relating to leases of owner-occupied properties and plant and equipment assets.

The Franchising Operations Segment in Australia

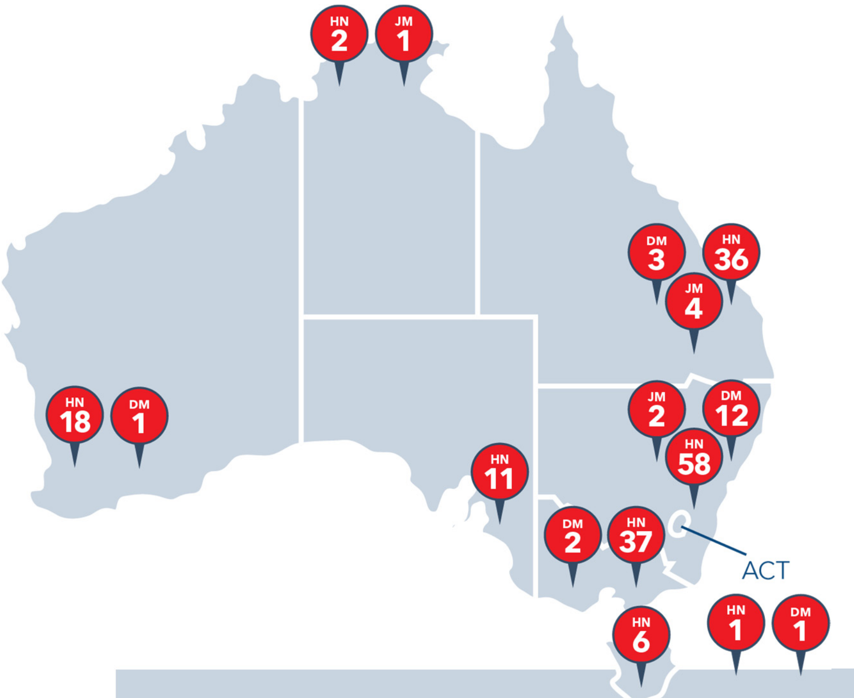
The Franchised Operating Model in Australia

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

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

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

Each franchisee pays franchise fees to a franchisor pursuant to a franchise agreement between that franchisee and that franchisor. The franchising operations segment in Australia captures and records the franchise fees received from franchisees including gross franchise fees, rent and outgoings for the use of a branded complex and interest on the financial accommodation facility that is made available to each franchisee. The franchising operations segment also includes the costs of operating the franchised system and monitoring and evaluating the performance and compliance of franchisees with their franchise agreements.



With an unrivalled national store and click & collect network, the Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes are an easy drive for the vast majority of the Australian population, with further growth planned in the coming years.

169 Harvey Norman Franchised Complexes

19 DOMAYNE Franchised Complexes

7 JOYCE MAYNE Franchised Complexes

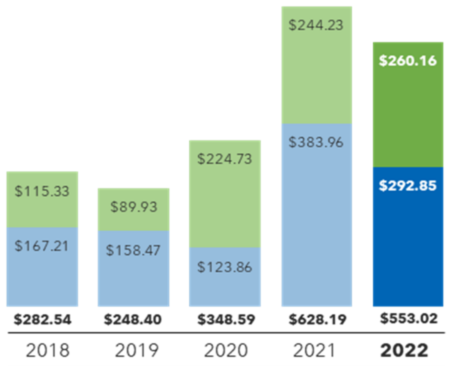
544 Independent franchisees carrying on their business under Harvey Norman®, Domayne® and Joyce Mayne® brands.

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

As planned, the consolidated entity opened three Harvey Norman® franchised complexes in Australia during FY22 located at Murwillumbah, New South Wales (September 2021), Port Pirie, South Australia (November 2021) and Charters Towers, Queensland (April 2022), bringing the total number of franchised complexes in Australia to 195 as at 30 June 2022.

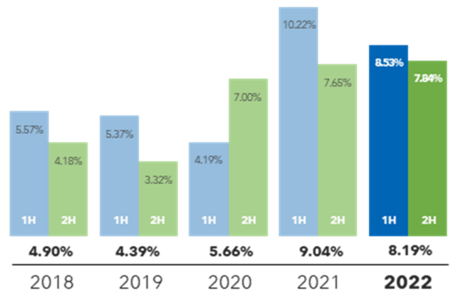
The Franchising Operations Segment in Australia (continued)

FRANCHISING OPERATIONS SEGMENT PBT ($M)



YEAR ENDED 30 JUNE

FRANCHISING OPERATIONS MARGIN %



YEAR ENDED 30 JUNE

FRANCHISING OPERATIONS SEGMENT PBT

$553.02m

DOWN BY -$75.17m OR -12.0% FROM FY21
UP BY $204.42 OR 58.6% FROM FY20

FRANCHISING OPERATIONS MARGIN

8.19%

DOWN FROM 9.04% FROM FY21
UP FROM 5.66% FROM FY21

1H | 2H | 1H FY22 | 2H FY22

1H22 delivered a **franchising operations (FO) segment PBT result of $292.85 million**, a decrease of $91.11 million or -23.7%, from $383.96 million in 1H21, and a **franchising operations margin of 8.53% for 1H22** compared to 10.22% in 1H21. When compared to a more stable recent retail period in 1H20 which generated an FO segment PBT of $123.86 million, the 1H22 result was up by 136.4%. The FO segment outperformed in 2H22, generating an **FO segment PBT result of $260.16 million, an increase of $15.94 million or 6.5%,** from the record FO segment PBT result in 2H21 of $244.23 million, and an increase of $35.43 million or 15.8%, from the FO segment PBT result in 2H20 of $224.73 million. The FO margin was 7.84% for 2H22 compared to 7.65% in 2H21. The strong second half placed us in good stead to close out FY22 with an **FO segment PBT result of $553.02 million**, a decrease of $75.17 million or -12.0%, from $628.19 million in FY21, and an **FO margin of 8.19% for FY22** compared to 9.04% in FY21. When compared to FY20, the increase in the FY22 FO segment PBT result was $204.42 million or 58.6%.

The reduction in the FO segment PBT result is primarily due to the decrease in FO segment revenues by $44.54 million or -3.6%, from a record $1.24 billion in FY21 to $1.19 billion in FY22. Gross franchise fees received from Harvey Norman®, Domayne® and Joyce Mayne® franchisees declined by $42.59 million, directly attributable to the 2.9% reduction in aggregate franchisee sales revenue which underpins the FO segment from $6.95 billion in FY21 to $6.75 billion in FY22. The majority of this reduction was in 1Q22 where franchisee sales decreased by -16.5% compared to 1Q21 due to the government-mandated retail closures in franchised complexes in NSW, VIC and the ACT for the majority of the quarter. FO revenue improved in 2Q22 as the *'Delta'* restrictions progressively lifted from mid October 2021, with the pent-up demand resulting in an acceleration in franchisee sales post lockdown to close out 2Q22 only 1.7% down on 2Q21, which was a record sales quarter for franchisees. Despite the *'Omicron'* challenges in 2H22, both 3Q22 and 4Q22 saw growth in franchisee sales by 2.8% and 4.9% respectively compared to 3Q21 and 4Q21.

In addition, FO segment revenues were impacted by a reduction in rent and outgoings received from franchisees during FY22 as full or partial rent waivers were provided to external tenants and Harvey Norman®, Domayne® and Joyce Mayne® franchisees affected by the retail closures in NSW, VIC and ACT for approximately a 4-month period from July 2021 to mid-October 2021 in order to protect and enhance the brands. These rent waivers amounted to $19.58 million, of which $10.76 million related to properties owned by the consolidated entity (and recorded in the Property Segment) and $8.82 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment). During FY21, $9.85 million of rent waivers were provided to external tenants and franchisees affected by the 11-week government-mandated Stage 4 lockdown in greater Melbourne, Victoria, of which $5.78 million related to owned properties and $4.07 million related to leased properties.

The FO segment PBT result was also affected by a rise in brand advertising costs to promote and enhance the Harvey Norman®, Domayne® and Joyce Mayne® brands.

FRANCHISING OPERATIONS SEGMENT		1H	2H	FY
Franchising Operations Segment PBT ($m)	FY22	$292.85m	$260.16m	$553.02m
	FY21	$383.96m	$244.23m	$628.19m
	FY20	$123.86m	$224.73m	$348.59m
Franchisee Aggregated Sales Revenue* ($bn)	FY22	$3.433bn	$3.32bn	$6.75bn
	FY21	$3.758bn	$3.19bn	$6.95bn
	FY20	$2.953bn	$3.21bn	$6.16bn
Franchising Operations Margin (%)	FY22	8.53%	7.84%	8.19%
	FY21	10.22%	7.65%	9.04%
	FY20	4.19%	7.00%	5.66%

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

Australian Franchisee Sales Revenue Underpins the Franchising Operations Segment

TOTAL FRANCHISEE SALES
YEAR ENDED 30 JUNE 2022

$6.75bn DOWN BY -2.9% ON FY21
UP BY 9.5% ON FY20

COMPARABLE FRANCHISEE SALES
YEAR ENDED 30 JUNE 2022

$6.74bn DOWN BY -2.7% ON FY21
UP BY 9.9% ON FY20

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 provided to the market as it is a key indicator of the performance of the franchising operations segment.

The COVID-19 *'Delta'* variant , identified in Australia in mid-June 2021, kickstarted nearly 4-months of protracted rolling lockdowns across most states and territories across Australia from July 2021 affecting over 15 million people, or 58% of the Australian population. Australian franchisees were adversely affected with hard lockdowns throughout most cities and regions in NSW, VIC and the ACT, representing retail closures of nearly 60% of the total number of Australian Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes for the majority of 1Q22. These closures resulted in a reduction in franchisee sales by –16.5% in 1Q22 compared to 1Q21. By comparison, retail closures last year were not as widespread, limited to franchised complexes located in greater Melbourne, VIC for an 11-week period, representing less than 10% of the total number of Australian franchised complexes.

Franchisee sales rebounded during 2Q22 as the *'Delta'* restrictions progressively lifted from mid-October 2021, with the pent-up demand resulting in an acceleration in franchisee sales post lockdown. This momentum continued into the Christmas trading period despite the looming threat of *'Omicron'* to close out 2Q22 only 1.7% down on the record 2Q21 last year.

During the second half of FY22, franchisee sales improved considerably with record 3Q22 franchisee sales, up 2.8% relative to 3Q21, and 4Q22 franchisee sales increasing by 4.9% compared to 4Q21. The second half growth saw franchisee sales close out at $6.75 billion this year to be only down 2.9% from $6.95 billion in FY21 (1H22 was down 8.7% compared to 1H21).

When compared to a more stable, comparable recent retail period in FY20 which generated aggregated franchisee sales of $6.16 billion, franchisee sales for FY22 grew by 9.5%.

The demand for home, lifestyle and technology products has continued with strong sales in whitegoods, televisions and small appliances throughout the year. Large screen and smart TV's designed to deliver an outstanding gaming, movie and sports viewing experience have continued to be a growth category for franchisees.

Within the family kitchen, cooking appliances and everyday small kitchen essentials that deliver innovation, efficiency as well as cutting-edge style have also stood out and an increasingly health aware consumer has also led to growth in the expanding category of air purification.

The technology franchisees have continued to perform well in the high demand category of personal computers, as consumers continue to expand their hybrid work environments, using more technology more often. This led to strong growth in computer monitors, along with the required peripherals to achieve full functionality. As consumers looked to outdoor activities, the franchisees saw solid demand for drones and scooters. For indoor activities, solid demand was experienced for gaming and crafting.

The smart phone category continues to show solid growth, as consumers upgrade to the latest mobile phones, supported by increasing demand for accessories to suit. With the connected home category starting to mature, franchisees saw more consumers being comfortable to expand the number of devices they have connected at home, such as security cameras, lighting and higher performing Wi-Fi connectivity.

The government-mandated retail closures in NSW, VIC and the ACT adversely affected the sales of furniture and bedding franchisees in 1H22 resulting in consumers deferring home furnishing purchases until the restrictions lifted. However, franchisees have seen furniture and bedding sales stabilise post lockdown throughout the second half of the financial year.

Proactive planning by franchisees throughout 2022, in managing a balanced and appropriate inventory level to satisfy consumer demand, has been important to mitigate persistent supply chain disruptions. As the uncertainty within supply chains eased within the second half of FY22, franchisees are well positioned to take advantage of new inventory ranges into the first half of FY23.

A 'Customer-Centric' Strategy

The consolidated entity has continued to build on investments in technology, digital transformation and infrastructure to further enhance the capabilities of Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia and company-operated stores overseas. Specific focus has been placed on allowing them to deliver Shop-Safe experiences for customers, improving COVID-Safe practices and executing a customer-centric strategy.

During FY22, the consolidated entity completed its finance transformation project in Australia with the implementation of a new financial general ledger system in April 2022. The consolidated entity also improved and enhanced our digital offering, including the implementation of a new digital gift card system.

New Customer First System
The Customer First system is central to the customer-centric strategy. It has been designed to support customer service for Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia and company-operated stores overseas. The new and improved system allows customers to be supported wherever they are, on whichever device and messaging platform they use every day.

Personalised Experience
Customers are now enjoying the same personalised experience online that they receive inside franchised complexes with the implementation of the Swogo personalisation solution. This presents customers with personalised, complementary products to help enhance their product experience at the click of a button. This solution continually adapts and evolves, improving over time to ensure Harvey Norman® customers are always given the best possible experience.

New Help and Support Page
The new Help and Support page enables customers to quickly get the information they need or to connect with a Product or Support expert in one of our 195 franchised complexes. Customers can connect to support via all popular messaging services, including LiveChat and even good old-fashioned email.

A 'Customer-Centric' Strategy (continued)

Click & Collect Improvements
Click & Collect has never been faster or more convenient. With over 80% of orders ready within one hour, Harvey Norman® customers continue to enjoy great speed and customer service, utilising the Microsoft Teams based system. Improved communications have gone live, providing customers with more accurate pickup location information inside franchised complexes and franchisee warehouses in Australia, as well as company-operated stores overseas.

Work has continued to improve and enhance the Microsoft Teams based system and to be able to push updates to Click & Collect customers, acknowledging the status of their orders. Through integrated notifications, the customer can, at the press of an "On My Way" or "Arrived" button on their device, advise the store that they are on their way to collect their order either in-store or to have it delivered direct to their car. This assists the franchisee to be fully prepared for their customer when they arrive. Stores have dedicated Click & Collect parking bays and in-store desks to ensure pickup is a frictionless experience. In the last year, customers using this system rated Harvey Norman at a CSAT (Customer Satisfaction) score of over 90%.

LiveChat - Via Web and Messaging Services
Harvey Norman® pioneered LiveChat and Messaging in Australia to help answer online customer questions. Over the last year, Harvey Norman® has continued to improve the AI-powered chatbots within a multitude of the online messaging channels.

Harvey Norman® wants to make life easier for customers, wherever they are, by fitting into their schedule and being on the messaging platforms they prefer. Scalable messaging is available on Apple Business Chat, WhatsApp, Facebook Messenger, and SMS.

Chatbots continue to help automate the customer service, so customers can connect with Harvey Norman 24/7. As an example. Chatbots can help customers wanting order updates and store trading hours, allowing LiveChat and Messaging agents to focus more on specific consumer needs and products.

STORE
SHOP IN STORE

CONTACTLESS CLICK & COLLECT

CONTACTLESS DELIVERY

HN
PHONE YOUR LOCAL STORE

HN.COM.AU
OPEN 24/7 ONLINE

LIVE CHAT HERE TO HELP

CLICK & COLLECT · trak · Store Finder · QuickReserve

Overseas Company-Operated Retail Segment

25%
OF TOTAL CONSOLIDATED PBT
(excluding net property revaluations)

FY22 OFFSHORE RETAIL REVENUE
$2.63bn
UP BY $28.14m or +1.1% on FY21
UP BY $508.25m or +23.9% on FY20

FY22 OFFSHORE RETAIL PBT
$232.00m
DOWN BY $8.80m or -3.7% on FY21
UP BY $79.92m or +52.6% on FY20

Overseas, the 109 Harvey Norman® branded stores are company -owned and company-operated.

Outside of Australia, we trade in seven offshore countries: New Zealand (44 stores); Singapore (14 stores); Slovenia (5 stores); Ireland (15 stores); Malaysia (27 stores); Northern Ireland (2 stores); and Croatia (2 stores).

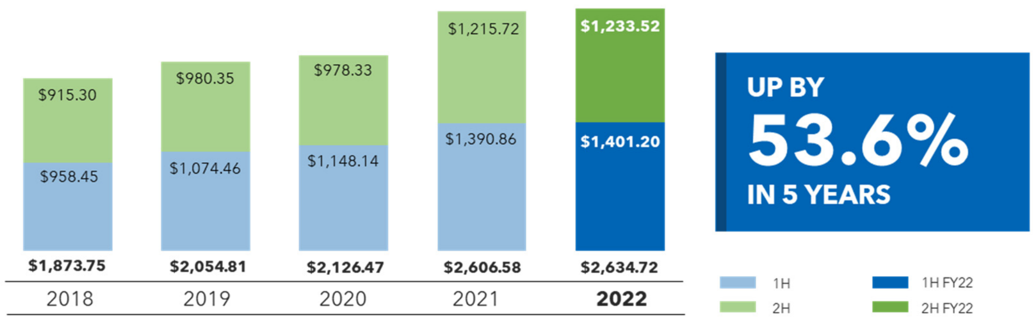
Our 'Flagship Strategy' was completed in 2018, where each country redeveloped and launched their flagship store, setting a course for excellence and an unrivalled, aspirational shopping experience in each country. Each flagship store paved the way for the Harvey Norman® brand overseas, with our overseas company-operated retail segment now representing **25% of total consolidated PBT** excluding net property revaluations. The objective is to build on this growth and expand our international footprint, particularly in the emerging economies of Southeast Asia and Eastern Europe.

Our overseas businesses employ over 5,000 full-time and part-time staff and we continue to prioritise the safety and livelihoods of our employees to ensure that they are not disadvantaged by government-mandated closures and can continue to work in a COVID-safe manner.

Total overseas retail revenue has grown to **$2.63 billion for FY22**, an increase of $28.14 million or +1.1% from FY21. Overseas growth has moderated from previous levels due to extensive government mandated lockdowns in New Zealand and Malaysia in the first half of FY22. In New Zealand, 1H22 saw the closure of all 11 stores and 2 outlets in Auckland for 12-weeks and the 30 stores outside of Auckland were closed for 3-weeks. In Malaysia, all stores were closed to the public for a 7-week period in 1H22. Whilst sales recovered quickly after restrictions lifted, supply-chain disruptions due to COVID-19 continued to curtail sales, particularly in the furniture and bedding categories. 2H22 brought in new challenges including the emergence of geopolitical factors, rising cost-of-living pressures and the softening of previously buoyant macroeconomic conditions, amid the ongoing presence of the pandemic from the *'Omicron'* variant.

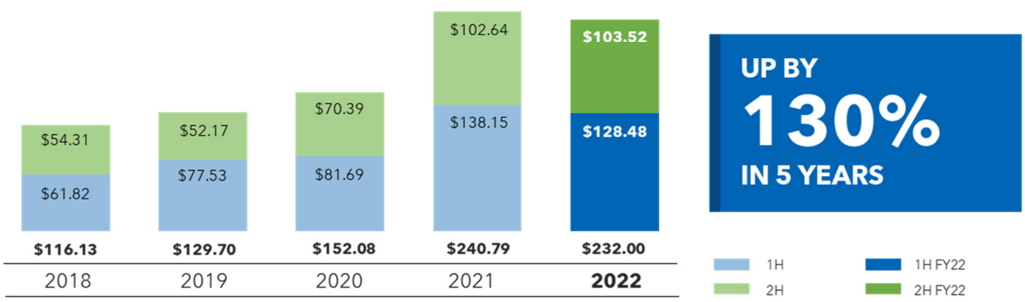
The Harvey Norman® brand is strong overseas and continues to be the preferred Home and Lifestyle retailer across key product categories overseas. The sustained investment in the brand, coupled with a sound offshore expansion strategy, has continued to underpin a solid offshore result this year. Total overseas retail PBT was **$232.00 million for FY22**.

TOTAL OVERSEAS RETAIL REVENUE ($AUD M)



YEAR ENDED 30 JUNE

TOTAL OVERSEAS RETAIL PROFIT RESULT ($AUD M)

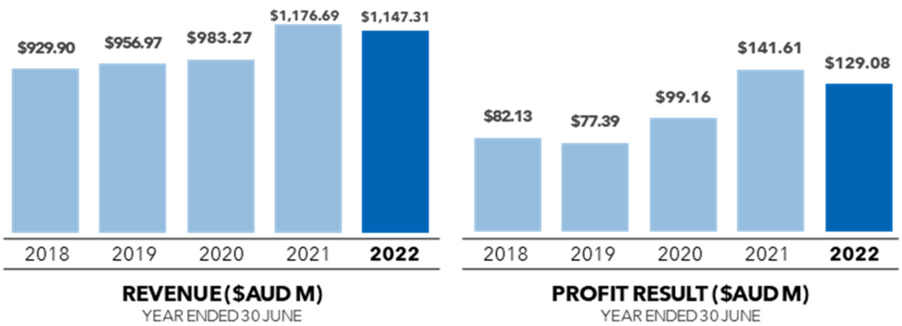


YEAR ENDED 30 JUNE

Overseas Company-Operated Retail Segment (continued)

NEW ZEALAND

NEW ZEALAND FLAGSHIP
Walrau Park, Auckland (Launched Jun 2018)



New Zealand
44 Harvey Norman® Company-Operated Stores

In New Zealand, sales and profitability were adversely impacted in 1H22 by the nationwide imposition of Alert Level 3 & 4 lock-downs from 18 August 2021, closing all 11 retail stores and 2 outlets in Auckland for a 12-week period up to 10 November 2021 (closure of 84 days), and closing all 30 retail stores outside of Auckland for a 3-week period, with limited re-opening to customers commencing from 7 September 2021 (closure of 21 days). Online trade during 1H22 was also restricted to essential goods only for a limited period, and with no store click & collect permitted for Auckland stores up to 21 September 2021. Lockdowns in 1H21 were not as widespread or prolonged, with Alert Level 3 Restrictions in the Auckland region only, requiring the closure of retail stores in Auckland for a 19-day period from 12 August 2020 to 30 August 2020.

Sales rebounded as the restrictions lifted as the pent-up demand, especially for premium electrical appliances and televisions which were deferred during the extended hard lockdowns, buoyed retail sales into the peak Christmas trading period. In local currency, sales were **NZ$614.93 million for 1H22, decreasing by NZ$22.72 million or -3.6%** from NZ$637.66 million in 1H21. When translated to Australian dollars, sales were **$586.43 million for 1H22**, down by $7.95 million or -1.3% from $594.39 million in 1H21, assisted by a 2.31% appreciation of the NZ dollar relative to the AUD on translation. However, when compared against the pre-pandemic sales of $503.90 million for 1H20, sales **increased by $82.53 million, or +16.4%**.

The 2nd half of FY22 (**2H22**) was marred by the challenges of the *'Omicron'* variant, falling residential property prices and a swift reversal of previously strong macroeconomic conditions, resulting in a decline in consumer and business confidence. Foot traffic at our NZ stores decreased towards the end of FY22, as consumers tightened their household budgets due to cost of living pressures. The sales decline was exacerbated by the ongoing supply chain issues, including import and delivery delays due to port congestion and global logistical constraints from COVID-19. This was partially offset by the opening of the commercial outlet in Hamilton, New Zealand on 1 March 2022.

In local currency, sales were **NZ$578.69 million for 2H22, decreasing by NZ$17.00 million or -2.9%** from NZ$595.69 million in 2H21. When translated to Australian dollars, sales were **$532.66 million for 2H22**, down by $21.11 million or -3.8% from $553.76 million in 2H21. However, when compared against 2H20, sales **increased by $76.37 million, or +16.7%**.

In light of the persistent challenges of the pandemic and the headwinds affecting retail this year, the NZ business is pleased to report solid sales in local currency of **NZ$1.19 billion for FY22**, a decrease of NZ$39.72 million or -3.2%, from $1.23 billion in FY21. In Australian dollars, sales for FY22 have surpassed the billion dollar milestone for a second year in a row, at **$1.12 billion for FY22**, down by $29.06 million or -2.5% from $1.15 billion in FY21. When compared to FY20, the sales increase was $158.90 million or +16.6%.

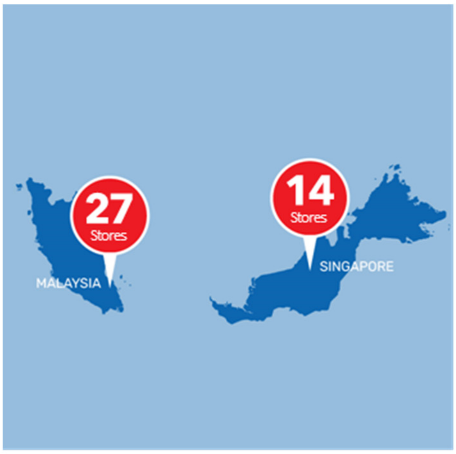
The Harvey Norman® brand remains strong in NZ, with our NZ business continuing to be the market leader across key Home and Lifestyle categories. The electrical and small appliances categories continue to grow market share in a difficult retail period. The furniture and bedding categories were affected by the prolonged closures and reduction in foot traffic, coupled with supply chain issues constraining stock and delivery lead times.

In local currency, the retail profit for FY22 was **NZ$137.67 million, a decrease of NZ$14.44 million or -9.5%**. When translated to Australian dollars, the retail result was **$129.08 million** for FY22, down by $12.53 million or -8.9% from $141.61 million in FY21. Compared to FY20, the increase in retail profit was $29.92 million or +30.2%.

The impact of the nationwide lockdown during 1H22 and the emergence of retail headwinds during 2H22, were partially moderated by a full year's contribution from the 3 stores that opened during FY21, coupled with sound inventory management and effective cost control to preserve cashflow.

In line with the directive of the consolidated entity, the NZ business continued to prioritise the health, safety and well-being of their staff and customers. The NZ business employs approximately 2,000 full-time and part-time employees across 44 Harvey Norman® stores and, despite the restrictions to trade and closures and the tight labour market in NZ, the consolidated entity ensured that the livelihoods of their employees were protected and maintained throughout FY22.

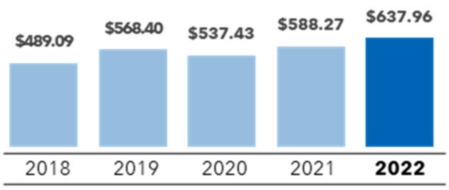
Overseas Company-Operated Retail Segment (continued)



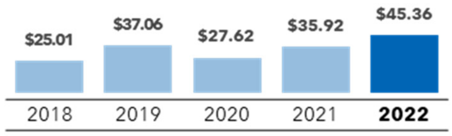
SINGAPORE & MALAYSIA

SINGAPORE FLAGSHIP
Millenia Walk (Launched Dec 2015)

MALAYSIA FLAGSHIP
Ikano, Kuala Lumpur (Launched Nov 2017)



REVENUE ($AUD M)
YEAR ENDED 30 JUNE



PROFIT RESULT ($AUD M)
YEAR ENDED 30 JUNE

Singapore and Malaysia

This segment is comprised of 14 Harvey Norman® stores in Singapore, 27 Harvey Norman® stores in Malaysia and the Space Furniture® branded lifestyle stores in Singapore and Malaysia.

Malaysia | Sales Revenue

27 Harvey Norman® Company-Operated Stores

In Malaysia, sales and profitability for the 27 Harvey Norman® company-operated stores were negatively impacted in 1H22 by the re-imposition of the Full Movement Control Order on 28 May 2021, leading to extensive lockdowns from 1 June 2021. During 1H22, there was a full closure of all Malaysian stores (online trade permitted) for a 7-week period (closure of 51 days), with a limited opening to customers commencing from 21 August 2021. This is in contrast to a period of growth and expansion in 1H21, surging sales on the back of pent-up demand from closures in the early months of the pandemic and no physical retail closures in 1H21.

Sales were solid when the stores re-opened to the public and, from October 2021 as most regions entered into Phase 4 of the National Recovery Plan, the high vaccination rates across the country allowed sales to return largely to pre-lockdown levels for key product categories. Unfortunately, the flagship store at Ikano, Kuala Lumpur was adversely impacted by the severe floods in the Klang Valley in mid-December 2021 causing damage and disruption to the main warehouse and delaying sales to the new year.

Despite the full 6-month's contribution of the 3 Malaysian stores that opened in FY21, 1H22 sales were **S$112.10 million,** a decrease of S$14.29 million, or –11.3%, from S$126.40 million in 1H21. When translated to Australian dollars, sales were **$113.05 million**, a reduction of $15.50 million, or –12.1%.

As planned, we have continued with our expansion plans in Malaysia and opened the new store at Pavilion Bukit Jalil on 3 December 2021. Sales rebounded strongly in 2H22, increasing by S$29.32 million or +25.2% to S$145.84 million, from S$116.52 million in 2H21. When translated to Australian dollars, 2H22 sales were $148.31 million, up by $35.23 million or +31.2%, from $113.08 million in 2H21. Sales were robust in the second half due to the uptick in trade for the flagship store following the pre-Christmas flood, the restoration of consumer and business confidence after a prolonged lockdown period and the solid sales contribution of the new Pavilion Bukit Jalil store and the 3 stores that were opened last year. On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase of COVID-19, with all remaining restrictions on business operating hours removed, buoying sales through to the end of FY22.

Despite the persistent supply-chain challenges and the threat of macroeconomic pressures in the last couple of months of 2022, full-year Malaysian sales for FY22 were S$257.94 million, an increase of $15.03 million or +6.2%, from S$242.92 million in FY21

In Australian dollars, sales were $261.37 million for FY22, up by $19.73 million or +8.2%, from $241.64 million in FY21, assisted by a 1.9% appreciation in the Singaporean dollar relative to the AUD. Malaysia continues to be our platform for organic growth in Asia and we are on track with the further 3 planned store openings by the end of FY23.

Singapore | Sales Revenue

14 Harvey Norman® Company-Operated Stores

In Singapore, there were no COVID-related closures during FY22, as the local population transitioned back to pre-COVID activity attributable to the high level of vaccination in the country and a proportionate response to any spike in COVID cases. However, a Heightened Alert Announcement between 22 July 2021 and 18 August 2021 resulted in lower footfall curtailing retail trade during that period.

Sales for the 14 Harvey Norman® company-operated stores for FY22 were **S$337.96 million,** an increase of S$13.77 million, or +4.3%, from S$324.19 million in FY21. When translated to Australian dollars, sales were **$342.44 million**, an increase of $19.96 million, or +6.2%. FY22 benefitted from a full year's contribution of the 3 stores that opened in Singapore in the first half of FY21.

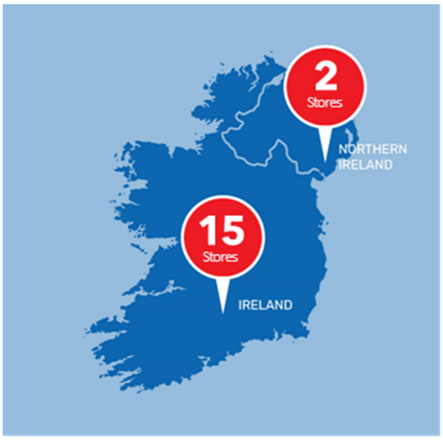
As the country gradually returned to normality, new housing projects commenced or were completed during FY22 after significant delays due to the pandemic. This underpinned the growth in furniture and bedding sales as more customers shopped in-store to invest in their new homes. This also led to solid growth in the electrical category, particularly in premium home appliances and audio visual upgrades. The resumption of international travel, and the addition of more countries on the 'Active Vaccinated Travel Lane' is expected to continue to stimulate the local economy and underpin retail trade in Singapore as more people are permitted to enter and work in the country.

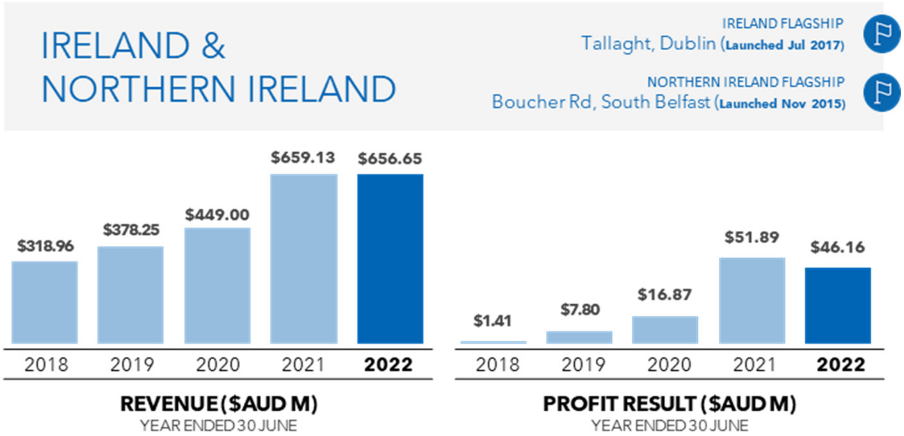
Retail – Singapore and Malaysia: Sales & Segment Result

Aggregated sales revenue for the Harvey Norman® and Space Furniture® brands in Asia totalled **S$613.09 million in local currency for FY22, an increase of S$32.55 million, or +5.6%,** from S$580.54 million in FY21. On translation to Australian dollars, aggregated sales revenue for Asia was $621.23 million, an increase of $43.75 million or +7.6%, from $577.48 million in FY21.

The segment profit result of the Harvey Norman® and Space Furniture® brands in Asia was **$45.36 million for FY22,** a solid increase of $9.45 million, or +26.3%, from $35.92 million in FY21. After closing 1H22 slightly down on 1H21, profitability in 2H22 increased by $9.59 million or up +63.3% to $24.75 million, compared to a segment profit for Asia of $15.16 million in 2H21.

Overseas Company-Operated Retail Segment (continued)





Ireland
15 Harvey Norman® Company-Operated Stores

In Ireland, sales in local currency increased to **€399.98 million for FY22, up by €8.10 million or +2.1%**, from €391.89 million in FY21. 1H22 sales were strong, growing by €12.96 million or +5.9% to €233.71 million, from €220.75 million in 1H21. Irish sales moderated to €166.28 million in 2H22, decreasing by €4.86 million or –2.8%, from €171.14 million in 2H21.

When translated to Australian dollars, sales were **$621.09 million for FY22**, declining by $4.93 million or –0.8%, from $626.02 million in FY21. The decrease in full-year sales was due to a 2.8% devaluation in the Euro relative to the Australian dollar for the year, particularly during the last few months of FY22. When compared against FY20, the FY22 increase was $198.03 million or +46.8%.

FY22 has benefitted from the easing of COVID-19 restrictions, increasing consumer confidence and in-store foot traffic, coupled with heightened demand from the prolonged 20-week closure of the furniture and bedding categories in the second half of the 2021 financial year. The rise in FY22 sales can also be attributed to a full year's uninterrupted contributions from the Galway and Sligo stores that opened in July 2020 and November 2020 respectively, and the re-opening of construction in May 2021 propelling home renovations and upgrades this year.

Sales were more subdued in the second half following the lifting of travel restrictions and the recommencement of travel outside Ireland. Supply-chain constraints persisted, affecting furniture and bedding sales of imported goods and local suppliers were also hampered by lack of components and the tight local labour market.

We are pleased to report the 5th straight year of profitability in Ireland with the Irish business delivering a solid retail result of **$44.83 million for FY22**. This was a reduction of $4.81 million or –9.7% from the record retail result of $49.63 million in FY21.

The Harvey Norman® brand remains strong in Ireland and we continue to invest in the development of the brand and in the expansion of the Irish business. On 30 June 2022, the consolidated entity acquired the Eastgate Retail Park in Little Island, Cork, a 175,000 sq. ft. retail precinct housing eight tenancies, including the Harvey Norman® store at Cork.

Subsequent to year-end, the 16th company-operated store in Ireland was opened, with the Fonthill store in Dublin commencing trade on 22nd July 2022 (slightly delayed due to the pandemic).

Northern Ireland
2 Harvey Norman® Company-Operated Stores

There were no COVID-lockdowns during FY22, allowing uninterrupted trade across the two Harvey Norman® stores in Northern Ireland. The flagship store at Boucher Road, South Belfast continues to perform well, being the primary premium shopping destination for furniture and bedding products in the country.
Sales in local currency were **£13.20 million for FY22, an increase of £1.06 million, or +8.7%**, from £12.14 million in FY21, and up by **£3.90 million or +41.9%** when compared to FY20.

Translated into Australian dollars, sales revenue was **$24.19 million for FY22** compared to $21.88 million in FY21, an increase of $2.31 million or +10.6%, assisted by a 1.7% appreciation in the GBP relative to the AUD for translation purposes.

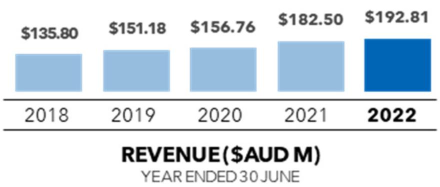
The result for FY22 was a **profit of $1.33 million,** a decrease of $0.92 million or –40.7% from a profit of $2.25 million in FY21. The Harvey Norman® brand continues to grow in Northern Ireland.

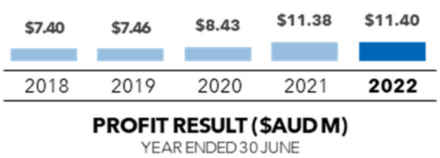
Overseas Company-Operated Retail Segment (continued)

SLOVENIA & CROATIA

SLOVENIA FLAGSHIP
Ljubljana (**Launched Jun 2017**)

CROATIA FLAGSHIP
Zagreb (**Launched Oct 2018**)





Slovenia
5 Harvey Norman® Company-Operated Stores

In Slovenia, there were no COVID related closures in FY22 compared to closures between October 2020 and February 2021 last year. This allowed our 5 Slovenian stores to build on the solid, double-digit sales growth delivered in FY21.

Slovenian retail sales in local currency increased to **€91.67 million for FY22, up by €9.27 million or +11.3%**, from €82.40 million in FY21. 1H22 sales were solid, growing by €4.95 million or +11.2% to €48.98 million, from €44.04 million in 1H21. This trend continued into 2H22 with sales increasing to €42.68 million, up by €4.32 million or +11.3%, from €38.36 million in 2H21.

When translated to Australian dollars, sales were **$142.34 million for FY22**, growing by $10.71 million or +8.1%, from $131.63 million in FY21. When compared against FY20, the FY22 increase was $21.99 million or +18.3%.

Our Slovenian stores, including our flagship at Ljubljana, have delivered another period of double-digit sales growth across all key product categories for FY22. Consumers trust the Harvey Norman® brand in Slovenia to provide a safe shopping experience. Despite the requirement to show proof of vaccinations, proof of a previous COVID-recovery or a negative COVID test not older than 24 hours to shop in-store for a large part of the year, consumers continued to show their loyalty to the brand, increasing patronage and market share across all stores. With the easing of the remaining COVID restrictions towards the end of FY22, the Slovenian stores are well-placed to further benefit from strengthening consumer and business confidence into FY23.

Throughout FY22, the Slovenian business intentionally increased inventory to mitigate supply chain disruptions. This proved successful as the business had ample stock to sell during the peak Christmas trading period through to the end of the financial year.

The sustained increase in sales delivered a retail profit of **$12.43 million for FY22, representing a $1.16 million increase or +10.3%**, from $11.27 million in FY21.

Croatia
2 Harvey Norman® Company-Operated Stores

In Croatia, both stores were open for all of FY22, following a year of unrestricted trade in FY21.

Sales for FY22 were €30.26 million, a modest increase of €0.46 million or +1.5%, from €29.80 million in FY21. When compared to FY20, the increase was €9.61 million or +46.6%. 1H22 sales were strong, growing by €2.59 million or +19.8% to €15.67 million, from €13.07 million in 1H21. Sales were subdued in 2H22, declining by €2.13 million or –12.8% to €14.59 million, from €16.72 million in 2H21.

In Australian Dollars, sales were **$46.98 million for FY22,** decreasing by $0.62 million or –1.3%, from $47.60 million in FY21. The decrease in full-year sales was due to a 2.8% devaluation in the Euro relative to the Australian dollar for the year, particularly during the last few months of FY22.

The Croatian business has benefitted from a full year's trade of their second store at Pula, which opened on 26 November 2020. However, the sales performance of the flagship store at Zagreb was adversely affected by the high number of COVID cases in the Croatian capital city reducing foot traffic in-store and the ongoing supply-chain challenges. Geopolitical factors in Europe have exacerbated the mounting retail pressures towards the end of FY22, curtailing sales and profitability in the second half of the year.

Croatia reported a loss of $1.03 million for FY22 compared to a modest profit of $0.11 million for FY21, mainly due softer sales, costs to ramp-up the new Pula store and additional warehouse costs to accommodate the growth in inventory required by the business.

In FY21, we reported our intention to open 2 new stores in Croatia. Presently, the intention is to open the new store at Rijeka during calendar 2023, and open the second store in Zagreb in FY24.

Review of the Property Segment

Strategic 'Large-Format' Retail Property Portfolio

Property ownership is a core pillar underpinning our successful integrated retail, franchise, property and digital system.

Our consolidated balance sheet is anchored by a **robust and resilient freehold property portfolio totalling $3.74 billion as at 30 June 2022.** This is primarily comprised of tangible, freehold investment properties in Australia of $3.19 billion and New Zealand of $10.90 million; and freehold owner-occupied properties in New Zealand, Singapore, Slovenia, Australia and Ireland of $494.12 million in aggregate. On 30 June 2022, the consolidated entity acquired the Eastgate Retail Park in Little Island, Cork, Ireland for $40 million, of which $29 million has been recognised in freehold investment properties and $11 million has been recognised in owner-occupied properties as it relates to the Harvey Norman store at Cork, Dublin. Our property segment assets also include a property held for sale in Singapore of $12.10 million, and joint venture assets of $1.50 million. **The freehold property segment comprises 52% of our total $7.25 billion total asset base.**

The Australian Large-Format Retail (LFR) Market

The Australian freehold investment property portfolio has grown from strength-to-strength this year, **rising to $3.19 billion as at 30 June 2022, surpassing the $3 billion milestone for the first time during FY22** and firmly positioning the consolidated entity as the largest single owner of Large Format Retail (**LFR**) real estate in the Australian market.

The LFR property market has performed strongly throughout FY22, experiencing robust sales volumes and historically low yields. Reported recent sales transactions highlight continued solid investor demand and scarcity of high quality LFR properties in the market. This has largely been driven by the low interest rate environment over the last few years, confidence in the financial and operational performance of LFR centres and their resilience throughout the pandemic, as well as providing an attractive return on investment relative to alternative asset classes.

We have 195 Australian franchised complexes geographically spread throughout the country, with a local Harvey Norman®, Domayne® and Joyce Mayne® branded store located within close proximity to customers. 95 franchised complexes (49% of total), and their associated warehouses, are owned by the consolidated entity, which are then leased to external parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees.

Generally, our LFR centres have expansive footprints facilitating the efficient execution of COVID-Safe practices, easy and direct access points enabling franchisees to improve their '1-Hour Click & Collect' and 'Contactless Click & Collect' capabilities and open-air carparks for ease of in-store shopping or swift collection of goods. Occupants of our LFR centres, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees, have thrived from the uplift in trading performance across the home building and improvements sector.

Our LFR centres accommodate a complimentary mix of over 450 third-party tenants that are diversified across a variety of different categories including Hardware, Medical, Chemists, Pets and Auto related products. A large proportion of these third-party tenants are ASX-listed and are national retailers that support the underlying value of our properties.

Leasing demand has remained buoyant and this is expected to continue into FY23 on the back of forecasted increases in population growth, strong employment figures and the elevated levels of dwelling commencements, alterations and additions activity propelled by the solid uptake of the government's HomeBuilder Program and the pandemic-induced housing shifts from metropolitan cities to the regions. In addition, the significant recent rise in construction costs is further constraining supply of LFR properties. This leasing demand has resulted in achieving high occupancy levels in the portfolio which will likely provide growth in rental income streams received.

Harvey Norman® Auburn, NSW Flagship Franchised Complex

Review of the Property Segment (continued)

Strategic 'Large-Format' Retail Property Portfolio (continued)

The investment market for LFR property has seen material gains in FY22 based on strong demand from property syndicates and institutional investors, resulting in competition for quality assets and the volume of capital seeking placement outstripping the supply of LFR centres available. Buyers have been attracted to LFR properties with large land holdings providing further development scope and centres that are anchored by strong performing national retailers and a diverse tenancy mix. The strong sustained demand and resilience of the LFR market has resulted in a record increase in the value of our Australian investment property portfolio this year, growing by $296.13 million or +10.2% in FY22 to $3.19 billion, from $2.89 billion in FY21. $213.68 million of this increase is represented by capital appreciation in property fair values during FY22 and $82.45 million relates to capital additions and refurbishments during the year.

If you add on the large increases recognised last year to June 2021, the value of the Australian investment property portfolio has risen by $606.72 million or +23.5% – an increase of well over half a billion dollars over a 2-year period. $352.37 million (58%) of the increase relates to fair value appreciation and $254.35 million (42%) relates to acquisitions, renovations and refurbishments, including the premium re-fit program.

Overseas Property Portfolio

Globally, we have 109 company-operated stores across 7 countries. 26 of the stores located overseas (24% of total) are owned by the consolidated entity. The aggregate value of the overseas owner-occupied and investment property portfolio is $520.49 million, increasing in value by $68.48 million during the year primarily due to the acquisition of the Eastgate Retail Park in Ireland and capital appreciation since the end of FY21.

On 30 June 2022, the consolidated entity acquired the Eastgate Retail Park in Little Island, Cork, a 175,000 sq. ft. retail precinct housing eight tenancies, including the Harvey Norman® store at Cork.

Total Property Portfolio and the Performance of the Retail Property Segment

Retail property segment revenue has grown to $494.39 million for FY22, up by $85.19 million from $409.20 million in FY21. This was primarily due to the recognition of $213.68 million in net property revaluation increments for FY22 compared to $140.37 million in net increments for FY21, an increase of $73.31 million.

The retail property result was $366.48 million for FY22, an increase of $74.94 million or +25.7% from $291.54 million in FY21. Excluding net property revaluations for both periods, the retail property result would have been consistent with the prior year, being $152.80 million for FY22 compared to $151.16 million for FY21.

Rent and outgoings received from freehold properties were reduced during 1H22 as full or partial rent waivers were given to external tenants and Harvey Norman®, Domayne® and Joyce Mayne® franchisees affected by the retail closures in NSW, VIC and ACT for approximately a 4-month period from July 2021 to early to mid-October 2021 in order to protect and enhance the brands. These temporary hard lockdowns in Australia during 1H22 had no impact on LFR property fair values.

These rent waivers amounted to $19.58 million, of which $10.76 million related to properties owned by the consolidated entity (and recorded in the Property Segment) and $8.82 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment). During FY21, $9.85 million of rent waivers were provided to franchisees affected by the 11-week government-mandated Stage 4 lockdown in greater Melbourne, Victoria, of which $5.78 million related to owned properties and $4.07 million related to leased properties.

Harvey Norman® and Domayne® Penrith, NSW Franchised Complexes | Penrith Homemaker Centre

Review of the Property Segment (continued)

The below table shows the composition of freehold property segment assets as at 30 June 2022, the number of owned property assets and the increase in fair value recognised in each country.

COMPOSITION OF FREEHOLD PROPERTY SEGMENT ASSETS	June 2022	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase in Fair Value (Income Statement)	Net Increase / (Decrease) in Fair Value (Equity)
(1) Investment Properties (Freehold) and Assets Held for Sale					
- Australia	$3,190.34m	95	41	$213.68m	-
- New Zealand	$10.90m	-	2	-	-
- Ireland	$28.97m	-	1	-	-
- Singapore (Property asset held for sale)	$12.10m	-	1	-	($1.25m)
Total Investment Properties (Freehold) and Assets Held for Sale	$3,242.32m	95	45	$213.68m	($1.25m)
(2) Owner–Occupied Land & Buildings					
- Australia	$13.50m	-	1	-	$3.26m
- New Zealand	$361.71m	19	1	-	$27.30m
- Singapore	$13.30m	-	1	-	$5.26m
- Slovenia	$80.01m	5	-	-	$7.40m
- Ireland	$25.60m	2	-	-	-
Total Owner–Occupied Land & Buildings	$494.12m	26	3	-	$43.22m
(3) Joint Venture Assets	$1.50m	-	7	-	-
Total Freehold Property Segment Assets	$3,737.94m	121	55	$213.68m	$41.97m

Net Property Revaluation Adjustments

For the year ended 30 June 2022, the freehold investment property portfolio has recorded $213.68 million in capital appreciation to fair value, which was the net property revaluation increment for investment properties recognised in the income statement. LFR properties appreciated in value this year on the back of the solid financial performance of the Home and Lifestyle categories resulting in historically low yields and firmer capitalisation rates for high quality LFR centres and LFR properties supported by strong recent sales evidence in the LFR market.

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

This assessment is informed by:

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

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

For FY22, there were 68 valuations of freehold investment properties in Australia representing a total of 52.2% of the value of freehold investment properties independently externally valued this year, and 49.6% in terms of the number of total freehold investment properties in Australia.

Freehold investment properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. Each internal valuation and management review is informed by the last independent external valuation and reliable market evidence. For the 2022 financial year, 13 freehold investment properties had been affected by the same factors as the properties which had been independently externally valued. As a consequence, internal valuations for these 13 properties were undertaken to determine the effect of these factors.

Leasehold Property Portfolio | AASB 16 *Leases*

Right-of-Use Assets: Leasehold Investment Properties (Sub-Leased to External Parties):

The consolidated entity has a portfolio of property leases primarily for the purposes of being sub-leased to Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia. For these properties, the consolidated entity enters into property leasing arrangements with external landlords and then subsequently subleases these sites to franchisees pursuant to a licence, terminable upon reasonable notice. Leasehold investment property: right-of-use asset meets the definition of an investment property and are measured at fair value.

As at 30 June 2022, there were 183 leasehold investment properties. 100 leasehold investment properties (55% of total) were occupied by Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia for retail purposes. The remaining 83 leasehold investment properties (45% of total) were primarily used by franchisees for warehousing.

Right-of-Use Assets: Leasehold Owner-Occupied Properties & Plant and Equipment Assets:

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

Composition of Leasehold Property Segment Assets:

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

COMPOSITION OF LEASEHOLD PROPERTY SEGMENT ASSETS	Right -of-Use Asset June 2022	Lease Liabilities June 2022	# of Leased Retail Property Assets	# of Leased Other Property Assets
(1) Leases of Properties Sub-Leased to External Parties	$675.60m	$719.02m	100	170
- Australia				
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
- Australia	$25.79m	$41.11m	-	16
- New Zealand	$118.49m	$136.18m	25	36
- Singapore & Malaysia	$218.39m	$164.23m	41	15
- Slovenia & Croatia	$14.95m	$16.87m	2	6
- Ireland & Northern Ireland	$94.90m	$127.22m	15	17
Total Owner–Occupied Properties and Plant and Equipment Assets	$472.51m	$485.60m	83	90
Total Leasehold Property Segment Assets	$1,148.11m	$1,204.63m	183	260

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

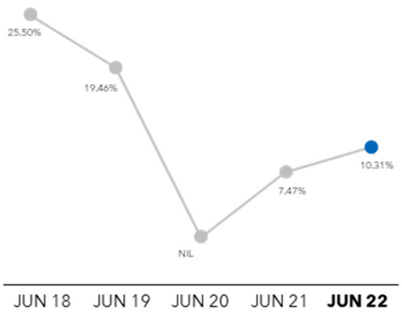
The table below shows the financial impact of AASB 16 *Leases* on the consolidated income statement for the year ended 30 June 2022.

Financial Impact of AASB 16 Leases:	Leases of Owner-Occupied Properties $000	Leases of Properties Sub-Leased to External Parties $000	Total Leases $000
Property, plant and equipment: Right-of-use asset - Depreciation expense	$65,870	-	$65,870
Investment properties (leasehold): Right-of-use asset - Fair value re-measurement	-	$87,558	$87,558
Finance costs: Interest on lease liabilities	$16,713	$25,025	$41,738
Total AASB 16 Expenses Recognised	$82,583	$112,583	$195,166
Less: Lease payments made during FY22 (excluding variable lease payments (short-term, low-value leases)	($82,921)	($94,938)	($177,859)
Other adjustments	($1,280)	-	($1,280)
AASB 16 Incremental (Increase)/ Decrease in PBT for FY22	($1,618)	$17,645	$16,027

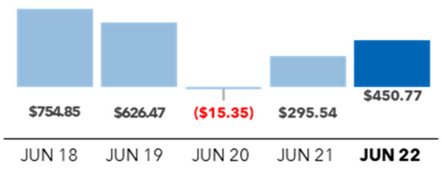
Review of the Financial Position of the Consolidated Entity

NET DEBT TO EQUITY RATIO

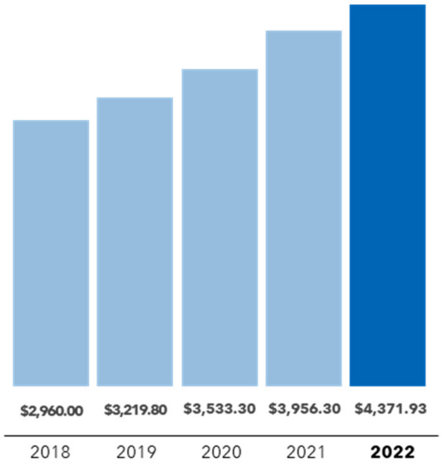
JUNE 22 NET DEBT OF **$450.77m** VS **JUNE 21** NET DEBT OF **$295.54m**



NET DEBT TO EQUITY RATIO



NET DEBT/(CASH) ($AUD M)



TOTAL EQUITY ($AUD M)
excluding acquisition reserve

Net Debt to Equity Ratio

The overall debt levels of the consolidated entity remain low, with a conservative net debt to equity ratio of 10.31% as at 30 June 2022, increased by 2.84% compared to a ratio of 7.47% as at 30 June 2021.

Across the consolidated entity, the total available facilities globally amounted to $884.81 million (Jun-21: $749.52 million), of which the utilised portion was $695.16 million (Jun-21: $555.56 million), leaving $189.64 million (Jun-21: $193.96 million) accessible financing facilities available.

In FY22, the utilised facilities increased by $139.61 million compared to FY21 as the consolidated entity continued its conservative, sustainable expansion strategy and upgrades of existing franchised complexes and company-operated stores.

Solid Cash Flows

Cash and cash equivalents, net of bank overdraft, as disclosed in the Statement of Cash Flows, decreased by $14.37 million to $234.36 million as at 30 June 2022, compared to $248.73 million in the prior year.

Cash flows from operating activities increased by $53.43 million to $597.30 million for FY22, from $543.87 million in FY21. This was primarily attributable to an increase in net receipts from franchisees by $301.08 million, from $886.34 million in FY21 to $1,187.42 million in FY22, offset by an increase in income taxes paid by $129.63 million, higher payments to suppliers and employees by $113.06 million and a reduction in receipts from customers of company-operated stores by $15.81 million.

Despite a reduction in gross revenue received from franchisees by $44.64 million, the movement in the aggregate amount of financial accommodation provided to franchisees decreased compared to the movement in FY21. Franchisees continued to maintain appropriate inventory reserves to meet the demand for home, lifestyle and technology products. The amount of funding advanced to franchisees to fund their FY22 inventory purchases decreased compared to funding advanced for franchisee inventory purchases for FY21.

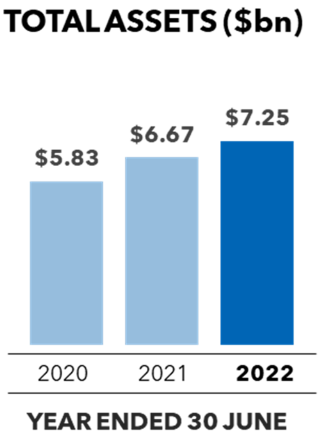
Income tax paid increased by $129.63 million primarily due to the higher final tax payment made in FY22 attributable to FY21 taxable profits and the higher income tax instalment rate applied in Australia for FY22.

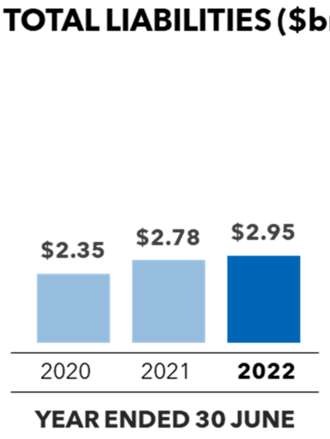
Payments to suppliers and employees increased by $113.06 million due to higher inventory purchases overseas to ramp-up stock and higher operating costs due to new store openings.

Net cash investing outflows decreased by $75.32 million during FY22 primarily due to a decrease in payments for the purchase and refurbishments of freehold investment properties by $92.67 million.

Net cash financing outflows decreased by $97.40 million during FY22 mainly attributable to a reduction in in the proceeds received from the drawdown of the Syndicated Facility in FY22 relative to FY21 by $175 million. This was offset by a reduction in dividends paid by $37.38 million and the net proceeds from other borrowings in FY22 of $20.84m compared to repayments of other borrowings in FY21 of $26.14 million.

Review of the Financial Position of the Consolidated Entity (continued)





RECORD TOTAL ASSETS

EXCEED $7 BILLION

RECORD NET ASSETS

EXCEED $4 BILLION

In the December 2021 half year report, the consolidated entity reported net assets of $4.16 billion, surpassing $4 billion of net assets for the first time. As at 30 June 2022, net assets have grown to $4.29 billion, an increase of $401.11 million or 10.3%, from $3.89 billion as at 30 June 2021.

Total assets increased by 8.6%, or $573.47 million, to $7.25 billion as at 30 June 2022, from $6.67 billion as at 30 June 2021.

The value of the freehold investment property portfolio increased by $324.70 million, or +11.2%, to $3.23 billion as at 30 June 2022 primarily due to $213.68 million net property revaluation increments over the past 12 months, acquisition of new freehold investment properties and the refurbishments of freehold investment property assets in Australia and the purchase of the Eastgate Retail Park in Cork, Ireland.

Receivables from franchisees increased by $99.69 million to $892.92 million as at 30 June 2022. Repayments of indebtedness by franchisees decreased in FY22 on the back of the $202.13 million or -2.9% reduction in aggregate franchisee sales revenue. This was offset by a reduction in the amount of funding advanced to franchisees to fund their FY22 inventory purchases relative to funding advanced for FY21 inventory purchases. Franchisees continued to maintain appropriate inventory reserves to meet the demand for home, lifestyle and technology products.

Inventories of company-operated stores increased by $45.18 million mainly due to their concerted efforts to increase inventory to mitigate the ongoing global supply chain constraints and to satisfy solid sales growth.

Property, plant and equipment assets increased by $49.37 million mainly due to the acquisition of the Eastgate Retail Park in Ireland, fit-out of the new Pavilion Bukit Jalil company-operated store in Malaysia, the fit-out for the 3 new Harvey Norman® franchised complexes opened during the year and net property revaluation increments for the owner-occupied freehold properties over the past 12 months.

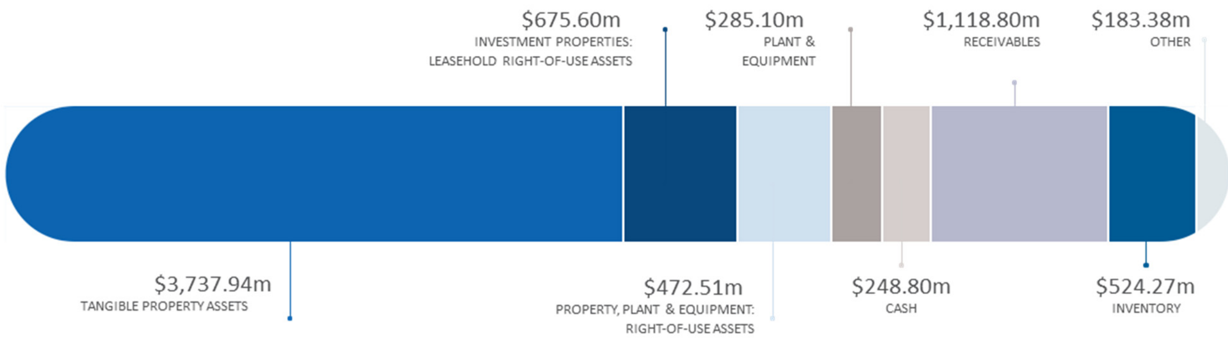
Total liabilities increased by $172.36 million, or 6.2%, to $2.95 billion as at 30 June 2022 from $2.78 billion as at 30 June 2021.

Interest-bearing loans and borrowings increased by $139.61 million mainly due to the higher utilisation of the Syndicated Facility by $120 million, from $490 million utilised as at 30 June 2021 to $610 million utilised as at 30 June 2022 to fund our conservative, sustainable expansion strategy.

Deferred tax liabilities increased by $65.88 million mainly due to $213.68 million of net property revaluation increments relating to freehold investment properties and $43.22 million of net property revaluation increments for owner-occupied properties over the past 12 months.

The above increases were offset by a $80.20 million decrease in income tax payable driven by lower profit generated by the consolidated entity during the current year.

COMPOSITION OF TOTAL ASSETS OF $7.25bn



Outlook

During the second half of the financial year, the premium refit program, which was hampered by the government mandated closures during 1H22, was recommenced. Given COVID supply chain issues and labour shortages, we have reassessed expected completion dates and we now expect to complete up to 25 premium refits over the next 5 years.

As planned, we opened three Harvey Norman® franchised complexes in Australia located at Murwillumbah, NSW (Sep 2021), Port Pirie, South Australia (Nov 2021), and Charters Towers, QLD (Apr 2022). In December 2021, we opened a company-operated store in Malaysia located at Pavilion Bukit Jalil, Kuala Lumpur, and a company-operated commercial outlet in Hamilton, New Zealand in March 2022.

In the 2023 financial year, we intend to open up to 2 franchised complexes in Australia and relocate 1 franchised complex from a leased site to a freehold property. Overseas, we opened our 16th company-operated store in Ireland at Fonthill, Dublin on 22nd July 2022, and we expect to ramp-up our offshore expansion plans with the anticipated opening of a further 4 company-operated stores during FY23: 1 in New Zealand, 2 in Malaysia and 1 in Croatia (expect to open by the end of calendar 2023).

Beyond FY23, we anticipate opening a further 2 franchised complexes in Australia and intend to relocate 3 franchised complexes from leased sites to freehold properties during the 2024 financial year. Overseas, we expect to open up to 6 company-operated stores in FY24: 2 in New Zealand, 2 in Malaysia and our first 2 company-operated stores in Budapest, Hungary that were announced last year.

RETAIL TRADING UPDATE: 1 July 2022 to 29 August 2022 vs 1 July 2021 to 29 August 2021

Aggregated Sales increase / (decrease) from 1 July 2022 to 29 August 2022 vs 1 July 2021 to 29 August 2021[1]
(% increases have been calculated in local currencies)

[1] comparable sales growth has not been adjusted for the temporary closures mandated by each local government as a result of their COVID-19 Response

COUNTRY (% increase calculated in local currencies)		1 July 2022 to 29 August 2022 vs 1 July 2021 to 29 August 2021	
		Total	Comparable
Australian Franchisees	$A	10.7%	10.3%
New Zealand	$NZD	5.0%	4.6%
Slovenia & Croatia	€Euro	12.2%	12.2%
Ireland	€Euro	(-1.0%)	(-3.7%)
Northern Ireland	£GBP	(-10.2%)	(-10.2%)
Singapore	$SGD	1.9%	4.1%
Malaysia	MYR	108.0%	99.0%

The start of FY23 has seen solid sales results. Low unemployment and high net deposit rates continue to underpin growth.

Harvey Norman® is well positioned to continue to maximise the opportunities in Home and Lifestyle categories via the home renovation market and new home builds.

Summary of Key Business Risks

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

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

Changes to macroeconomic conditions and government policy:

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

With a property portfolio of over $3.7 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.

Trading conditions due to COVID-19:

The risk of government-mandated retail closures, while diminishing may still occur, changing consumer behaviour and the ability of the supply-chains to meet demand. This may continue to impact the sales revenue generated by franchisees in Australia and company-operated stores – thereby impacting the profitability and cash flow of the consolidated entity. This risk is mitigated by the consolidated entity's robust balance sheet, stringent measures to preserve cash and enhance liquidity, coupled with the continuous monitoring of any changes in COVID-19 regulation and policy as announced. The consolidated entity has a strong asset base totalling $7.25 billion and net assets of $4.29 billion as at 30 June 2022.

From the commencement of the pandemic, the consolidated entity has demonstrated its ability to swiftly respond to COVID-19 challenges, while prioritising the safety of their staff, their customers and their local communities. The consolidated entity remains confident in its ability to appropriately respond to COVID-19 challenges in the future, as they arise.

Cyber security risk:

Cyber security attacks can take many forms including:

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

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

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

Compliance by franchisees with franchise agreements:

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

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

Summary of Key Business Risks (continued)

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

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

Emergence of competitors in new channels:

The Harvey Norman® Omni Channel Strategy provides customers of franchisees with a diverse, consistent and distinctive Harvey Norman® customer experience through a range of channels. The Harvey Norman® Omni Channel Strategy integrates retail, online, mobile and social channels.

The online operations of franchisees in Australia and the company-operated online operations overseas continue to grow. The digital platform provides new opportunities for growth and new ways to embrace and engage with customers.

The Harvey Norman® Omni Channel Strategy sets the Harvey Norman® brand apart from other online and digital competitors. Harvey Norman® customers have a multitude of engagement options to meet their needs. The Harvey Norman® Omni Channel Strategy, supported by the retail property portfolio of the consolidated entity, makes the Harvey Norman® brand a strong competitor in the market.

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.

A core philosophy we have maintained throughout the years is the significance and focus on the longevity of the Board of Directors with 'skin in the game' with a vast, complementary array of skills, experience and talent coupled with the exceptional skills and experience of our seasoned business leaders and their deep understanding and expert-execution of the complex franchised operating model in Australia and the company-operated stores across seven overseas countries.

The ongoing COVID-19 pandemic throughout FY22 has enabled the consolidated entity to refine and upgrade its COVID-Safe framework and COVID-Safe Plans and Practices to respond to emerging new variants and changes in consumer sentiment and shopping trends. The successful strategies that we enhanced and delivered this year could have only been achieved with formidable leadership with the intimate knowledge of the intricacies of our business - leaders that can be trusted to protect our brands and navigate us through these challenges as they arise.

Directors

Our Board

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

Gerald Harvey
Executive Chairman

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.

On 21 October 2020, Ms. Page was appointed as a Member of the Tourism Australia Board of Directors.

Chris Mentis
B.Bus., FCA, FGIA, Grad Dip App Fin
Executive Director, CFO & Company Secretary

Mr. Mentis 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 the Chief Financial Officer and Company Secretary.

Mr. Mentis is a Fellow of the Chartered Accountants Australia & New Zealand (CA ANZ) and a Fellow of the Governance Institute of Australia, with extensive experience in financial accounting. Mr. Mentis has overall executive responsibility for the accounting and financial matters of the consolidated entity.

John Evyn Slack-Smith
Executive Director and COO

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

Mr. Slack-Smith is the Chair of the Barker College Foundation Limited and a Member of Council at Barker College.

David Matthew Ackery
Executive Director

Mr. Ackery 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.

DIRECTORS' REPORT (CONTINUED)

Directors

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 & Risk, 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 CA ANZ. Mr. Gunderson-Briggs was appointed Chairman of the Remuneration Committee on 16 December 2015 and was appointed Chairman of the Audit & Risk Committee and Nomination Committee on 25 November 2020. Mr. Gunderson-Briggs was an independent Non-Executive Director of Australian Pharmaceutical Industries Limited (**API**), a company listed on the ASX, from May 2014. On 4 December 2020, he was appointed Chair of the API Board, having previously been the Chair of the Audit & Risk Committee of API. As Chair, Mr. Gunderson-Briggs guided API through the control transaction with Wesfarmers Limited (WES) culminating in the takeover of API by WES with effect from 31 March 2022.
Maurice John Craven B.Sc., FAICD *Non-Executive Director (Independent)*	Mr. Craven was appointed a director of Harvey Norman Holdings Limited on 27 March 2019 and became a member of the Nomination Committee of the Company on 24 June 2021. Mr. Craven holds a Bachelor of Science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors. Mr. Craven has been actively involved with innovation and growth in technology empowered industries for the past 24 years and prior to that was a partner for 25 years with Andersen Consulting. Mr. Craven is Chair of Specialisterne Australia and a Non-Executive Director of Cenitex.
Luisa Catanzaro B.Com., FCA, GAICD *Non-Executive Director (Independent)*	Ms. Catanzaro was appointed a Non-Executive Director of Harvey Norman Holdings Limited on 25 November 2020, and became a member of the Audit & Risk Committee on 25 November 2020 and a member of the Remuneration Committee of the Company on 24 June 2021. Ms. Catanzaro has a Bachelor of Commerce from the University of NSW, is a Fellow of the CA ANZ and is also a Graduate of the Australian Institute of Company Directors. Ms. Catanzaro has more than 30 years of professional experience in senior finance executive roles across a range of industries including FMCG and agriculture sectors, and with ASX listed companies. Ms. Catanzaro is currently a Non-Executive Director of ASX listed company, Ricegrowers Limited, from September 2018, where Ms. Catanzaro is Chair of the Finance, Risk and Audit Committee and a member of the Remuneration, Nomination and Independent Committees.

DIRECTORS' REPORT (CONTINUED)

Directors' Meetings

DIRECTOR *Number of Meetings:*	Attendance	Full Board *8*	Audit & Risk *15*	Remuneration *7*	Nomination *3*
G. Harvey	100%	8 [8]	n/a	n/a	n/a
K.L. Page	100%	8 [8]	n/a	n/a	n/a
J.E. Slack-Smith	100%	8 [8]	n/a	n/a	n/a
D.M. Ackery	100%	8 [8]	n/a	n/a	n/a
C. Mentis	100%	8 [8]	n/a	n/a	n/a
M.J. Harvey	100%	8 [8]	n/a	n/a	n/a
C.H. Brown	94%	7 [8]	14 [15]	7 [7]	3 [3]
K.W. Gunderson-Briggs	100%	8 [8]	15 [15]	7 [7]	3 [3]
M.J. Craven	100%	8 [8]	n/a	n/a	3 [3]
L. Catanzaro	97%	8 [8]	14 [15]	7 [7]	n/a

The above table represents the directors' attendance at meetings of the Board, Audit & Risk Committee, Remuneration Committee and Nomination Committee. The number of meetings for which the director was eligible to attend is shown in brackets. In addition, the Executive Directors held regular meetings for the purpose of signing various documentation.

Directors' Relevant Interests

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

DIRECTOR	Ordinary Shares	Performance Rights
G. Harvey	393,787,754	276,000
K.L. Page	20,039,315	772,000
J.E. Slack-Smith	1,252,893	339,000
D.M. Ackery	792,471	339,000
C. Mentis	1,244,297	287,000
M.J. Harvey	-	-
C.H. Brown	205,525,565	-
K.W. Gunderson-Briggs	10,059	-
M.J. Craven	40,473	-
L. Catanzaro	-	-
TOTAL	622,692,827	2,013,000

Company Secretary

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

Performance Rights

At the date of this report, there were 2,013,000 performance rights (2021: 1,648,500), being a right to acquire ordinary shares in the Company at nil exercise price.

- On 4 December 2018, a total of 549,500 performance rights under Tranche FY19 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan. On 7 January 2022, 440,500 performance rights under Tranche FY19 of the 2016 LTI Plan were purchased on market, reducing the vested but unexercised performance rights under Tranche FY19 of the 2016 LTI Plan to 109,000. On 22 July 2022, 109,000 performance rights under Tranche FY19 were purchased on market, reducing the number of performance rights in this Tranche to nil.
- On 2 December 2019, a total of 549,500 performance rights under Tranche FY20 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.
- On 4 December 2020, a total of 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.
- On 30 November 2021, a total of 914,000 performance rights under Tranche FY22 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.

DIRECTORS' REPORT (CONTINUED)

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 2022, that:

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

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

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

Committee Membership

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

NON-EXECUTIVE DIRECTOR	Audit & Risk	Remuneration	Nomination
C.H. Brown	√	√	√
K.W. Gunderson-Briggs	√ (Chairman)	√ (Chairman)	√ (Chairman)
L. Catanzaro	√	√	n/a
M.J. Craven	n/a	n/a	√

Corporate Governance

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

The Board has benchmarked its practices against the ASX CGC published guidelines and the CGC corporate governance principles and recommendations (February 2019 edition) (**Principles**). The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance Statement summarises the corporate governance practices of the Company, including the practices that are in alignment with the Principles for the year ended 30 June 2022. The Corporate Governance Statement has been approved by the Board. The full Corporate Governance Statement and further details about corporate governance policies adopted by the Company and the Board and committee charters may be accessed via the Company's website www.harveynormanholdings.com.au.

Dividends

The directors recommend a fully franked final dividend of 17.5 cents per share to be paid on 14 November 2022 to shareholders registered on 17 October 2022 (total dividend, fully franked, $218,051,164).

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
2021 final fully-franked dividend	15 November 2021	$186,900,998
2022 interim fully-franked dividend	2 May 2022	$249,201,331

The total dividend in respect of the year ended 30 June 2022 of 37.5 cents per share (2021: 35.0 cents per share) represents 57.58% (2021: 51.83%) of profit after tax and non-controlling interests, as set out on page 83 of the financial statements.

Excluding the non-cash net property revaluation increments, the total dividend in respect of the year ended 30 June 2022 of 37.5 cents per share represents 70.59% (2021: 58.69%) of profit after tax and non-controlling interests, as set out on page 83 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.

DIRECTORS' REPORT (CONTINUED)

Indemnification of Officers

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

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

Principal Activities

The principal activities of the consolidated entity are that of an integrated retail, franchise, property and digital system including:

- Franchisor;
- Sale of furniture, bedding, computers, communications and consumer electrical products in New Zealand, Singapore, Malaysia, Slovenia, Ireland, Northern Ireland and Croatia;
- Property investment;
- Lessor of premises to Harvey Norman®, Domayne® and Joyce Mayne® franchisees and other third parties;
- Media placement; and
- Provision of consumer finance and other commercial loans and advances.

Significant Changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the year ended 30 June 2022.

Significant Events After Balance Date

There have been no circumstances arising since balance date which have significantly affected or may significantly affect:

- the operations;
- the results of those operations; or
- the state of affairs of the entity or consolidated entity in future financial years.

Rounding of Amounts

The amount contained in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars (unless specifically stated to be otherwise) under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and the amended Instrument 2022/519. The Company is an entity to which this legislative instrument applies.

Capital Management Policy

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

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

As at 30 June 2022, the consolidated entity had unused, available financing facilities of $189.64 million out of total approved financing facilities of $884.81 million. This has resulted in a net debt to equity ratio of 10.31% as at 30 June 2022, compared to a net debt to equity ratio of 7.47% as at 30 June 2021.

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

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

Letter from the Chair of the Remuneration Committee

Dear Shareholders

Remuneration Highlights at a Glance

► Results very strong and maintained after the FY21 record year

- Profit before tax (**PBT**) of $<u>1.140bn</u>, down by 3.6% from $1.183bn (FY21) and up by +72.5% from $0.661bn (FY20)
- PBT return on net assets of <u>26.6%</u> for FY22, compared to 30.4% for FY21 and 19.0% for FY20

► High correlation (upward from 85%) of Director KMP remuneration outcomes with Company performance

► Risk managed in line with the risk management framework and risk appetite of the Company

► No windfall gains effect due to COVID

► Independent expert continues to find that the combination of remuneration level, mix and structure are reasonable

► Changes implemented as flagged in FY21 for the STI Plan with higher non-financial weighting

► STI Financial targets set with reference to analyst consensus forecasts

Outcomes

► Executive Directors achieved 87.5% of their 2022 STI targets compared to 94.05% for FY21 (down -6.8%)

► RONA of 24.24% for the year resulted in Tranche FY20 of the 2016 LTI Plan to vest at 100%

► The total compensation across all Executive Directors was lower by $38,125, or -0.3%, than the previous year

► The actual 'take-home' pay across all Executive Directors was higher by $671,019, or 6.4%, than FY21 due to timing of remuneration receipts between the financial years

► The total 'at risk' compensation expense for Executive Directors was lower by $37,984, or -0.7%, than the 'at risk' expense in FY21

► Each of the Executive Directors have a significant shareholding in the Company, more than exceeding their respective total fixed remuneration, providing alignment between Executive Directors with shareholders

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

The Design of Executive Director Remuneration for a Year of Continued Uncertainty

At the beginning of the 2022 year, there was continued uncertainty as to the expectation of outcomes.

The Remuneration Committee (Committee) continue to apply the following settings to the remuneration framework for the Executive Directors:

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

► CONCLUSION: High correlation of remuneration outcomes with Company performance.

Assessment of Conduct

Each participating Executive Director is subject to the performance condition that the Executive Directors of the Company managed risk in accordance with the risk management framework and risk appetite of the Company. The Company recognises the critical connection between conduct and reward. The assessment of conduct is informed by the fundamental principles of:

- obeying the law

Letter from the Chair of the Remuneration Committee (continued)
Assessment of Conduct (continued)

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

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

Evaluation of Performance of Executive Directors to Consider Any Windfall Gain Effect

An appraisal of the performance of each Executive Director and the Executive Director team was undertaken following the end of the 2022 year as part of the annual Participant Performance Review by the Remuneration Committee.

In this year, the appraisal focused on ensuring that executive remuneration for 2022 was fair and reasonable, was in line with performance, and did not result in unintended windfall gains in remuneration returns for the Executive Directors.

The evaluation of the performance of Executive Directors linked with the design of the remuneration framework has led the Committee to the conclusion that the Executive Directors did not receive any windfall gains in their respective remuneration returns.

The Committee views the outcome of the 2022 STI Plan and the LTI Plan as appropriate recognition of the performance of the Executive Directors in dealing with the multi-faceted challenges imposed during the year, demonstrating resilience in management of the integrated retail, franchise, property and digital business through much uncertainty.

In line with a similar resolution made last year, the Committee resolved to exclude from remuneration outcomes the effect of COVID-19 support and assistance received by the consolidated entity in each of the countries in which it operates.

► CONCLUSION: No windfall gains effect due to COVID

Benchmarking for Reasonableness

The Company commissioned an independent remuneration expert to review the level and reasonableness of remuneration of the Executive Directors of the Company during 2022. This included analyses and comparison of alternate peer groups, such as those used by the Company and proxy advisors in their prior assessments of executive remuneration, the remuneration structure and components including the level of 'at risk' remuneration, performance sustainability and Executive Director experience and tenure.

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

- The overall remuneration opportunity remains within a reasonable range given tenure and position responsibilities.
- The significant shareholdings of the Executive Directors exceed peers and align with long-term interests of shareholders.
- The remuneration mix is reasonable.
- The STI framework is reasonable.
- The Company should continue to position remuneration around the level that reflects the 75th to 90th percentile relative size of the financial accountability and operational scope of the Company against the benchmark peer group.

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

- The level of fixed remuneration was reasonable. There were no increases in FY22 and there have been no increases since FY14.
- The level of target and maximum remuneration from the short-term incentive (STI) was reasonable.
- The level of target and maximum remuneration from the long-term incentive (LTI) was reasonable.

► CONCLUSION: The level, mix and structure is reasonable

Improving the Framework for Remuneration in 2022

► ACTION: Changes implemented as flagged in FY21

The remuneration framework for Executive Directors, as informed by the independent remuneration expert report, was improved to change the performance conditions for the 100% short term incentive pool to 70% (from 80%) as to financial conditions and to 30% (from 20%) as to non-financial conditions.

Letter from the Chair of the Remuneration Committee (continued)

Financial Settings for the 2022 STI Plan

► ACTION: Financial targets set based on analyst consensus forecasts

The minimum financial performance conditions (entry-level to the 2022 STI Plan) was set at an APAT (Annual Net Profit After Tax excluding the after-tax effect of property revaluation increments or decrements, the after-tax effect of the net impact of AASB 16 *Leases* and the after-tax effect of COVID-19 support and assistance received) of $429 million (FY2021 $400 million, up 7.3%), the 100% achievement level at APAT of $536 million (FY2021 $502 million, up 6.8%), with a maximum over-achievement level at APAT of $595 million (FY2021 $553 million, up 7.6%).

The levels were set by the Committee with reference to analyst consensus forecasts compiled by Bloomberg and Visible Alpha from each of Credit Suisse, Goldman Sachs, Macquarie, Morningstar, Jardin, JP Morgan, Marquee, UBS, Barrenjoey, Jeffries, and Citi, updated at the end of November 2021. Achievement between the 50% and 100% targets and the 100% to the over-achievement targets remained set on a straight-line basis.

Remuneration Outcomes

The financial achievements of the Company for 2022 financial year were reflected in the remuneration outcomes.

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

Yours sincerely

Ken Gunderson-Briggs

KEN GUNDERSON-BRIGGS
Remuneration Committee Chairman

Contents of the 2022 Remuneration Report

This remuneration report for the year ended 30 June 2022 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

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 2022 financial year are set out below. For the purposes of this report, the term "executive" includes the Chief Executive Officer ("CEO"), Executive Directors and Senior Executives of the consolidated entity.

Key Management Personnel (KMP)	Position	Term as KMP
Executive Directors		
Gerald Harvey	Executive Chairman	Full financial year
Kay Lesley Page	Executive Director & Chief Executive Officer	Full financial year
John Evyn Slack-Smith	Executive Director & Chief Operating Officer	Full financial year
David Matthew Ackery	Executive Director	Full financial year
Chris Mentis	Executive Director, Chief Financial Officer & Company Secretary	Full financial year
Non-Executive Directors		
Christopher Herbert Brown OAM	Non-Executive Director	Full financial year
Michael John Harvey	Non-Executive Director	Full financial year
Kenneth William Gunderson-Briggs	Non-Executive Director (independent)	Full financial year
Maurice John Craven	Non-Executive Director (independent)	Full financial year
Luisa Catanzaro	Non-Executive Director (independent)	Full financial year
Senior Executives		
Thomas James Scott	General Manager–Property	Full financial year
Gordon Ian Dingwall	Chief Information Officer	Full financial year
Lachlan Roach	General Manager–Home Appliances	Resigned 19 November 2021
Emmanuel Hohlastos	General Manager–Audio Visual General Manager–Home Appliances	Resigned 30 November 2021 Appointed 1 December 2021
Glen Gregory	General Manager–Technology & Entertainment	Full financial year
Richard Beaini	General Manager–Audio Visual	Appointed 8 April 2022
Carene Myers	General Manager–Small Appliances	KMP from 1 July 2021

2. Remuneration Principles and Strategy

The executive remuneration strategy of the consolidated entity in 2022 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) Integrity requires a level of fundamental honesty, candour and frankness in dealing with colleagues, regulators and other third parties. Integrity necessarily requires a director to bring an open mind and independent judgment to the discussion of any matter of concern to the Board.
b) Business savvy requires a deep understanding of one or more of the sectors of retail, property, franchising and digital.
c) An owner orientation or perspective of an owner requires the individual to either have:
   i. "skin in the game" by holding, controlling or benefitting from a significant parcel of shares where the financial interests of the director are aligned with the long term beneficial interest of shareholders; or
   ii. a perspective of advising owners of businesses and understanding that wealth generation is derived from the building of business interests that create long-term sustainable value.
d) Directors with an owner orientation retain an open mind to consider diverse views but are not strictly beholden to the whims of fashionable thinking and are able to form their own views as to what constitutes best practice in corporate governance.
e) Interest in and time to do the job means:
   i. the person has an executive role, meaning that the person's career is based on job performance at the Company; or
   ii. the individual has a limited number of outside interests (i.e., the person is not a professional non-executive director),

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

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 2022 aligns with the strategic direction and links remuneration outcomes to performance.

Objective of the consolidated entity in 2022	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 2022	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 2022 and generating returns for shareholders
	Long-term performance is assessed against financial performance conditions calculated exclusively in respect of RONA	Attract, motivate and retain high performing individuals Longer-term remuneration encourages retention and multi-year performance focus	The remuneration offering is competitive for companies of a similar sector, size and complexity

Component	Vehicle	Purpose	Link to Performance
Fixed remuneration	Comprises base salary, superannuation contributions and other benefits	To provide competitive fixed remuneration set with reference to role, market and experience	Consolidated entity and individual performance are considered during the annual remuneration review
Short-term incentive (STI)	Paid as cash as a performance cash incentive (PCI), subject to minimum shareholding of individual Executive Directors	Rewards executives for their contribution to achievement of consolidated entity outcomes	a. There is no STI award for an Executive Director unless the Executive Director satisfies the Participant Performance Review in terms of the Individual Executive Director Assessment Report. b. There is no STI award unless the Entry Level financial condition is achieved.

2. Remuneration Principles and Strategy (continued)

Component	Vehicle	Purpose	Link to Performance
Short-term incentive (STI) (continued)			c. The STI pool in respect of 100% achievement level is subject to performance criteria as to: i. 70% subject to financial conditions; ii. 30% subject to business critical non-financial conditions; and iii. Malus reductions of up to 30% of the pool for non-achievement of further non-financial performance conditions. d. Financial achievement calculated over the 100% achievement level is subject to financial conditions only. e. Executive Directors are to hold shares to the value equating to the level of fixed remuneration for that Executive Director at the end of the given financial year. f. If shares held are less than the benchmark, benefits are to be provided in the form of shares.
Where Annual Profit After Tax is calculated as follows:	Annual Net Profit After Tax (APAT), excluding the after-tax effect of property revaluation increments or decrements, the after-tax effect of the net impact of AASB 16 *Leases* and the after-tax effect of COVID-19 support and assistance received		
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 2022, 2023 and 2024 financial years of 16% (for 50% vesting) with full vesting (i.e. 100%) achieved at 21% RONA. If an amount of 16% RONA is achieved, 50% of the Performance Rights will vest, with a proportionate or partial vesting of the remaining 50% of the Performance Rights upon the achievement of RONA in the range of 16% to 21%.
Where Return on Net Assets (RONA) means the fraction:	APBT (annual net profit before income tax excluding property revaluation increments or decrements, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received) / 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 2022, independent remuneration experts provided remuneration benchmark information for consideration and analysis in respect of the level of Executive Director remuneration, including fixed remuneration, the short-term incentives framework and the long-term incentives framework, and the reasonableness of the framework.

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

Remuneration Approval Process

The Board approves the remuneration arrangements of the CEO and executives and all awards made under the long-term incentive plans of the Company, following recommendations from, and certain determinations by, the Remuneration Committee. The Board sets the aggregate remuneration of NEDs, subject to shareholder approval of the NED remuneration cap.

The Remuneration Committee approves, having regard to the recommendations made by the CEO, the level of the STI pool for Executive Directors.

3. Remuneration Governance (continued)

Remuneration Approval Process (continued)

No Director participates in deliberations about, or decisions, in respect of the remuneration of that Director.

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

The Design of Executive Director Remuneration for a Year of Continued Uncertainty

At the beginning of FY22, there continued to be uncertainty as to the expectation of outcomes. The Remuneration Committee continued to apply the following settings to the remuneration framework for the Executive Directors:

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

Evaluation of Performance of Executive Directors to consider any Windfall Gain Effect

An appraisal of the performance of each Executive Director and the Executive Director team was undertaken following the end of the 2022 year as part of the annual Participant Performance Review by the Remuneration Committee. This year, consistent with last year, the appraisal focused on ensuring that executive remuneration in respect of the FY22 financial result was fair and reasonable, was in line with performance, and did not result in unintended windfall gains in remuneration returns for the Executive Directors.

The appraisal considered matters in respect of performance during the COVID-19 period, including:

- The operation of the consolidated entity across the eight separate countries including in both lock-down and reduced trading circumstances;
- The actions of the Executive Directors in protecting the business and reacting to the changes in market demand, including across the key functions of franchising, physical stores, on-line presence, supply chain management, logistics, marketing and advertising, government relations and property across the eight separate countries; and
- The management of risks to the business which included employee and stakeholder welfare.

The evaluation of the performance of Executive Directors linked with the design of the remuneration framework has led the Remuneration Committee to the conclusion that the Executive Directors did not receive unintended windfall gains in their respective remuneration returns.

The Remuneration Committee views the outcome of the 2022 STI Plan and the LTI Plan as appropriate recognition of the performance of the Executive Directors in dealing with the multi-faceted challenges imposed during the year, demonstrating resilience in management of the integrated retail, franchise, property and digital business through much uncertainty.

In line with a similar resolution made last year, the Remuneration Committee resolved that in making its decisions and recommendations in respect of remuneration outcomes for the Executive Directors for 2022, it would exclude the effect of COVID-19 support and assistance received by the consolidated entity in each of the countries in which it operates, from remuneration outcomes.

No Unfair Benefit

Both the annual STI Plan and the ongoing 2016 LTI Plan have provisions to prevent an 'unfair benefit' being obtained by any participant in respect of fraud or breach of obligation.

4. Remuneration Mix–Target

For the 2022 financial year, the executive remuneration framework comprised fixed remuneration, STI and LTI.

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

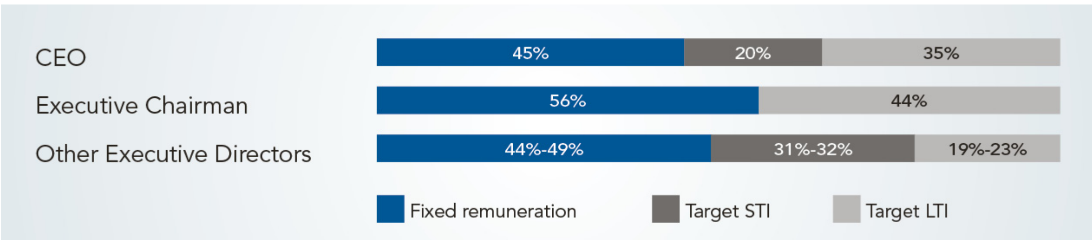
During FY22, a review by an independent remuneration expert was undertaken in respect of the remuneration benchmarking used by the Company, with reference to both sector peers and comparator groups comprising companies of comparable financial size and operations. Informed by this independent review, the policy of the Company continued to position fixed remuneration against the level that reflects the financial accountability and operational scope of the position relative to peer group positions.

The determination of fixed remuneration of Executive Directors was subject to the following principles:

a) The performance of the Company, the longevity of the Executive Directors in their respective roles and the assessment of opportunity costs in respect of replacement;
b) Be in line with the remuneration policies of the Company for Executive Directors so as to position fixed remuneration reflective size relative to peers (i.e. 75th to 90th percentile of the peer group size); and
c) Target total remuneration to provide the opportunity for Executive Directors to earn top quartile rewards for outstanding performance.

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

The following chart summarises the target remuneration mix of the Executive Directors.



Relationship to Benchmark Peer Group:

Within Target Range

Within Target Range

Within Maximum Range

The remuneration expert was commissioned to review the level and reasonableness of the remuneration set for Executive Directors. The independent remuneration expert found the level of the remuneration and the remuneration mix to be reasonable.

5. Details of the Short-Term Incentive (STI) Plan

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

2022 STI Plan

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

Who participates?	Executive Directors
How is the STI delivered?	STI awards, in the form of a cash bonus as a performance cash incentive (**PCI**) or equity, have been made annually to Executive Directors in order to align remuneration with the achievement of a number of performance measures, targets and initiatives covering both financial and non-financial, corporate and individual measures of performance. Executive directors are to hold shares in the Company to the value of fixed remuneration for that Executive Director at the end of the given financial year (the Benchmark Shareholding Level), with any STI paid in equity or cash subject to the following: a. If the Executive Director is under the Benchmark Shareholding Level, the STI reward will be paid in equity, subject to shareholder approval and compliance with the ASX Listing Rules, to the value that increases the holding of the Executive Director to the Benchmark Shareholding Level, with any remaining balance of the STI reward paid in cash. b. If the Executive Director is over the Benchmark Shareholding Level, the STI reward will be paid in cash.

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

2022 STI Plan (continued)

When is the STI paid?	The payment of the 2022 STI Plan PCI to an Executive Director under the 2022 STI Plan is to be made on 30 September 2022, or as soon as reasonably practicable after that date, subject to the satisfaction of 2022 STI Plan Performance Conditions and 2022 STI Plan Service Conditions.
What is the 2022 STI opportunity?	Executive Directors, excluding the Executive Chairman, have a target STI opportunity of between 44% to 72% 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 2022, the 100% STI Pool for the 2022 STI Plan PCI was $3,250,000 allocated as follows: 1. Kay Lesley Page $942,500; 2. John Evyn Slack-Smith $812,500; 3. David Matthew Ackery $812,500; and 4. Chris Mentis $682,500. The maximum over-achievement pool for allocation was $750,000, with the maximum STI pool being $4,000,000. The over-achievement pool was allocated in proportion to the 100% STI Pool.
What are the STI performance conditions for FY22?	Actual STI payments awarded to each Executive Director depend on the extent to which specific measures, targets, initiatives and conditions for the 2022 financial year (STI Targets) were met. STI Targets cover financial and non-financial measures of performance. There is no STI award for an Executive Director unless the Executive Director satisfies the Participant Performance Review in terms of the Individual Executive Director Assessment Report. There is no STI award unless the Entry Level financial condition is achieved. The primary weighting of the 2022 STI Plan Performance Conditions are as follows: a. Financial Condition as to 70% entitlement to the 100% STI Pool; b. Non-Financial Conditions as to 30% entitlement to the 100% STI Pool; c. Malus reductions of up to 30% for non-achievement of certain other non-financial performance conditions; and d. Financial Condition as to the Over-Achievement Pool.

(a) STI 70% Financial Condition

APAT was selected as the STI performance measure as it indicates the level of after-tax profit generated adjusted for the after-tax effects of net property revaluation adjustments, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received, and provides a basis for comparing growth in profitability year-on-year.

The Financial Condition is calculated in respect of the year ended 30 June 2022 and will be achieved at the following levels:

- Entry Level at APAT of $429 million, equating to 50% entitlement of the STI subject to the financial condition (i.e., 35% entitlement to the 100% STI pool = $1.138 million);
- 100% Level at APAT of $536 million, equating to 100% entitlement of the STI subject to the financial condition (i.e., 70% entitlement to the 100% STI pool = $2.275 million);
- Straight-line sliding scale between Entry Level and 100% Level;
- Over-Achievement Level at APAT of $595 million, equating to 100% entitlement of the 100% STI Pool subject to the financial condition (i.e., 70% entitlement to the 100% STI pool = $2.275 million) and 100% entitlement to the Over-Achievement Pool Amount of $0.75 million, resulting in a total Over-Achievement entitlement of $3.025 million;
- Straight-line sliding scale for achievement between 100% and the Over-Achievement Level.

(b) STI 30% Non-Financial Conditions

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

- Productivity improvements equating to 33.33% entitlement of the STI subject to the non-financial conditions (i.e., 10% entitlement to the STI pool = $0.325 million); and
- Digital innovations equating to 66.67% entitlement of the STI subject to the non-financial conditions (i.e., 20% entitlement to the STI pool = $0.650 million).

Full achievement of the non-financial conditions will equate to 30% entitlement to the STI pool i.e., a total of $0.975 million.

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

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

- Compliance risk management framework = 12% of the 30%
- Sustainability = 10% of the 30%
- Franchised complex and company-operated store expansion strategy = 4% of the 30%
- Cyber security governance = 2% of the 30%
- Customer experience = 2% of the 30%

The malus provisions could potentially reduce the overall achievement of the STI award by up to 30% of the 100% STI Pool i.e., a reduction of up to $0.975 million.

5. Details of the Short-Term Incentive (STI) Plan (continued)
2022 STI Plan (continued)

How is performance assessed?	In respect of the 2022 STI, each participating Executive Director will be subject to an additional non-financial performance condition in the form of a Participant Performance Review which is to: • Measure the extent of the proper performance and discharge of the executive responsibilities and accountabilities of that Individual Participant Executive Director; and • Measure the extent of the proper performance and discharge of the duties of that Individual Participant Executive Director, as an officer and director of the Company. To determine whether an individual is eligible for the 2022 STI, in terms of performance, the following process is undertaken: • A report by the CEO in respect to which each Individual Participant Executive Director has satisfied the Participant Performance Review in the form of an Individual Executive Director Assessment Report. In respect of the assessment of the CEO, the Chairman of the Remuneration Committee shall undertake the report and assessment in respect of the CEO. • An objective appraisal by the Internal Auditor of the process and conclusions reached in the Individual Executive Director Assessment Reports, to be provided to the Remuneration Committee promptly after 30 June 2022. Subject to a satisfactory Participant Performance Review, and after consideration of reports and performance against STI Targets, the Remuneration Committee makes a final determination of the amount of STI to be paid to the CEO and other Executive Directors. The extent to which the financial conditions and non-financial conditions have been satisfied will be documented in the Performance Report and an Internal Audit Report, for consideration by the Remuneration Committee in accordance with the terms and conditions of the 2022 STI Plan. The Remuneration Committee (acting on behalf of the Company) may at any time, in its absolute discretion, decrease the amount of the STI which is, or may become, payable to an executive under the 2022 STI Plan by serving a written notice to the relevant executive at any time before the payment date.
What happens if an executive leaves?	For "Bad Leavers" (defined by the Company as resignation or termination for cause), any STI is forfeited, unless otherwise determined by the Board. For any other reason, the Board has discretion to award STI on a pro-rated basis taking into account time and the current level of performance against performance hurdles.

6. Details of the Long-Term Incentive (LTI) Plan

There were four (4) active tranches of the 2016 LTI Plan operating in respect of the 2022 financial year. The FY19 Tranche was issued in FY19 and is measured over 2019, 2020, and 2021. The FY20 Tranche was issued in FY20 and is measured over 2020, 2021 and 2022. The FY21 Tranche was issued in FY21 and is measured over 2021, 2022 and 2023.

The FY22 Tranche was issued in FY22 as follows:

Tranche FY22 of the 2016 LTI Plan

Tranche FY22 of the 2016 LTI Plan	LTI grants are made annually to Executive Directors in order to align remuneration with the creation of sustainable shareholder value over the long-term.
Who participates?	Executive Directors which have an impact on the performance of the consolidated entity against the relevant long-term performance measures.
How is the LTI delivered?	Shareholders at the AGM held on 24 November 2015 approved the terms and conditions of the 2016 LTI Plan that permitted the grant of performance rights to Executive Directors in three separate tranches in the 2016, 2017 and 2018 financial years. Shareholders at the AGM held on 27 November 2018 permitted the grant of a further three separate tranches of performance rights to Executive Directors in the 2019, 2020 and 2021 financial years. Shareholders at the AGM held on 24 November 2021 permitted the grant of a further tranche of performance rights to Executive Directors in the 2022 financial year, subject to the terms and conditions of the 2016 LTI Plan.

Executive	Tranche FY22 Exercisable between 1 January 2025 and 31 October 2026
G. Harvey	145,000
K.L Page	406,000
J.E. Slack-Smith	121,000
D.M. Ackery	121,000
C. Mentis	121,000
Total	914,000

6. Details of the Long-Term Incentive (LTI) Plan (continued)
Tranche FY22 of the 2016 LTI Plan (continued)

What is the LTI opportunity issued in FY22?

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 39% and 80% of fixed remuneration.

A total of 914,000 performance rights under Tranche FY22 of the 2016 LTI Plan were granted to Executive Directors on 30 November 2021.

The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date, with a fair value of $4.12 per entitlement share based on a share price of $5.07.

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 and service conditions of the 2016 LTI Plan, the total fair value of Tranche FY22 performance rights amounted to $3,765,680 in aggregate.

Tranche FY22	Key Dates
Grant date	30 November 2021
Vesting date	31 December 2024
First exercise date	1 January 2025
Last exercise date	31 October 2026

What are the performance conditions for Tranche FY22 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

The financial condition in respect of the achievement of Tranche FY22 of the 2016 LTI Plan is based on RONA, where Tranche FY22 RONA means the fraction:

Tranche FY22 Aggregate APBT ÷ Tranche FY22 Aggregate Net Assets, expressed as a percentage.

Where:

Tranche FY22 Financial Years means the financial years ending 30 June 2022, 2023 and 2024;

Tranche FY22 Aggregate APBT means the aggregate amounts of the annual net profit before income tax of the consolidated entity for each of the Tranche FY22 Financial Years, but excluding amounts accounted for in the financial statements of the consolidated entity for increments or decrements arising from the revaluation of land or buildings, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received in the Tranche FY22 Financial Years;

Tranche FY22 Aggregate Net Assets means the aggregate amounts of the net assets of the consolidated entity, excluding non-controlling interests, as at each of 30 June 2021, 2022 and 2023 as described in the annual report of the consolidated entity in respect of each of the Tranche FY22 Financial Years.

Full vesting of the Tranche FY22 performance rights is conditional upon achievement of Tranche FY22 RONA of 21%, with a lesser vesting as set out in the table below:

Tranche FY22 RONA Achieved	Tranche FY22 % of Performance Rights that will become exercisable
Less than 16%	NIL
16%	50%
21%	100%

The level of LTI achievement for the determination of vesting will be based on a straight-line basis between 16% RONA as to 50% achievement and 21% RONA as to 100% achievement.

6. Details of the Long-Term Incentive (LTI) Plan (continued)
Tranche FY22 of the 2016 LTI Plan (continued)

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 FY22 of the 2016 LTI Plan measured over the period for financial years ending 30 June 2022, 30 June 2023 and 30 June 2024.
When does the LTI vest?	Performance rights granted under Tranche FY22 of the 2016 LTI Plan will vest on 31 December 2024, subject to meeting the financial performance conditions and service conditions, and will be capable of exercise between 1 January 2025 and 31 October 2026.
How are potential LTI awards treated on termination?	Subject to the rules of the 2016 LTI Plan at a relevant time, in general, where a participant resigns or is terminated for cause before a performance right vests, all unvested performance rights will lapse. The Board (after consideration of the recommendations of the Remuneration Committee of the Board), has discretion to determine the treatment of any unvested performance rights where a participant ceases employment in "good leaver" circumstances (such as by reason of death, disability or otherwise in circumstances approved by the Board). In the event of fraud, dishonesty or breach of obligations, the Board may make a determination, including lapsing an award of performance rights, to ensure no unfair benefit is obtained by a participant.
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.

7. Performance and Executive Remuneration Outcomes in FY22

7A. Actual Remuneration Earned by Key Management Personnel (KMP) in FY22

The compensation expensed in respect of KMP in FY22 is set out in Table 1 (for Directors) and Table 2 (for Senior Executives) on pages 55 and 56 of this report. This provides shareholders with a view of the remuneration earned by KMP for performance in the 2022 financial year and the value of any LTIs expensed during the financial year.

The 'take-home pay' for KMP Directors of the Company, representing the benefits paid to each Director during the year ended 30 June 2022, or as soon as practicable after that date, is set out in Section 13 of the Remuneration Report on page 59.

7B. Fixed Remuneration

Executive contracts of employment do not include any guaranteed base pay increases. The fixed remuneration of Executive Directors is reviewed annually by the Remuneration Committee.

In line with the independent review undertaken during the 2022 financial year by an independent remuneration expert, the determination of fixed remuneration of Executive Directors was subject to the following principles:

a) The performance of the Company, the longevity of the Executive Directors in their respective roles and the assessment of opportunity costs in respect of replacement;
b) Be in line with the remuneration policies of the Company for Executive Directors so as to position fixed remuneration reflecting size relative to peers (i.e. the 75th to 90th percentile of the peer group size); and
c) Target total remuneration to provide the opportunity for Executive Directors to earn top quartile rewards for outstanding performance.

Remuneration levels are considered annually, with consideration of market data and the benchmark peer group. The process undertaken by the Remuneration Committee consisted of a review of Company, business unit and individual performance, relevant comparative remuneration, and external advice independent of management as to the reasonableness of the fixed remuneration of the Executive Directors.

For FY2022, there was no increase in the level of fixed remuneration for the Executive Directors. The fixed remuneration of the Executive Directors has not increased since the fixed remuneration was re-set in FY2014 following the Global Financial Crisis (GFC).

The fixed component of the remuneration of Executive Directors is disclosed in Table 1 on page 55 of this report.

7. Performance and Executive Remuneration Outcomes in FY22 (continued)

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

A combination of financial and non-financial measures are used to measure performance for STI awards. The STI 100% opportunity pool was $3,250,000 (2021: $3,250,000). The pool for over-achievement was $750,000 (2021: $750,000). The maximum aggregate pool for allocation was $4,000,000 (2021: $4,000,000).

70% of the STI is dependent on the satisfaction of financial performance conditions (based on APAT) and 30% is measured against the achievement of non-financial measures.

Actual performance against those measures is as follows for the 2022 financial year:
a) 100% achievement of the 70% Financial Condition **(score of 70 out of 70)** of the 100% STI pool = $2,275,000
b) 100% achievement of the Over-Achievement Pool subject to the Financial Condition **(score of 20 out of 20)** = $750,000
c) 50% achievement of the 30% Non-Financial Conditions **(score of 15 out of 30)** = $487,500
d) 0% reduction for malus penalties of up to 30% of the STI Pool **(score of 0 out of 30)** = reduction of $0

The total 2022 STI Plan payable in respect of the 2022 financial year is $3,512,500 (2021: $3,767,952). This represented a **total achievement of 105 points out of 120 points (87.50%)**, as shown in the tables below, compared to achievement of 112.86 points out of 120 points (94.05%) in FY21.

Financial Conditions of the 2022 STI Plan

Achievement of 70% Financial Condition			
Calculation of FY2022 APAT	Annual Net Profit After Tax (APAT) excluding the after-tax effects of property revaluation increments or decrements, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received	= $668.79 million for FY22	Achievement = 120% Over-Achievement

	100% Level 2022 STI PCI	% Financial Conditions	2022 STI PCI Financial Condition	% Financial Condition Satisfied	2022 STI PCI Payable
Kay Lesley Page	$942,500	70%	$659,750	100% (70 out of 70)	**$659,750**
John Evyn Slack-Smith	$812,500	70%	$568,750	100% (70 out of 70)	**$568,750**
David Matthew Ackery	$812,500	70%	$568,750	100% (70 out of 70)	**$568,750**
Chris Mentis	$682,500	70%	$477,750	100% (70 out of 70)	**$477,750**
Total	$3,250,000		$2,275,000		$2,275,000

Achievement of Over-Achievement Pool

	120% Over-Achievement Pool	% Financial Conditions	2022 STI PCI Financial Condition	% Financial Condition Satisfied	2022 STI PCI Payable
Kay Lesley Page	$217,500	100%	$217,500	100% (20 out of 20)	**$217,500**
John Evyn Slack-Smith	$187,500	100%	$187,500	100% (20 out of 20)	**$187,500**
David Matthew Ackery	$187,500	100%	$187,500	100% (20 out of 20)	**$187,500**
Chris Mentis	$157,500	100%	$157,500	100% (20 out of 20)	**$157,500**
Total	$750,000		$750,000		$750,000

APAT for the 2022 financial year was $668.79 million (2021: $738.44 million) resulting in the full achievement of the financial conditions for the STI 100% Pool (level required $536 million), and full achievement of the financial conditions in respect of the Over-Achievement Pool (level required $595 million).

DIRECTORS' REPORT – REMUNERATION REPORT (AUDITED) (CONTINUED)

7. Performance and Executive Remuneration Outcomes in FY22 (continued)
7C. Actual Performance Against Short Term Incentive (STI) Measures (continued)

Non-Financial Conditions of the 2022 STI Plan

Achievement of 30% Non-Financial Conditions	For 2022, 30% of the 100% opportunity pool i.e., $975,000 was subject to non-financial performance measures as to: • Productivity improvements equating to 33.33% (10% entitlement to the STI pool = $325,000); and • Digital innovations equating to 66.67% (20% entitlement to the STI pool = $650,000)				
	100% Level 2022 STI PCI	% Non-Financial Conditions	2022 STI PCI Non-Financial	% Non-Financial Condition Satisfied	2022 STI PCI Payable
Kay Lesley Page	$942,500	30%	$282,750	50% (15 out of 30)	**$141,375**
John Evyn Slack-Smith	$812,500	30%	$243,750	50% (15 out of 30)	**$121,875**
David Matthew Ackery	$812,500	30%	$243,750	50% (15 out of 30)	**$121,875**
Chris Mentis	$682,500	30%	$204,750	50% (15 out of 30)	**$102,375**
Total	$3,250,000		$975,000		$487,500

The Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management, including the Individual Director Assessment Reports and Internal Audit Reports, and noted that 50% of the non-financial performance hurdles for the 2022 STI Plan were achieved, equating to a score of 15 points out of 30 points.

Achievement of the Non-Financial Performance Conditions for the 2022 STI Plan are set out in the following table:

	Assessment of Non-Financial Conditions of the 2022 STI Plan				
Measure	Initiative	Primary Weighting	Achievement	Commentary	Score
Productivity Improvements	Commence and implement the finance transformation project in Australia and New Zealand.	10%	50%	Delays in execution due to Covid-19 lockdown	5.0%
Digital Innovations	Implement innovation and improvement initiatives to enhance digital operations including gift card and operating platforms.	20%	50%	Delays in execution due to resourcing availability through Covid-19	10.0%
Total		30%			15.0%

7. Performance and Executive Remuneration Outcomes in FY22 (continued)
7C. Actual Performance Against Short Term Incentive (STI) Measures (continued)

Malus Reduction in Respect of 2022 STI Plan

Malus Reductions of up to 30% of the 2022 STI	Malus (financial penalty) provisions to reduce the overall achievement of the 100% STI pool by up to 30% i.e., $975,000, in respect of: • Compliance risk management framework = 12% of the 30% • Sustainability = 10% of the 30% • Franchised complex and company-operated store expansion strategy = 4% of the 30% • Cyber security governance = 2% of the 30% • Customer experience = 2% of the 30%				
	100% Level 2022 STI PCI	Maximum % Malus Reductions	2022 STI PCI Malus Reductions	% Malus Reductions (Score)	Reduction in 2022 STI PCI Payable
Kay Lesley Page	$942,500	-30%	($282,750)	-0% (30 out of 30)	$0
John Evyn Slack-Smith	$812,500	-30%	($243,750)	-0% (30 out of 30)	$0
David Matthew Ackery	$812,500	-30%	($243,750)	-0% (30 out of 30)	$0
Chris Mentis	$682,500	-30%	($204,750)	-0% (30 out of 30)	$0
Total	$3,250,000		($975,000)		$0

There was no malus reduction for FY22 in accordance with the below table outlining the results of the assessment of the malus provisions:

	Assessment of the Malus Provisions				
Measure	Initiative	Primary Weighting	Achievement / Score	Commentary	Malus Reduction
Compliance	Compliance risk management framework	-12%	100% (Score 12%)	Strategic plan set across the organisation.	0%
Sustainability	Governance framework for sustainability	-10%	100% (Score 10%)	Charter, scope, framework and project plan set.	0%
Expansion Strategy	Franchised complexes and company-operated stores	-4%	100% (Score 4%)	Two (2) new franchised complexes in Australia. Premium refit of franchised complex at Aspley, QLD. One (1) new store opened at Pavilion Bukit Jalil, Malaysia.	0%
Cyber Security	Cyber security governance structure	-2%	100% (Score 2%)	Continuing the phases of the Global Security Improvement Program.	0%
Customer Experience	Franchisee tools for customer communication and complaints management	-2%	100% (Score 2%)	Point of sale functionality and complaints reduction	0%
Total		-30%			0%

DIRECTORS' REPORT – REMUNERATION REPORT (AUDITED) (CONTINUED)

7. Performance and Executive Remuneration Outcomes in FY22 (continued)
7C. Actual Performance Against Short Term Incentive (STI) Measures (continued)

SUMMARY OF TOTAL ACHIEVEMENT OF 2022 STI	100% Pool Amount			Over-Achievement Pool	TOTAL 2022 STI
	Financial	Non-Financial	Malus	Financial	
Kay Lesley Page	$659,750	$141,375	-	$217,500	$1,018,625
John Evyn Slack-Smith	$568,750	$121,875	-	$187,500	$878,125
David Matthew Ackery	$568,750	$121,875	-	$187,500	$878,125
Chris Mentis	$477,750	$102,375	-	$157,500	$737,625
Total	$2,275,000	$487,500	-	$750,000	$3,512,500

Service Conditions of the 2022 STI Plan

The 2022 STI Plan Service Conditions will be deemed to be satisfied, if and only if, as at the relevant payment date (30 September 2022):

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

Shareholding Benchmark of the 2022 STI Plan

Executive Directors are to hold shares in the Company to the value equating to the level of fixed remuneration for that Executive Director at the end of the financial year (the Benchmark Shareholding Level). If shares held by the Executive Director are less than the Benchmark Shareholding Level, the STI benefit is to be provided in the form of shares, subject to shareholder approval and compliance with ASX Listing Rules, to the value that increases the holding of the Executive Director to the Benchmark Shareholding Level.

Each of the Executive Directors that participated in the 2022 STI Plan held shares in the Company of a value that was in excess of the Benchmark Shareholding Level. The STI benefit under the 2022 STI Plan is to be paid in cash.

7D. Actual Performance Against Long Term Incentive (LTI) Measures for Tranche FY22 of the 2016 LTI Plan

A total of 914,000 performance rights were granted to Executive Directors on 30 November 2021. The Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management and Internal Audit Reports, and has estimated, based on the available evidence, that the financial performance condition for Tranche FY22 of the 2016 LTI Plan will be 100% achieved by the end of the vesting period and it is probable that 100% of the estimated fair value of the performance rights will meet the performance condition.

The Remuneration Committee resolved in making its decisions and recommendations in respect of remuneration outcomes for the Executive Directors of the Company, it will exclude the effect of COVID-19 support and assistance in respect of remuneration outcomes, so as to eliminate unintended windfall gains in "at risk" remuneration returns for the Executive Directors in respect of COVID-19 support and assistance. The probability of 100% vesting has been estimated based on the calculation of Tranche FY22 RONA for the 2022 financial year of 24.24%. A 24.24% RONA for FY22 would result in a 100% vesting for year 1 of the three-year measurement period. A 100% vesting probability will result in a cumulative Tranche FY22 fair value of $3,765,680 over the vesting period based on a fair value of $4.12 per entitlement. An amount of $710,962 has been recognised as remuneration to Executive Directors and expensed in the income statement on a straight-line basis for FY22.

Achievement of 100% Financial Condition for Tranche FY22 of 2016 LTI						
Calculation of FY22 RONA:		FY22 APBT (net profit excluding property revaluations, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received) / FY21 Net Assets (excluding non-controlling interests)			$936.80 million / $3,864.83 million	= 24.24% RONA
	Number of Performance Rights	Fair Value Per Right	Fair Value of Performance Rights	Probability of Vesting %	Estimated Value of Tranche FY22 2016 LTI Plan to Vest	Tranche FY22 LTI Plan Expense in FY22
Gerald Harvey	145,000	$4.12	$597,400	100%	$597,400	$112,789
Kay Lesley Page	406,000	$4.12	$1,672,720	100%	$1,672,720	$315,810
John Evyn Slack-Smith	121,000	$4.12	$498,520	100%	$498,520	$94,121
David Matthew Ackery	121,000	$4.12	$498,520	100%	$498,520	$94,121
Chris Mentis	121,000	$4.12	$498,520	100%	$498,520	$94,121
Total	914,000		$3,765,680		$3,765,680	$710,962

7. Performance and Executive Remuneration Outcomes in FY22 (continued)
7D. Actual Performance Against Long Term Incentive (LTI) Measures for Tranche FY22 of the 2016 LTI Plan (continued)

Subject to the satisfaction of the financial performance condition and service conditions of the 2016 LTI Plan, Tranche FY22 will vest on 31 December 2024. The exercise price for each performance right will be nil. If exercised, each performance right will be converted into one ordinary share of the Company. Unexercised performance rights will lapse, irrespective of whether the performance rights have become exercisable on 1 November 2026 or:

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

7E. Reassessment of Tranche FY21 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY22

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

In the 2021 Remuneration Report, it was reported that the estimated achievement of Tranche FY21 of the 2016 LTI Plan would have been 100% by the end of the vesting period and that 100% of the estimated fair value of the Tranche FY21 performance rights will meet the performance condition. The probability of 100% vesting had been estimated based on the calculation of Tranche FY21 RONA for the 2021 financial year of 30.09%.

The financial performance condition of Tranche FY21 is subject to reassessment during each of the Tranche FY21 Financial Years being the financial years ending 30 June 2021, 2022 and 2023. A reassessment of the Tranche FY21 Aggregate APBT and Tranche FY21 Aggregate Net Assets for the 2021 and 2022 financial years has resulted in a revised RONA for the two-year aggregated period of 27.00%. The revised RONA of 27.00% has resulted in a consistent probability of vesting of 100%, similar to the assessment in the previous year.

The cumulative expense in respect of Tranche FY21 as assessed in the 2022 financial year remains at $2,115,575. The total value of Tranche FY21 expense recognised in the 2022 financial year was $687,609, relating to the recognition of the Tranche FY21 expense on a straight-line basis for FY22.

Reassessment of 100% Financial Condition for Tranche FY21 of 2016 LTI Plan						
Calculation of Aggregated RONA for Tranche FY21 Financial Years (FY21 and FY22)		Tranche FY21 Aggregated APBT (net profit excluding property revaluations, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received) (2021 + 2022) / Tranche FY21 Aggregated Net Assets (2020 + 2021)			$1,973.71 million / $7,311.17 million	= 27.00% RONA
	Probability Vesting % in FY21	Tranche FY21 Estimated Fair Value in FY21	Revised Probability Vesting in FY22	Revised Estimated Tranche FY21 Fair Value in FY22	Adjustment due to reassessment	Tranche FY21 LTI Plan Expense in FY22
Gerald Harvey	100%	$252,175	100%	$252,175	-	$81,962
Kay Lesley Page	100%	$704,550	100%	$704,550	-	$228,994
John Evyn Slack-Smith	100%	$419,650	100%	$419,650	-	$136,396
David Matthew Ackery	100%	$419,650	100%	$419,650	-	$136,396
Chris Mentis	100%	$319,550	100%	$319,550	-	$103,861
Total		$2,115,575		$2,115,575	-	$687,609

7F. Reassessment of Tranche FY20 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY22

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

In the 2021 Remuneration Report, the probability of vesting was reassessed, and it was reported that the estimated achievement of Tranche FY20 of the 2016 LTI Plan would have been 100% by the end of the vesting period and that 100% of the estimated fair value of the Tranche FY20 performance rights will meet the performance condition. This reassessment was based on a 2-year aggregated RONA, being the Tranche FY20 Aggregate APBT and Tranche FY20 Aggregate Net Assets for the 2020 and 2021 financial years.
The reassessment in 2021 resulted in a revised 2-year aggregated RONA of 24.73%.

7. Performance and Executive Remuneration Outcomes in FY22 (continued)

7F. Reassessment of Tranche FY20 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY22 (continued)

The financial performance condition of Tranche FY20 was subject to reassessment during each of the Tranche FY20 Financial Years being the financial years ending 30 June 2020, 2021 and 2022. A final reassessment of the Tranche FY20 Aggregate APBT and Tranche FY20 Aggregate Net Assets for the 2020, 2021 and 2022 financial years has resulted in a revised RONA for the three-year aggregated period of 24.55%. A revised aggregated RONA of 24.55% for the Tranche FY20 Financial Years has resulted in the actual achievement of 100% of the Tranche FY20 performance rights. This revised achievement calculation of 100% is consistent with the previous probability of vesting of 100% as calculated in FY21.

The cumulative expense in respect of Tranche FY20 has been reassessed in FY22 as $1,906,765, consistent with the amount reported in the 2021 Remuneration Report. The total value of Tranche FY20 expense recognised in FY22 was $618,173, relating to the recognition of the Tranche FY20 expense on a straight-line basis for FY22. FY22 was the final year of measurement for Tranche FY20 with the performance rights scheduled to vest at 31 December 2022.

Reassessment of 100% Financial Condition for Tranche FY20 of 2016 LTI Plan						
Calculation of Aggregated RONA for Tranche FY20 Financial Years (2020, 2021 and 2022)		Tranche FY20 Aggregated APBT (2020 + 2021 + 2022) / Tranche FY20 Aggregated Net Assets (2019 + 2020 + 2021)			$2,572.64 million / $10,478.59 million	= 24.55% RONA
	Probability Vesting % in FY21	Tranche FY20 Estimated Fair Value in FY21	Revised Probability Vesting in FY22	Revised Tranche FY20 Fair Value in FY22	Adjustment due to Reassessment	Tranche FY20 LTI Plan Expense in FY22
Gerald Harvey	100%	$227,285	100%	$227,285	-	$73,686
Kay Lesley Page	100%	$635,010	100%	$635,010	-	$205,870
John Evyn Slack-Smith	100%	$378,230	100%	$378,230	-	$122,622
David Matthew Ackery	100%	$378,230	100%	$378,230	-	$122,622
Chris Mentis	100%	$288,010	100%	$288,010	-	$93,373
Total		$1,906,765		$1,906,765	-	$618,173

7G. Vesting of Tranche FY19 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY22

In 2019, a total of 549,500 performance rights were granted to Executive Directors on 4 December 2018 under Tranche FY19 of the 2016 LTI Plan. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $2.59 per share, based on a share price of $3.21 as at grant date, resulting in a total fair value of Tranche FY19 of $1,423,205. Tranche FY19 of the 2016 LTI Plan was measured over a three-year period for financial years ending 30 June 2019, 30 June 2020 and 30 June 2021.

In the 2021 Remuneration Report, it was reported that the estimated achievement of Tranche FY19 of the 2016 LTI Plan would have been 100% by the end of the vesting period and that 100% of the estimated fair value of the performance rights would meet the performance condition.

The cumulative expense in respect of Tranche FY19 was $1,423,205 as reported in the 2021 Remuneration Report. The 2021 financial year was the final year of Tranche FY19 measurement. During the 2022 financial year, an expense of $232,979 was recognised in respect of Tranche FY19 of the 2016 LTI Plan representing the remaining vesting period up to 31 December 2021.

Of the 549,500 performance rights granted to Executive Directors during 2019, a total of 100%, or 549,500 performance rights vested on 31 December 2021 and were exercisable from 1 January 2022. On 7 January 2022, 440,500 performance rights under Tranche FY19 of the 2016 LTI Plan were exercised and on 22 July 2022, a further 109,000 performance rights under Tranche FY19 were exercised, reducing the unissued ordinary shares under Tranche FY19 of the 2016 LTI Plan to nil.

Assessment of 100% Financial Condition for Tranche FY19 of 2016 LTI Plan					
Calculation of Aggregated RONA for Tranche FY19 Financial Years (2019, 2020 and 2021)	Tranche FY19 Aggregated APBT (2019 + 2020 + 2021) / Tranche FY19 Aggregated Net Assets (2018 + 2019 + 2020)			$2,140.10 million / $9,524.76 million	= 22.47% RONA
	Actual Achievement in FY21	Actual Tranche FY19 Fair Value	Tranche FY19 LTI Plan Expense in FY22		
Gerald Harvey	100%	$169,645	$27,771		
Kay Lesley Page	100%	$473,970	$77,589		
John Evyn Slack-Smith	100%	$282,310	$46,214		
David Matthew Ackery	100%	$282,310	$46,214		
Chris Mentis	100%	$214,970	$35,191		
Total		$1,423,205	$232,979		

7. Performance and Executive Remuneration Outcomes in FY22 (continued)

7H. Summary of Performance and Executive Remuneration Outcomes in FY22

Remuneration Component	Value of STI and LTI Disclosed in 2022 and 2021 Remuneration Reports						
	100%-Level Achievement Amount	Achieve-ment	Score	Amount Payable	Vesting Period	2022 Remuneration Amount	2021 Remuneration Amount
2022 STI Plan - Financial conditions (70/100) - Over-achievement pool (20/20) - Non-financial conditions (30/100) - Malus Adjustments (up to 30/100) Total	 $2,275,000 $750,000 $975,000 - $4,000,000	 100% 100% 50% 0%	 70.00 20.00 15.00 0.00 105.00	 $2,275,000 $750,000 $487,500 - $3,512,500	 1 Year	 $2,275,000 $750,000 $487,500 - $3,512,500	 - - - - -
2021 STI Plan - Financial conditions (80/100) - Over-achievement pool (20/20) - Non-financial conditions (20/100) - Malus Adjustments (up to 30/100) Total	 $2,600,000 $750,000 $650,000 - $4,000,000	 100% 100% 87.50% 15.47%	 80.00 20.00 17.50 (4.64) 112.86	 $2,600,000 $750,000 $568,752 ($150,800) $3,767,952	 1 Year	 - - - - -	 $2,600,000 $750,000 $568,752 ($150,800) $3,767,952
Total Short-Term Incentive PCI						$3,512,500	$3,767,952
Tranche FY22 of 2016 LTI Plan - Financial conditions (100%) - Non-financial conditions (0%) Total 100%	 $3,765,680 - $3,765,680	 100% -	 100% -	 $3,765,680 - $3,765,680	3.1 Years (30/11/21 to 31/12/24)	 $710,962 - $710,962	 - - -
Tranche FY21 of 2016 LTI Plan - Financial conditions (100%) - Non-financial conditions (0%) Total 100%	 $2,115,575 - $2,115,575	 100% -	 100% -	 $2,115,575 - $2,115,575	 3.1 Years (04/12/20 to 31/12/23)	 $687,609 - $687,609	 $393,726 - $393,726
Tranche FY20 of 2016 LTI Plan - Financial conditions (100%) - Non-financial conditions (0%) Total 100%	 $1,906,765 - $1,906,765	 100% -	 100% -	 $1,906,765 - $1,906,765	 3.1 Years (02/12/19 to 31/12/22)	 $618,173 - $618,173	 $761,714 - $761,714
Tranche FY19 of 2016 LTI Plan - Financial conditions (100%) - Non-financial conditions (0%) Total 100%	 $1,423,205 - $1,423,205	 100% -	 100% -	 $1,423,205 - $1,423,205	 3.1 Years (04/12/18 to 31/12/21)	 $232,979 - $232,979	 $753,359 - $753,359
Tranche 3 (FY18) of 2016 LTI Plan - Financial conditions (100%) - Non-financial conditions (0%) Total 100%	 $1,336,000 - $1,336,000	 56.6% -	 56.6% -	 $756,177 - $756,177	 n/a	 - - -	 $123,456 - $123,456
Total LTI Performance Rights						$2,249,723	$2,032,255
Total Value of STI and LTI						$5,762,223	$5,800,207

The total value of STI and LTI expensed in the Income Statement for the 2022 financial year and disclosed in this remuneration report was $5.76 million compared to $5.80 million expensed in the 2021 financial year, a decrease of $0.04 million or -0.7%, relative to the previous year.

8. Executive Contractual Arrangements

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

Chief Executive Officer

The CEO, Ms. K.L. Page is employed under a rolling contract.
Under the terms of the present contract the CEO's total potential employment cost is $4,932,720 comprised of:

- fixed remuneration of $2,100,000 per annum;
- maximum STI opportunity in respect of the year ended 30 June 2022 of $1,160,000 (including the over-achievement level); and
- maximum LTI opportunity in respect of the year ended 30 June 2022 of $1,672,720.

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	Unvested awards forfeited*

Minimum Shareholding Requirement

There are no minimum shareholding requirements imposed on the CEO. There is a Benchmark Shareholding Level in respect of the 2022 STI Plan to determine whether the reward is to be paid as cash or in shares. The CEO held 20,039,315 shares in the Company at 30 June 2022 equating to a value of $74.35 million.

Other Executive KMPs

All other Executive 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*

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

9. 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.

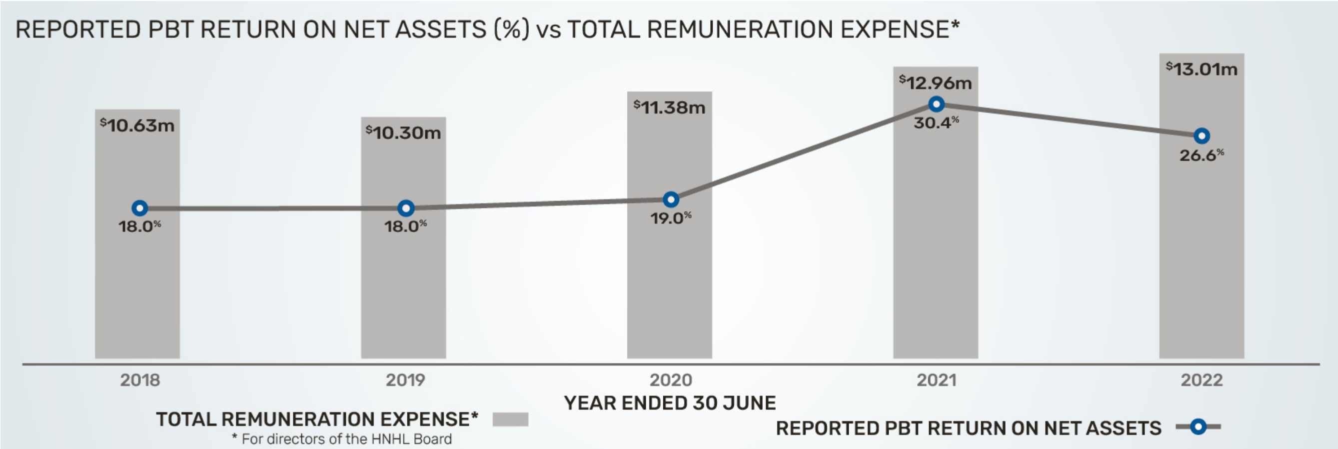
The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. At the 2020 annual general meeting (AGM) held on 25 November 2020, shareholders approved an increase of $500,000 to the aggregate NED pool from $1,000,000 to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

Structure

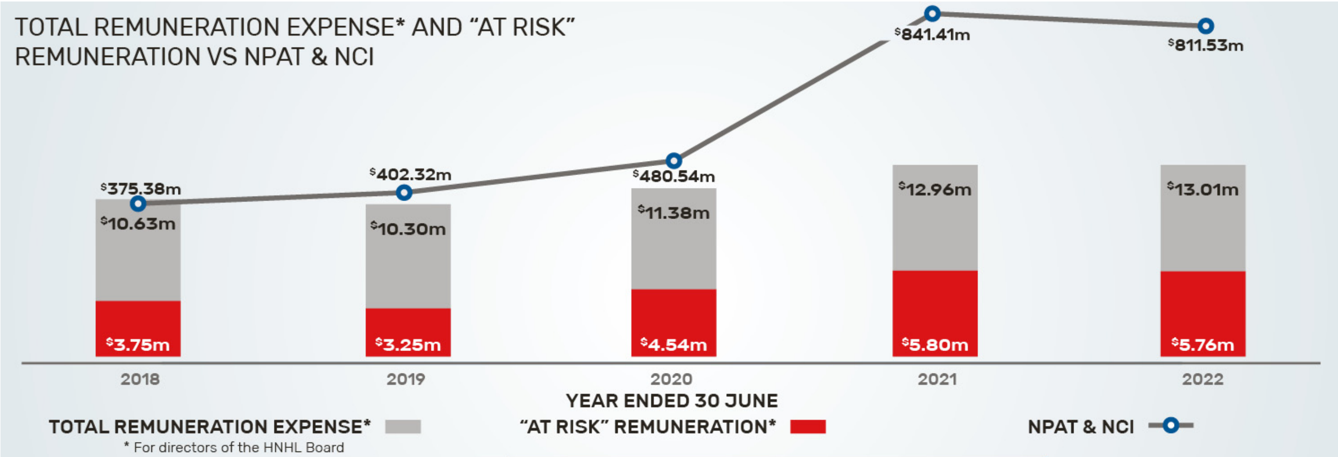
The remuneration of NEDs consists of directors' fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs. Each NED receives a fee for being a director of the Company. The structure of NED remuneration is separate and distinct from executive remuneration. The remuneration of NEDs for the years ended 30 June 2022 and 30 June 2021 are disclosed in Table 1 on page 55 of this report.

10. Relationship between Remuneration and the Performance of the Company

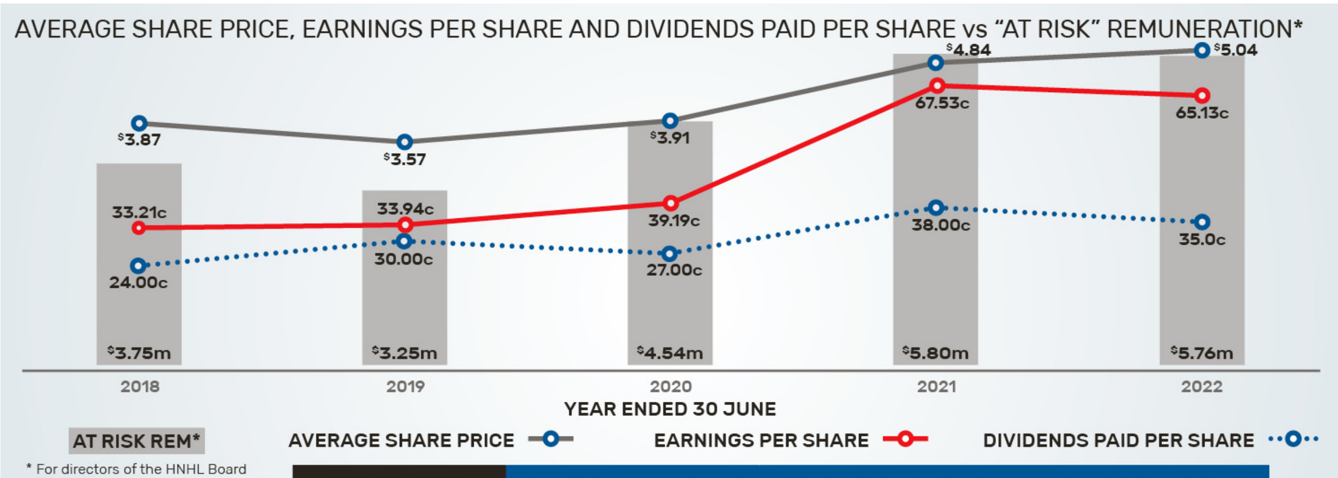
The graphs below illustrate the performance of the Company for the past five financial years and the high level of correlation between remuneration and performance. Correlation is a calculation of the degree of relationship between two items with 100% being strongest and 0% being weakest. Correlation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



CORRELATION	5 YEAR: 94.1%	3 YEAR: 93.6%



CORRELATION	TOTAL REMUNERATION	"AT RISK" REMUNERATION
5 YEAR	98.1%	95.8%
3 YEAR	99.5%	99.9%



CORRELATION	AVERAGE SHARE PRICE	EARNINGS PER SHARE	DIVIDENDS PAID
5 YEAR	96.0%	95.5%	78.0%
3 YEAR	98.1%	99.9%	97.2%

11. Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2022 Directors of Harvey Norman Holdings Limited:

		Short-term benefits				Post Employment	Long Term Incentives	Other		
		Salary & Fees	Performance Cash Incentive	Other Short Term [c]	Non-Monetary Benefits [c]	Superannuation	Performance Rights	Long Service Leave [d]	Total Remuneration	*% earned at risk*
Gerald Harvey Executive Chairman	2022	716,032	-	10,400	-	23,568	296,208	-	1,046,208	*28.3%*
	2021	717,906	-	10,400	-	21,694	246,818	-	996,818	*24.8%*
Kay Lesley Page Executive Director/CEO	2022	2,048,090	1,018,625	-	28,342	23,568	828,263	-	3,946,888	*46.8%*
	2021	2,054,631	1,092,706	-	23,675	21,694	670,410	-	3,863,116	*45.6%*
John Evyn Slack-Smith Executive Director/COO	2022	1,226,432	878,125	-	-	23,568	399,353	20,441	2,547,919	*50.1%*
	2021	1,228,306	941,988	-	-	21,694	401,781	20,472	2,614,241	*51.4%*
David Matthew Ackery Executive Director	2022	1,208,432	878,125	18,000	-	23,568	399,353	20,441	2,547,919	*50.1%*
	2021	1,210,306	941,988	18,000	-	21,694	401,781	20,472	2,614,241	*51.4%*
Chris Mentis Executive Director/CFO	2022	881,354	737,625	-	45,078	23,568	326,546	14,689	2,028,860	*52.5%*
	2021	886,093	791,270	-	42,213	21,694	311,465	14,768	2,067,503	*53.3%*
Michael John Harvey Non-Executive Director	2022	54,545	-	-	-	5,455	-	-	60,000	-
	2021	54,795	-	-	-	5,205	-	-	60,000	-
Christopher Herbert Brown Non-Executive Director	2022	145,455	-	-	-	14,545	-	-	160,000	-
	2021	146,119	-	-	-	13,881	-	-	160,000	-
Kenneth William Gunderson-Briggs Non-Executive Director	2022	341,482	-	-	-	23,568	-	-	365,050	-
	2021	260,764	-	-	-	19,741	-	-	280,505	-
Graham Charles Paton [a] Non-Executive Director	2022	-	-	-	-	-	-	-	-	-
	2021	60,883	-	-	-	5,784	-	-	66,667	-
Maurice John Craven Non-Executive Director	2022	131,818	-	-	-	13,182	-	-	145,000	-
	2021	132,420	-	-	-	12,580	-	-	145,000	-
Luisa Catanzaro [b] Non-Executive Director	2022	145,455	-	-	-	14,545	-	-	160,000	-
	2021	86,975	-	-	-	8,263	-	-	95,238	-
Total for the 2022 Financial Year		6,899,095	3,512,500	28,400	73,420	189,135	2,249,723	55,571	13,007,844	*44.3%*
Total for the 2021 Financial Year		6,839,198	3,767,952	28,400	65,888	173,924	2,032,255	55,712	12,963,329	*44.7%*

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

(a) Graham Charles Paton retired on 25 November 2020.
(b) Luisa Catanzaro was appointed a Non-Executive Director of Harvey Norman Holdings Limited on 25 November 2020.
(c) Short-term benefits includes car allowances paid (Other Short Term) and the cost of fully-maintained motor vehicles (Non-Monetary Benefits)
(d) Table 1 includes the accrual for long service leave entitlements in respect of the years ended 30 June 2022 and 30 June 2021. 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.

11. Compensation of Key Management Personnel (continued)

Table 2: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2022 Senior Executives of Harvey Norman Holdings Limited:

		Short-term benefits				Post Employment	Other			
		Salary & Fees	Performance Cash Incentive	Other Short Term	Non-Monetary Benefits	Superannuation	Termination Benefits [f]	Long Service Leave [g]	Total Remuneration	*% earned at risk*
Thomas James Scott GM – Property	2022	571,285	-	-	-	23,568	-	9,521	604,374	-
	2021	573,159	-	-	-	21,694	-	9,553	604,406	-
Gordon Ian Dingwall Chief Information Officer	2022	530,000	-	-	-	23,568	-	8,833	562,401	-
	2021	511,181	-	-	-	21,694	-	8,520	541,395	-
Lachlan Roach [c] GM – Home Appliances	2022	163,771	-	3,511	-	11,784	36,447	1,062	216,575	-
	2021	409,306	-	9,000	-	21,694	-	6,822	446,822	-
Emmanuel Hohlastos [a] GM – Home Appliances	2022	428,764	-	-	-	23,568	-	7,146	459,478	-
	2021	418,306	-	-	-	21,694	-	6,972	446,972	-
Glen Gregory GM – Technology & Entertainment	2022	463,069	-	12,000	-	23,568	-	7,718	506,355	-
	2021	422,806	-	12,000	-	21,694	-	7,047	463,547	-
Richard Beaini [b] GM – Audio Visual	2022	85,191	-	-	-	5,892	-	327	91,410	-
	2021	-	-	-	-	-	-	-	-	-
Carene Myers [d] GM – Small Appliances	2022	301,964	-	-	34,189	23,568	-	5,033	364,754	-
	2021	-	-	-	-	-	-	-	-	-
Martin Anderson [e] GM - Advertising	2022	-	-	-	-	-	-	-	-	-
	2021	296,281	-	-	27,423	23,422	33,985	4,938	386,049	-
Total for the 2022 Financial Year		2,544,044	-	15,511	34,189	135,516	36,447	39,640	2,805,347	-
Total for the 2021 Financial Year		2,631,039	-	21,000	27,423	131,892	33,985	43,852	2,889,191	-

(a) Resigned as General Manager–Audio Visual on 30 November 2021 and appointed to General Manager–Home Appliances on 1 December 2021
(b) Appointed to General Manager–Audio Visual on 8 April 2022
(c) Resigned as General Manager–Home Appliances on 19 November 2021
(d) General Manager–Small Appliances is a new KMP effective from 1 July 2021
(e) Retired effective 30 June 2021
(f) This amount represents the cash payment of employee leave entitlements upon resignation or retirement
(g) This amount represents the accrual for long service leave entitlements in respect of the years ended 30 June 2022 and 30 June 2021

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

Options Granted to Executive Directors as Part of Remuneration:

There were no options granted to any Executive Director during the year ended 30 June 2022. There were no movements in option holdings during the year ended 30 June 2022.

Options Holdings of Key Management Personnel for the Year Ended 30 June 2022:

There were no options held by any director or senior executive during the year ended 30 June 2022.

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

The table below discloses the number of performance rights granted to Executive Directors as remuneration during the year ended 30 June 2022 as well as the number of performance rights that vested, were exercised or lapsed during the year. Performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

	Performance Rights Granted as Remuneration During the Year (a)		Performance Rights Vested During the Year (b)		Performance Rights Lapsed During the Year (b)		Unvested Performance Rights at 30 June 2022 (c)		Performance Rights Exercised During the Year	
	Number Granted	Fair Value Granted $	Number Vested	Fair Value Vested $	Number Lapsed	Fair Value Lapsed $	Number Unvested	Fair Value Unvested $	Number Exercised	Fair Value Exercised $
Gerald Harvey	145,000	$597,400	65,500	$169,645	-	$-	276,000	$1,076,860	65,500	$169,645
Kay Lesley Page	406,000	$1,672,720	183,000	$473,970	-	$-	772,000	$3,012,280	183,000	$473,970
John Evyn Slack-Smith	121,000	$498,520	109,000	$282,310	-	$-	339,000	$1,296,400	109,000	$282,310
David Matthew Ackery	121,000	$498,520	109,000	$282,310	-	$-	339,000	$1,296,400	-	$-
Chris Mentis	121,000	$498,520	83,000	$214,970	-	$-	287,000	$1,106,080	83,000	$214,970
Total	914,000	$3,765,680	549,500	$1,423,205	-	$-	2,013,000	$7,788,020	440,500	$1,140,895

(a) A total of 914,000 performance rights under Tranche FY22 of the 2016 LTI Plan were granted to Executive Directors on 30 November 2021. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date with a fair value of $4.12 per entitlement on 30 November 2021, based on a share price of $5.07, resulting in a total fair value of Tranche FY22 performance rights of $3,765,680 in aggregate.

(b) On 1 January 2022, 549,500 performance rights representing 100% of Tranche FY19 of the 2016 LTI Plan vested after all financial conditions and service conditions were satisfied. On 7 January 2022, 440,500 performance rights under Tranche FY19 of the 2016 LTI Plan were exercised and on 22 July 2022, a further 109,000 performance rights under Tranche FY19 were exercised, reducing the unexercised performance rights under Tranche FY19 of the 2016 LTI Plan to nil.

(c) As at 30 June 2022, a total of 2,013,000 performance rights were outstanding, unvested and not capable of exercise comprised of:
- i. 549,500 performance rights under Tranche FY20 of the 2016 LTI Plan (FY20);
- ii. 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan (FY21); and
- iii. 914,000 performance rights under Tranche FY22 of the 2016 LTI Plan (FY22).

Table 4: Performance Rights of Key Management Personnel for the Year Ended 30 June 2022

The table below discloses the number of performance rights granted to Executive Directors as remuneration during the year ended 30 June 2022 as well as the number of performance rights that vested, were exercised or lapsed during the year. Performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

						Vested during the year ended 30 June 2022		
	1 July 2021 Balance at beginning of the year	Granted as Remuneration	Performance Rights Exercised	Performance Rights Lapsed	30 June 2022 Balance at end of the year	Total	Exercised	Lapsed
Gerald Harvey	196,500	145,000	(65,500)	-	276,000	65,500	65,500	-
Kay Lesley Page	549,000	406,000	(183,000)	-	772,000	183,000	183,000	-
John Evyn Slack-Smith	327,000	121,000	(109,000)	-	339,000	109,000	109,000	-
David Matthew Ackery	327,000	121,000	-	-	448,000	109,000	-	-
Chris Mentis	249,000	121,000	(83,000)	-	287,000	83,000	83,000	-
Total	1,648,500	914,000	(440,500)	-	2,122,000	549,500	440,500	-

12. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)
Table 4: Performance Rights of Key Management Personnel for the Year Ended 30 June 2022 (continued)

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 2022.

The closing balance of the performance rights in the Company of 2,122,000 as at 30 June 2022 is comprised of:
(a) 109,000 performance rights under Tranche FY19 of the 2016 LTI Plan (FY19) at a fair value at grant date of $2.59 that vested on 31 December 2021. The FY19 Tranche is exercisable between 1 January 2022 and 30 June 2024. The residual 109,000 performance rights under Tranche FY19 were exercised on 22 July 2022 reducing Tranche FY19 to nil.
(b) 549,500 performance rights under Tranche FY20 of the 2016 LTI Plan (FY20) at a fair value at grant date of $3.47 to vest on 31 December 2022. The FY20 Tranche is exercisable between 1 January 2023 and 30 June 2025.
(c) 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan (FY21) at a fair value at grant date of $3.85 to vest on 31 December 2023. The FY21 Tranche is exercisable between 1 January 2024 and 30 June 2026.
(d) Granted as remuneration during the 2022 financial year: 914,000 performance rights under Tranche FY22 of the 2016 LTI Plan (FY22) at a fair value at grant date of $4.12 to vest on 31 December 2024. The FY22 Tranche is exercisable between 1 January 2025 and 31 October 2026.

Table 5: Shareholdings/Relevant Interests of Key Management Personnel for the Year Ended 30 June 2022

	1 July 2021 Balance at Beginning of the Year	On Exercise of Performance Rights (a)	Net Change Other (b)	30 June 2022 Balance at End of the Year
Gerald Harvey	392,420,640	65,500	1,301,614	393,787,754
Kay Lesley Page	19,845,750	183,000	10,565	20,039,315
John Evyn Slack-Smith	1,143,893	109,000	-	1,252,893
David Matthew Ackery	683,471	-	-	683,471
Chris Mentis	1,161,297	83,000	-	1,244,297
Michael John Harvey	3,335,180	-	(3,335,180)	-
Christopher Herbert Brown	205,525,565	-	-	205,525,565
Kenneth William Gunderson-Briggs	10,059	-	-	10,059
Maurice John Craven	30,673	-	9,800	40,473
Luisa Catanzaro	-	-	-	-
KMP: Senior Executives				
Thomas James Scott	10,000	-	-	10,000
Lachlan Roach	10,000	-	(10,000) (c)	-
Total	624,176,528	440,500	(2,023,201)	622,593,827

(a) On 7 January 2022, the Company announced that 440,500 performance rights, representing 80.16% of the performance rights issued in accordance with Tranche FY19 of the 2016 LTI Plan, had vested and was exercisable from 1 January 2022. The consolidated entity acquired 549,500 shares in the Company via an 'on-market trade' at an average price of $5.05 per share for the purposes of satisfying the entitlements of each Executive Director to the performance rights in respect of Tranche FY19 of the 2016 LTI Plan.

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

(c) The "Net Change Other' amount relating to Lachlan Roach is due to his resignation during the financial year.

13. '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 2022, or as soon as practicable after that date.

Total 'take-home pay' for the directors of the Company amounted to $12.10 million for the year ended 30 June 2022. The total value of remuneration expensed for directors of the Company in respect of the 2022 financial year was $13.01 million (refer to Table 1 on page 55 of this report).

For the 2022 financial year, total 'take-home pay' was $0.91 million lower than the value of remuneration expensed to the income statement.

KMP: Board of Directors	Salary & Fees	Other Short Term	Non-Monetary Benefits	Superan-nuation	Short-term Performance Cash Incentive (a)	Exercise of Tranche 3 2016 LTI Plan	Exercise of Tranche FY19 2016 LTI Plan (b)	FY2022 Total Take-Home Pay	FY2021 Total Take-Home Pay
Gerald Harvey	716,032	10,400	-	23,568	-	-	169,645	919,645	868,153
Kay Lesley Page	2,048,090	-	28,342	23,568	1,092,706	-	473,970	3,666,676	3,310,748
John Evyn Slack-Smith	1,226,432	-	-	23,568	941,988	-	282,310	2,474,298	2,262,196
David Matthew Ackery	1,208,432	18,000	-	23,568	941,988	-	-	2,191,988	2,262,196
Chris Mentis	881,354	-	45,078	23,568	791,270	-	214,970	1,956,240	1,834,535
Michael John Harvey	54,545	-	-	5,455	-	-	-	60,000	60,000
Christopher Herbert Brown	145,455	-	-	14,545	-	-	-	160,000	160,000
Kenneth William Gunderson-Briggs	341,482	-	-	23,568	-	-	-	365,050	280,505
Graham Charles Paton	-	-	-	-	-	-	-	-	66,667
Maurice John Craven	131,818	-	-	13,182	-	-	-	145,000	145,000
Luisa Catanzaro	145,455	-	-	14,545	-	-	-	160,000	95,238
Total Take-Home Pay 2022 Financial Year	6,899,095	28,400	73,420	189,135	3,767,952	-	1,140,895	12,098,897	
Total Take-Home Pay 2021 Financial Year	6,839,198	28,400	65,888	173,924	3,481,651	756,177	-	-	11,345,238

(a) The short-term incentive of $3.77 million represented the payment of the 2021 STI Plan that was earned in respect of the 2021 financial year, and was paid to Executive Directors in September 2021.

(b) The aggregate fair value of the performance rights exercised during the 2022 financial year was $1,140,895, calculated at a fair value at grant date of $2.59 per right multiplied by 440,500 performance rights exercised.

14. Other Matters for Disclosure

The previous AGM of the Company was held on 24 November 2021. The Company received 341.04 million votes for the adoption of the 2021 Remuneration Report representing 60.63% of the 562.51 million shares that were eligible to vote on that resolution. A total of 683.49 million shares were ineligible to vote on the adoption of the 2021 Remuneration Report as the shares were held by KMPs or their related parties. The vote against the Remuneration Report represented 1.59% of the eligible votes and 0.72% of the shares on issue.

The remuneration framework for Executive Directors, as informed by the independent remuneration expert report, was improved to change the performance conditions for the 100% short term incentive pool to 70% (from 80%) as to financial conditions and to 30% (from 20%) as to non-financial conditions.

15. Loans to Key Management Personnel and their Related Parties

There were no loans granted to key management personnel and their related parties during the year ended 30 June 2022 (2021: nil). There were no loans outstanding from key management personnel and their related parties as at 30 June 2022 (2021: nil).

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

	CONSOLIDATED	
	June 2022 $	June 2021 $
(i) Lease of business premises from Ruzden Pty Limited		
The consolidated entity leases business premises at Bundall, Queensland from Ruzden Pty Limited. Mr G. Harvey, Ms K.L. Page, Mr M.J. Harvey and I.J. Norman Nominees Pty Limited (C.H. Brown) have an equity interest in Ruzden Pty Limited. The lease arrangements were approved by shareholders in the General Meeting held 25 May 1993, and in the General Meeting held 31 August 1999. The lease is subject to normal commercial terms and conditions. Lease payments and outgoings made by the consolidated entity to Ruzden Pty Limited was:	5,357,095	5,334,262
(ii) Legal fees paid to a director-related entity		
Legal fees were paid to the firm of which Mr C.H. Brown is a partner for professional services rendered to the consolidated entity in the normal course of business.	2,705,847	2,731,330
(iii) Other income derived by related entities of key management personnel		
Certain franchises are operated by entities owned or controlled by relatives of key management personnel under normal franchisee terms and conditions. Aggregated net income derived by entities owned or controlled by relatives of key management personnel was:	1,917,960	2,064,758

(iv) Perth City West Complex

Gerald Harvey has a 50% equity interest and a subsidiary of Harvey Norman Holdings Limited has a 50% equity interest in the Perth City West Property. The property was subject to a lease of part of the property in favour of a subsidiary of Harvey Norman Holdings Limited (the "P.C.W. Lessee"). Gerald Harvey is entitled to one-half of the lease payments and outgoings paid by the P.C.W. Lessee. The amount of lease payments and outgoings paid by the P.C.W. Lessee to Gerald Harvey and the subsidiary of Harvey Norman Holdings Limited for the year ended 30 June 2022 was $1.00 million (2021: $1.01 million). Each of the above transactions were executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

(v) Gepps Cross Home HQ

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

By a contract for sale dated 23 December 2010, GH Gepps Cross Pty Limited, an entity associated with Gerald Harvey ("Gerald Harvey Entity") and MJH Gepps Cross Pty Limited, an entity associated with Michael Harvey ("Michael Harvey Entity") and, M&S Gepps Cross Pty Limited, purchased the one-half share as tenants in common of the G.C. Co-Owner in the G.C. Land and retail complex. The sale was subject to the G.C. Lease. In the financial statements of the consolidated entity, the day-to-day management of the Gepps Cross Joint Venture has been accounted for as equity accounted investment as disclosed in Note 27. The Gerald Harvey Entity is entitled to one-quarter of the lease payments and outgoings paid by the G.C. Lessee. The Michael Harvey Entity is entitled to one-eighth of the lease payments and outgoings paid by the G.C. Lessee. The application of AASB 16 *Leases* resulted in the recognition of a lease liability of $17.80 million by the G.C. Lessee as at 30 June 2022 (2021: $18.42 million). The amount of lease payments and outgoings paid by the G.C. Lessee to the Gepps Cross Joint Venture for the year ended 30 June 2022 was $3.96 million (2021: $3.48 million).

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

INTRODUCTION

Our values

The values set out below embody what Harvey Norman Holdings Limited ('the consolidated entity', 'HNHL', 'the Company', 'we') stands for and are the basis for the behaviour of the Company and its employees. The culture of any organisation needs to reflect its values and our values underpin the culture of the consolidated entity.

The board of directors ('the Board') is responsible for holding the consolidated entity to a high standard with regards to its values as it is important that our culture in practice reflects the values articulated. These values guide how we interact with those around us including our staff, customers of company-operated stores, shareholders, suppliers, independent franchisees and their customers and the community generally.

Integrity

We comply with the law and develop systems that make it easy for our colleagues to comply with the law. We act honestly, ethically and with integrity. We do not mislead or deceive people.

Humanity

We treat all people with respect. We are tolerant of differences in ethnicity, religion, gender, sexuality, physical and intellectual ability. We are patient when cultural misunderstandings arise. We are inclusive and collaborative. We recognise that sometimes genuine people make honest mistakes.

Authenticity

We are authentic. We stand up for the things we believe in. We deliver on our promises. We value honesty, candour and frankness. We will act fairly.

Optimism

We are optimistic. We are passionate about what we do. We search for opportunity and manage risk. We recognise that our environment is constantly evolving.

We innovate with product and technology. We believe we can all keep learning – and learn from our failures as well as our successes.

Responsibility

We are part of a wider community. We aspire to make a positive impact within each community that we conduct business. We are committed to environmental responsibility and a sustainable future. We are proud that we can create jobs and opportunities for people in countries in which we operate.

OUR APPROACH TO SUSTAINABILITY

The Harvey Norman® brand is an international business with 195 franchised complexes in Australia, 544 independent franchisees in Australia and 109 company-operated stores in 7 countries across the globe. We have always had, and continue to have, strong ties with the local community and take pride in fostering a culture of diversity and inclusion. We acknowledge our environmental responsibility and are committed to creating a sustainable future. This commitment, in line with the values of the consolidated entity, has helped us to outline our first Sustainability framework.

In FY22, the Board established the Executive Sustainability Committee to provide oversight of the framework and to ensure obligations and commitments are met. The Executive Sustainability Committee has developed the framework through the assessment of Sustainability risks and opportunities and is responsible for rolling it out and monitoring performance across global operations. This framework compliments our broader business strategy, developed by our Board, outlining our commitment to honest, fair and transparent business practices which is reinforced by our Code of Conduct.

Our framework focuses on three pillars and accompanying key areas most relevant to the Company and our value chain. We will continue to build our reporting capabilities going forward.

SUSTAINABILITY FRAMEWORK

Our Sustainability framework is underpinned by three pillars: People, Places and Products. Each pillar is reinforced by key focus areas which help our business manage our approach and is accompanied by three enablers: Governance, Partnership and Transparency.

This framework was determined through a detailed materiality assessment completed to determine which sustainability topics matter most to us and our stakeholders. The materiality assessment was a consultative process which involved interviews with key stakeholders across the business and an assessment of peer, media and industry non-governmental organization (NGO) standards and reporting priorities.

Based on this assessment, a common purpose was determined as well as an overarching goal for each pillar.

Our Sustainability purpose is:

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

Our Three Sustainability Pillars

	People	Places	Products
Goal Focus Areas	We empower our people through a fair and inclusive culture and support our local community. **1** Employee culture and wellbeing **2** Data privacy and security **3** Socio-economic contribution	We operate our places to enhance customer experience, awareness and engagement while minimising our environmental impact. **1** Waste and circular economy **2** Climate change impact and resilience **3** Customer engagement	We deliver quality products encompassed by ethical supply chains and consideration of natural resource use. **1** Product safety and sustainability **2** Supply chain sustainability **3** Human rights

Our Three Sustainability Enablers

Our enablers have been established as cross-disciplinary functions to aid the delivery of our Sustainability framework. These enablers will be a core focus of the Executive Sustainability Committee to ensure they are upheld in order to deliver the framework effectively. They have been defined as:

Governance: Acting ethically and responsibly for employees, customers and communities by establishing robust structures, policies and frameworks.

Partnership: Collaborating with internal and external partners to adopt a multidisciplinary approach to sustainability and drive holistic social and environmental impact.

Transparency: Articulating and communicating sustainability initiatives, goals, targets and progress against them to increase accountability and achieve tangible outcomes.

Governance

Our governance structures are key to unlocking the potential of our framework and driving meaningful and enduring outcomes. The Board is responsible for establishing, monitoring and maintaining the framework for the consolidated entity, supported by the Executive Sustainability Committee. We are continuing to build on our existing governance structure to define and assign responsibility across our Sustainability framework and expand capabilities and capacity. We will continue in the coming year to outline key performance indicators which we will adopt to track performance.

The evolving nature of Sustainability in business presents an opportunity for us to use our governance structures to build a unique narrative to inspire investors, customers and employees to collaborate and contribute to this important sustainability endeavour. Our governance structure is a key enabler for our Sustainability framework.

Partnerships

We will continue to take a functional approach to delivering our Sustainability framework by collaborating with third parties to establish meaningful partnerships. We will focus on collaboration with stakeholders, engaging in partnerships to enable our Sustainability framework. Throughout the report we have outlined initiatives across FY22 where we leveraged partnerships to deliver meaningful outcomes.

Transparency

We will focus on improving transparency to increase our accountability to internal and external stakeholders in relation to Sustainability endeavours. In particular, we will build on internal and external reporting and increase our accountability and communication within our Sustainability framework.

PEOPLE

Our greatest asset is our people, who are central to the success of our business and the realisation of our purpose and therefore one of three pillars in our Sustainability framework. We empower our people through a fair and inclusive culture, ensuring the wellbeing of our people is emphasised, providing an engaged, invested and productive workforce. We employ over 6,000 individuals in our global workforce and prioritise a strong family culture, innovative development opportunities and good, honest and knowledgeable people.

We are continuously looking for ways to improve our business by focusing on employee engagement, learning and workplace health and safety. We also focus on providing a diverse and inclusive work environment and growing female representation in our workforce. Our business is strong because our people are strong. We will continue to strive to attract talented people to work within our business, encourage innovation and entrepreneurship, supporting the success of our individual company team members.

Our community is also a focus within our People pillar. Strong data security and privacy as well as socio-economic contribution are key areas of importance as outlined in our Sustainability framework.

1. Employee culture and wellbeing

To us, employee culture and wellbeing includes the activities, structures and policies that are in place to ensure various outcomes such as ethical business conduct, health, safety and wellbeing and diversity, equity & inclusion in the workplace. This area also includes learning and development and employee engagement.

(a) Employee engagement and learning and development

The ongoing learning and development of our people is a priority. It is one of the ways we seek to empower our people. We continue to innovate and invest in training and development initiatives, to be completed by team members either in person or online. Our employees have the opportunity to complete a range of courses, including compliance-based training, leadership, management and mental health training and technical and professional training in roles such as IT, digital, accounting and HR.

Employee engagement is important to our success as a business. This year our New Zealand employees completed an employee engagement survey with overall positive results. This feedback is important to our business as it allows us a deeper insight into how we can improve what we are doing and ensure that our employees continue to feel engaged, valued and included.

(b) Diversity, equity and inclusion

We continue to focus on creating a diverse and inclusive place to work for all our employees, empowering our people through a fair and inclusive culture. We continue to provide a working environment representative of the customers and communities where we, and our franchisees, carry on business. We promote inclusiveness through our global operations to help our employees feel valued for their contribution and can be themselves at work. We will continue to focus on providing a diverse and inclusive workplace and improving our practices by consulting best practice resources such as the Diversity Council of Australia. For example, we have reviewed the global employee age range of our employees as shown in the table below.

Global employee age range						
	25 & under	26-35	36-45	46-55	Over 55	Total
Senior Executives	3	64	122	98	38	325
All other employees	1,288	2,060	1,489	904	561	6,302
Totals	1,291	2,124	1,611	1,002	599	6,627
Percentage	19.5%	32.1%	24.3%	15.1%	9%	100%

Over the past 12 months we have focused on several activities to enhance diversity and inclusion. We have continued to develop our discrimination, harassment and workplace bullying prevention policy and completed the Life @ Work Engagement Survey at Harvey Norman® New Zealand to gain better insight into employee views. We also refined employee feedback mechanisms in Australia though both informal and formal channels. In our FY21 report, we outlined the following diversity and inclusion initiatives to focus on:

- Proactively monitor gender balance within the business, including in senior executive positions
- Proactively engage with team members to increase knowledge of diversity and inclusion in our workplace through webinars, events, and videos from business leaders
- Review and consider our Flexible Work Policy and Parental Leave Policy

We actioned the above by forming a Diversity Working Group to review our current strategies and inform the development of new ones.

From this, we aim to develop a diversity strategy which will inform actions for FY23 and beyond. We proactively monitor gender balance – in FY22 we had 40% female senior executives, consistent with prior year.

The Parental Leave Policy was also reviewed, and regular discussions have occurred on the Flexible Work Arrangements Policy.

The consolidated entity is focused on initiatives to help build the representation of women in our workforce, both across the consolidated entity and in leadership positions. We have always been focused on supporting women in our workforce, both now and in the future, along with women in sports and in the community. We seek to attract strong female talent for our business, which is led by Katie Page, our Chief Executive Officer for the past 22 years, who is one of only 14 female CEOs in ASX 200 companies.

We have maintained our female representation in our Senior Executive roles and across our workforce in FY22, with women continuing to make up 40% of our Global Senior Executives and 45% of all employees (consistent with FY21). The breakdown of the HNHL Board and the Group as a whole by gender as at the end of FY22 is as below:

30 JUNE 2022	Percentage		YoY Change	
	Male	Female	Male	Female
Chair	100%	-	-	-
CEO	-	100%	-	-
Board	80%	20%	-	-
Senior Executives	60%	40%	-	-
All employees	55%	45%	-	-

We are proud to have a diverse, talented employee population from which to draw from and develop its future leaders, and we are committed to continuing the support and development of women and other underrepresented groups into the future.

(c) Employee health and safety

During FY22, we enhanced our Health and Safety Framework and Strategy. Positive progress has been made against the strategic objectives with enhanced health and safety governance structures in place. Enhanced planning and reporting has been implemented across our controlled entities in Australia.

In FY22, franchisees and their staff continued to undertake a range of training opportunities across Work Health and Safety (WHS) focus areas throughout the year, including discrimination, harassment and workplace bullying, workplace drugs, alcohol and gambling and occupational health and safety.

The consolidated entity also undertook a range of training and education opportunities to keep employees well-informed and safe. We complete WHS audits of sites in Australia, New Zealand, Slovenia, Croatia and Ireland and monitor lost time injuries in New Zealand and Ireland.

Regarding the implications of COVID-19, the safety of our people and customers continued to be a priority in FY22. We are committed to maintaining a safe environment where our people, our franchisees and their staff can work safely and customers can shop safely. The Incident Management Team continued to communicate regularly to each team member to enable swift and decisive actions in response to the evolving risks and government restrictions experienced across many of the different countries and jurisdictions in which we, and our franchisees, operate.

COVID-safe practices were implemented in franchised complexes from March 2020 and continued to be in place as required in FY22. Each franchisee continues to focus on safety controls including personal protective equipment, personal hygiene protocols, sanitisation practices, employee training, physical distancing measures, contactless click and collect and contactless delivery as required.

2. Data security and privacy

We are committed to the safe handling of personal information of customers and staff and the maintenance of confidentiality of data in systems used by the business globally. We maintain a strong governance structure to support the business for privacy and security related activities, comprising senior management and representatives from the consolidated entity.

Given the exponential growth in cybercrime and the advent of more rigorous privacy regimes such as General Data Protection Regulation (GDPR), having and maintaining a mature IT Security/Cyber framework is of vital importance.

In FY22, we continued to improve the global data security controls of the consolidated entity as part of an ongoing global security strategy (GSS).

Key initiatives of the GSS included:

- Deployment of Threat and Vulnerability scanning, Endpoint Detection and Response capability and Secure Access Management.
- Expansion of the Security Operations Centre to cover all global regions.
- Uplift of the security capability in the European Union, considering the geopolitical tensions in the region.
- Formalised Disaster Recovery strategies for each region.
- Enhanced education program to further assist with the avoidance of phishing attacks on Company systems.

Staff in each of our controlled entities participate in privacy awareness training programs which focus on operational activities that may bring privacy risk to the consolidated entity.

3. Socio-economic contribution

Harvey Norman® has always felt a strong connection to community, on local and national levels. We recognise the importance of forming relationships of mutual strength and support. We are committed to giving back and supporting local communities, which we have been doing since establishment in 1982 to maintain, promote and enhance the brands. This year we continue to support our communities by providing support to community groups, sporting associations and recognised causes, through donations and donation of goods. We have included details of a sample of our community initiative achievements below.

INITIATIVES IN 2022:

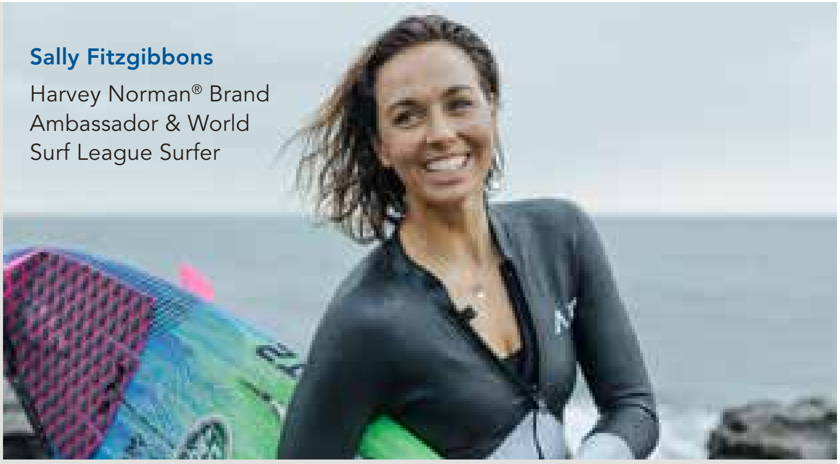
Women in Sport

Harvey Norman® has long been a proud supporter of women in sport – with sponsorship involvement spanning from juniors and grassroots all the way up to the elite levels.

This support is helping these athletes achieve their goals, and by doing so also inspiring the next generation of women – creating pathways for them to pursue their own sporting endeavours.

Women's State of Origin – back and live with an audience of over 250,000. AFLW expanding to 18 teams. The Australian Commonwealth Games Team blitzing the field in Birmingham. Australian sportswomen are setting the pace for us all.

Ariarne Titmus
Harvey Norman® Brand Ambassador & Olympic Gold Medallist



Sally Fitzgibbons
Harvey Norman® Brand Ambassador & World Surf League Surfer

Montana Atkinson
Harvey Norman® Brand Ambassador & Para-swimmer

Jada Taylor
NRLW & U19's State of Origin Player

Alicia Eva
Captain of the GIANTS AFLW Team

NRLW 2022 Players
Simaima Taufa • Brittany Breayley-Nati • Kezie Apps • Isabelle Kelly • Hannah Southwell • Ali Brigginshaw

Harvey Norman® Scholarship - Western Sydney University

Harvey Norman® proudly supports the Western Sydney University scholarship program, helping students reach their full potential to become tomorrow's leaders and pave the way forward in industry, government and the community.

Since 2015, Harvey Norman® and our CEO, Katie Page, has supported 57 Western Sydney University scholarships. The recipients fell into categories of high achieving women, women who have overcome disadvantage and refugee women. Over the years, many have graduated with Honours across various faculties, with others continuing in the program as current students today. "Harvey Norman® is so proud to be rewarding hard work and furthering the potential of students at Western Sydney University," said Ms Page. "Western Sydney is where Harvey Norman®'s success began in Auburn, and it is fitting to be involved in supporting the University that is so vital to securing the region's future success. I encourage business and community to get behind Western Sydney University by supporting scholarships for students who represent this region – they are bright, hardworking, determined and diverse."

As a Scholarship recipient and graduate, Patricia Kay says "The scholarship has supported me to continue to achieve academic excellence, as it has alleviated some of the financial pressure that comes with studying".

WESTERN SYDNEY
UNIVERSITY

Good360

The last two years have been accentuated by continued back-to-back disasters including COVID-19, drought, mouse plague and devastating floods. Harvey Norman® partnered with Good360's disaster recovery team to ensure the right goods, get to the right people at the right time while also reducing waste and diverting landfill. This financial year, Harvey Norman® has donated $1,504,451 of goods across Australia helping communities and individuals rebuild their homes and lives. This goes to helping children and youth, community improvement & economic development, families, education & literacy and homelessness.

Good360
BRINGING GOOD TOGETHER

Zephyr EDUCATION INC
Helping children affected by domestic violence get back to school

Zephyr Education

In partnership with Sky News and the Paul Murray Live program, Paul shone a light on Zephyr Education. Zephyr Education helps children affected by domestic violence get back to school – minimising the disruption by fast-tracking school supplies to those who desperately need them. To further support the incredible work Zephyr do, Harvey Norman® and The School Locker® agreed to donate up to $100,000 to go towards school supplies which include school uniforms, bags, shoes and stationery. Zephyr is run entirely by volunteers who are now servicing more than 120 shelters and other family support organizations throughout Queensland, from the Gold Coast to Weipa, as well as in Mount Isa and other western regions. 24 of the shelters are run by indigenous organisations and one supports immigrant women. Zephyr also supports 37 DV organisations in Tasmania, Western Australia, NSW, the ACT and the Northern Territory.

Paralympics Australia Multi-Sport Days

Harvey Norman® are Proud Partners of Paralympics Australia and their Multi-Sport Days, which took place in multiple states in 2022, with over 180 people getting involved in a range of different Para-sports and meeting some of their favourite Paralympians.

Paralympics Australia

Local Harvey Norman® franchised complexes, Gepps Cross (SA), Garden City (QLD), Moore Park (NSW) and Preston (VIC) were there on the day to support each event and also get involved in trying some Para-sports. They set up a Harvey Norman® chill out area for the families of the participants and had some great giveaways for all involved.

What Ability

Harvey Norman® are proud to partner with What Ability, an NDIS registered support service that exists to bring happiness to people living with a disability. Their support is focused on the participants, from bushwalks to beach days, café trips and holiday camps. They believe when happiness comes first, you unlock your potential.

Founder Steve Dresler saw the benefits first-hand of athletes as support workers. Having faced early retirement through injury, What Ability is the evolution of Steve's innate desire to create a positive impact amongst his peers. He has built a community connecting with children and adults with disabilities.

Harvey Norman® is proud to support What Ability camps throughout the year, allowing participants to build meaningful friendships and develop independence through fun-filled social opportunities as well as provide opportunities and experiences that allow participants to thrive and flourish to their full potential, all whilst having fun. The partnership also rewards support workers with the Harvey Norman® Happiness Awards and connecting What Ability to our other partners like Sydney Zoo, NSWRL and QRL.

What Ability | Harvey Norman

Commonwealth Games

Harvey Norman sponsored the Australian Commonwealth Games Team, supporting a team of 429 athletes competing across 21 sports, plus another 321 officials who attended the Birmingham 2022 Commonwealth Games in the United Kingdom. The Games took place in July / August 2022 with 136 medal events for women and 134 for men and 13 mixed events. The Commonwealth Games also has fully integrated events for Para-sport athletes, competing in eight sports.

Harvey Norman® was proud to have supported the team of Australian athletes as they realised their dreams of representing their country at the Birmingham 2022 Commonwealth Games. Whether they were part of a team sport or they competed individually, years of dedication and sacrifice came to fruition. Harvey Norman® was there to recognise their hard work as individuals, and to celebrate their collective victory as the 2022 Australian Commonwealth Games Team.

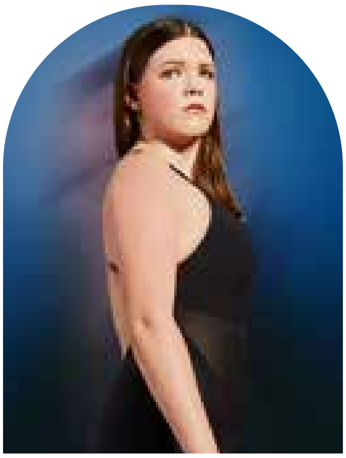
Harvey Norman® Brand Ambassadors

Ariarne Titmus

Harvey Norman® have been proud partners of Ariarne Titmus throughout her Tokyo 2020 journey and now on the path to Paris 2024 including the 2022 Commonwealth Games.

At her first Olympic outing, Ariarne remarkably took home two individual gold medals in the 200m and 400m freestyle, placing her among Australia's most successful swimmers. Most recently in Birmingham, Ariarne brought home 4 gold medals, a triple of the freestyle gold over 200m, 400m and 800m - and all in Commonwealth Games record times.

Ariarne is passionate about health and fitness and is a self-confessed foodie.



Montana Atkinson

Harvey Norman® proudly welcomes Montana Atkinson as an ambassador following on from her Champions of Sport award at the 2021 Harvey Norman® Gold Coast Women of the Year.

Just 14, Montana is an aspiring Para-swimmer hoping to make her Paralympic debut at Paris 2024. She has already achieved great success with Australian S14 Multiclass age records, as well as winning medals at State and National Championships.

Montana wants to be a part of history, supporting and shaping the future of people with disabilities.

Jye Edwards

Harvey Norman® was also pleased to introduce Jye Edwards as an ambassador from 2022 as he began preparations for Paris 2024. Jye is an Australian middle-distance runner and began competing in athletics at six years of age on the NSW South Coast.

Inspirationally, Jye overcame injury and illness to represent Australia in Tokyo at the 2020 Olympic Games, breaking three personal bests on his path to qualifying. Jye has ambitions to become the best athlete he can be, both on and off the track, and we excitedly look forward to seeing what he achieves next.

GIANTS | Harvey Norman

GIANTS Local Community Grants

In support of the continued partnership with the GIANTS, Harvey Norman® donated $1,000 to each of the 18 local clubs across the Western Sydney region, after the COVID-19 pandemic forced the cancellation of the last two community AFL seasons.

Clubs used the grants to upgrade facilities, purchase training and fitness equipment and launch new inclusive programs.

DIRECTORS' REPORT – SUSTAINABILITY REPORT (CONTINUED)

Spark Futbol

As proud partners of Spark Futbol, Harvey Norman® provided their players and parents financial relief for the 2022 Academy Player Development Accelerator program. As part of the "Partnership 4 Purpose" program, Harvey Norman® has donated registration fee reductions per family and program development costs. Spark Futbol's 'Player Experience' Programs exist to 'fill the gaps' in junior and youth players individual football development and experience maximising their football potential and love for the game.

NRL All Stars

2022 saw Harvey Norman® continue in its role as the naming rights partner of the NRL All-Stars match between Indigenous and Maori teams, as the match came to Sydney for the first time since its inception in 2010.

Prior to the match on 12th February 2022, both male and female representatives from each team attended the Harvey Norman® Penrith franchised complex to engage with the local community of Western Sydney NRL fans. Over 250 fans were able to hear from some of their favourite players and were given the chance to win tickets to the game and a signed jersey for their team.

As the first major Rugby League event of the calendar year, this was a great opportunity to bring the community together in a positive way that celebrates the contribution of Indigenous and Maori players. NRL have since made the announcement that the 2023 Harvey Norman® All Stars will be in Rotorua, New Zealand, on Maori turf for the first time ever.

In addition to the community partnerships listed above, Harvey Norman® supports many local causes in countries where we operate, supporting disadvantaged persons and persons experiencing loss due to natural disasters. Franchisee businesses in Australia regularly provide support to local community organisations both in the form of financial and goods-in-kind support. Whether a company-operated store or a franchised complex, the staff of each site are drawn from local communities around the store and reinvesting support into those communities has long been an attribute of the Harvey Norman®, Domayne® and Joyce Mayne® brands.

Each franchised complex is well-situated within their local community to enable their initiatives to create long-term sustainable growth for the Company.

PLACES

We are focused on minimising the environmental impacts of our business, including each of the company-operated stores and franchised complexes. This includes enhancing customer experiences in store and increasing awareness and engagement with environmental issues. The consolidated entity has undertaken energy reduction and waste reduction actions in FY22 and have engaged with customers to better understand attitudes towards waste.

The consolidated entity is a member of the following organisations and associations to support our commitment to environmental and social responsibility:

- Consumer Electronics Association
- New Zealand Leather and Shoe Research Association (LASRA)
- Energy Users Association of Australia
- Australasia Furniture Research and Development Institute (AFRDI)
- National Retailers Association
- Australian Bedding Stewardship Council (founding member and Board representation)

1. Waste and circular economy

We continue to identify opportunities to reduce landfill waste across our company-operated stores and franchised complexes in Australia. Each country has in place services to maximise the diversion of waste material from landfill, including circular economy based programs for e-waste.

Harvey Norman® New Zealand formed a Sustainability Committee, with the strategic objective of identifying, assessing, proposing, and monitoring sustainability initiatives across the company with a view to continuously improving Sustainability performance. The committee has representatives from general management, the local merchant teams, corporate office, and the HNHL Board. The committee is actively working on initiatives associated with energy emissions reduction, packaging, waste minimisation, people engagement and ethical sourcing.

Waste Stream	Waste Management Performance of Independent Franchisee businesses in Australia
E-Waste	Each franchised complex facilitates the safe disposal of e-waste. This service is provided under the National Television and Computer Recycling Scheme and includes computers, computer accessories, televisions, and printers.
Mattresses	The Australian Bedding Stewardship Council (ABSC) is a not-for-profit organisation dedicated to the development of a mattress product stewardship scheme in Australia. 14,348 mattresses were recycled through Soft Landing in FY22. Soft Landing is an accredited supplier to the ABSC. This is down from 15,868 mattresses which were recycled through Soft Landing in FY21 due to protracted lockdown periods in FY22.
Polystyrene	Franchised complexes in Australia facilitate the safe recycling of polystyrene.
Cardboard and plastic recycling	Each franchisee in Australia carries out cardboard and plastic recycling. Harvey Norman®, Domayne® and Joyce Mayne® franchisees recycled 5,612 tonnes (FY21: 7,825 tonnes), in aggregate, of cardboard and paper and 8 tonnes (FY21: 5.3 tonnes) of low density polyethylene (LDPE), in aggregate, in FY2022. The protracted lockdowns in FY22 have impacted this initiative.
Plastic bag distribution	Harvey Norman®, Domayne® and Joyce Mayne® franchisees are currently considering removal of plastic bags and replacement with paper bags. In FY22 we introduced paper bags in Western Australian and at Domayne® franchised complexes. Smaller plastic bags are also being phased out at Domayne® franchised stores.

The initiatives outlined in the table below were implemented at company-operated stores:

Other activities that contributed to landfill diversion	
New Zealand	Harvey Norman® New Zealand's waste service provider (EnviroWaste) collects the following waste streams: cardboard and paper; shrink wrap and polystyrene; comingled recycling and organics; and wood. Where feasible, EnviroWaste diverts these streams for recycling. A pilot of 'method bins' (separate bins for recyclable materials within the store, encouraging recycling) commenced at the Manukau store in April 2022. In the three months to June 2022, this initiative saw 1.2 tonnes diverted from landfill.
Ireland	E-waste and battery recycling initiatives are in place in our Irish operations. Mattress recycling is available at some of our stores in Ireland and plastic bags are not provided to customers in retail stores.
Slovenia	All stores in Slovenia recycle paper, cardboard, styrofoam and plastic and staff have been adequately trained on how these items should be properly separated upon disposal. Plastic bags are no longer provided to customers in retail stores.
Croatia	Stores in Croatia recycle paper, cardboard, styrofoam and plastic materials.
Malaysia	Waste collected from stores in Malaysia is sorted at centralised recycling centres, where recyclable materials are separated from non-recyclables and processed.
Singapore	In July 2021, the Singapore government introduced a mandatory e-waste collection and disposal via a nominated e-waste recycler. This helps ensure that there is no indiscriminate disposal of e-waste and all e-waste collected is recycled with less than 5% residue sent to landfill.

2. Climate change impact and resilience

The global changing climate is a major consideration for the future of our business operations, supply chain, stakeholders, customers and franchisees and their customers. Over the past 12 months we have continued to progress how we manage, report and address climate change issues. This includes energy and emissions and renewable energy investment.

(a) Energy and emissions

Across the franchised complexes in Australia, 64 solar arrays have been installed at 50 locations. Solar installation and other energy efficiency initiatives commenced at these complexes has contributed to the continued reduction of electricity consumption at franchised complexes in Australia.

An audit of the effectiveness of the installed solar panels at each location was undertaken in FY22, revealing that, on average, the installed systems produce over 113 megawatt hours (MWh) of electricity per annum per array for use at that complex. In total, 6,848 MWh of electricity was generated by installed solar arrays at properties across Australia in FY22. Using emission factors for electricity generated in New South Wales, that equates to approximately 5,613 tonnes of Co2e abated by these solar installations, up from 3,900 tonnes of Co2e abated in FY21.

(b) Task Force on Climate related Financial Disclosures (TCFD)

The consolidated entity has continued to put into place the required elements to build towards a TCFD compliant report.

We have assembled a number of the required elements under the four pillars of Governance, Strategy, Risk Management and Metrics and Targets. Utilising the recently completed sustainability framework, each controlled entity will be required to provide further information in relation to their strategic and risk management activities in relation to climate change and business resilience over the coming years.

3. Customer engagement

We undertook a survey of customers of franchisees in relation to the expectation of the customers regarding packaging and the safe disposal of that packaging.

PRODUCTS

We are committed to delivering quality products encompassed by ethical supply chains. We have undertaken activities in FY22 to improve product safety and sustainability and to comply with responsible sourcing standards. We have focused on working with suppliers to reduce packaging and supply chain waste, to improve product sustainability and to eradicate modern slavery and human rights violations.

1. Product safety and sustainability

The longevity, quality, and impact of products that are sold in Harvey Norman® franchised complexes and company-operated stores is an important consideration. Factors such as energy efficiency, water use, sustainability of materials, safety & quality, and natural resource use are considered in product safety and sustainability.

(a) Packaging / supply chain waste

We are working with suppliers to minimise packaging and supply chain waste. New furniture, bedding, technology and home appliances purchases and the replacement and upgrade of these items by consumers, generates a substantial amount of waste. This waste is produced in relation to the product itself as well as the packaging used for the product.

At our company-operated stores we have commenced engaging with suppliers to encourage them to review their packaging design, to minimise packaging waste and to move to more environmentally friendly packaging options.

(b) Engagement with suppliers on product sustainability / safety

We are working with suppliers to improve product sustainability. Product longevity, quality and impact are important considerations for products sold at Harvey Norman®. In FY22 we have focused on working with suppliers who are proactively reviewing their product sustainability and have engaged with suppliers that minimise waste generated through using recycled materials in the development of products, have improved product energy ratings, have good product safety standards and repair practices.

(c) Engagement with customers on sustainable products

Harvey Norman® New Zealand introduced an ink recycling programme in their computer division in FY22 in partnership with Croxley Recycling. Under this programme, customers receive a 10% discount on ink products if they return their used cartridge for recycling. Additionally, a recycling programme has been implemented for ink cartridges used in Harvey Norman® New Zealand Photo Centres.

2. Supply chain sustainability

During FY22 we continued to assess ethical and environmental considerations across the full value chain, including factors such as scope 3 emissions from supply chain logistics and transport, and modern slavery considerations.

3. Human Rights

At Harvey Norman®, we value the rights of our workers and in FY22 we completed a review of all controlled entities and their employment practices. Included within the results of this exercise, we found that:

- All workers are provided with a written contract in a language they understand, where terms of employment including wage rates and hours of work are clear and original copies of identity related documents are not retained by the business.
- All workers are free to resign from their employment without restriction or penalty. Similarly, no workers are required to lodge any 'security deposits' (this could include financial or personal property) or pay any recruitment fees nor does any subsidiary deduct wages, impose monetary fines, and/or withhold pay or pay entitlements of workers for disciplinary reasons.

Harvey Norman® supports the objectives of governments around the world to eradicate all forms of modern slavery and human trafficking. We conduct business in a way consistent with all applicable laws (including in relation to modern slavery) and our corporate governance and risk management framework. Our Modern Slavery Committee (a sub-committee of the Board) is responsible for dealing with modern slavery risks and issues for the consolidated entity.

We also employ a due diligence process during the engagement of suppliers for overseas company-operated stores and retail and wholesale trading operations in Australia owned by HNHL controlled entities.

We provide education and training in relation to modern slavery and we are continuing to develop training modules and user guides to accompany our internal modern slavery policy.

Auditor Independence and Non-Audit Services

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

Details of the amounts paid or payable to the auditor, Ernst & Young, for the provision of non-audit services during the year ended 30 June 2022 are outlined in Note 30. Remuneration of Auditors of this annual report.

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

EY
Building a better working world

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

As lead auditor for the audit of the financial report of Harvey Norman Holdings Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young

James Karekinian
Partner
Sydney
30 September 2022

Signed in accordance with a resolution of the directors.

G. HARVEY
Chairman
Sydney
30 September 2022

K.L. Page

K.L. PAGE
Chief Executive Officer
Sydney
30 September 2022

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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 2022, 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 2022 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

1. Valuation of investment properties and owner-occupied properties

Why significant	How our audit addressed the key audit matter

Investment properties and owner-occupied properties (collectively, "properties") represent 51% of the Group's total assets at 30 June 2022.
 	
Investment properties are carried at fair value with changes in fair value recognised in the income statement. Note 14 of the financial report describes the basis upon which fair value has been determined.
 	
Owner-occupied properties, represented as Land and Buildings are carried at fair value, with fair value increments / decrements above cost recognised in equity and increments / decrements lower than cost recognised in the profit and loss. Note 12 of the financial report describes the basis upon which fair value has been determined.
 	
Fair value is assessed by the directors with reference to either external independent property valuations or internal valuations and are based on market conditions existing at the reporting date.
 	
For the year ended 30 June 2022, valuation of investment properties and owner-occupied properties was considered a key audit matter given:
► the value of the properties relative to total assets of the Group;
► the extent of judgement exercised by both independent valuation specialists and the Directors in determining fair value; and
► by their nature, the use of Directors' valuations.
	Our audit procedures included the following:
	► Assessed the Group's accounting policies with respect to investment properties and owner-occupied properties for compliance with the relevant Australian Accounting Standards.
	► Assessed the work of those responsible for the Director's valuations and the work of the independent valuation specialists by considering their qualifications, competence and objectivity.
	► For a sample of properties we:
	  ► Assessed the reasonableness of key assumptions used in these valuations with reference to external market evidence;
	  ► We involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies used in both internal and external valuations;
	  ► Tested the mathematical accuracy of both internal and external valuations;
	  ► Assessed the accuracy of tenancy schedules which are used as source data in the property valuations by testing a sample of leases to signed lease documents.
	► Evaluated the suitability of the valuation methodology across the portfolio based on the type of asset.
	► Considered the disclosures included in Note 1, Note 12 and Note 14 of the financial report.

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2. Recoverability of Receivables from Franchisees

Why significant	How our audit addressed the key audit matter
At 30 June 2022, the value of receivables due from franchisees was $892.9 million representing 12% of the Group's total assets. Note 7 of the financial report describes the nature of the balances receivable from franchisees and outlines the accounting policy in relation to receivables from franchisees. The recoverability of receivables from franchisees was considered a key audit matter given the value of the balance and the judgements exercised by the Group in making their recoverability assessment.	Our audit procedures included the following: ► Evaluated the Group's assessment of the recoverability of receivables from franchisees. ► Performed a range of scenario analysis in considering assumptions applied by management in determining the recoverability of receivables from franchisees. ► For a sample of franchisee receivables, we obtained confirmation from the franchisees acknowledging the amounts owing to the Group at year end. ► Reviewed a sample of General Security Deeds between the franchisees and the Group that provides the Group with security over the assets of franchisees, consisting mainly of franchisee inventory. ► Considered the value of assets provided as security by the franchisees against the franchisee receivable balances. ► Enquired of management and considered any evidence arising post year end of adverse performance of the franchisees, which could impact the recoverability of receivables from franchisees. ► Considered the adequacy of the disclosures included in Note 7 of the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 60 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Harvey Norman Holdings Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

James Karekinian
Partner
Sydney
30 September 2022

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

  i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the year ended on that date; and
  ii. complying with Accounting Standards and the Corporations Regulations 2001; and

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

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

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2022.

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

On behalf of the Board.

G. HARVEY	K.L. PAGE
Chairman Sydney 30 September 2022	Chief Executive Officer Sydney 30 September 2022

STATEMENT OF FINANCIAL POSITION – 30 JUNE 2022

		Note	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Current Assets	Cash and cash equivalents	26(a)	248,804	264,431
	Trade and other receivables	7	1,065,304	889,201
	Other financial assets	8	346	41,376
	Inventories	9	524,274	479,093
	Other assets	10	55,359	39,555
	Intangible assets	11	280	258
	Assets held for sale	28	12,104	12,662
	Total current assets		1,906,471	1,726,576
Non-current Assets	Trade and other receivables	7	53,494	72,560
	Investments in joint venture entities	27	1,502	1,321
	Other financial assets	8	61,073	33,083
	Property, plant and equipment	12	779,217	729,847
	Property, plant and equipment: Right-of-use assets	13	472,510	511,167
	Investment properties: Freehold	14	3,230,213	2,905,509
	Investment properties: Leasehold Right-of-use assets	15	675,600	620,461
	Intangible assets	11	58,420	63,668
	Deferred tax assets		7,903	8,742
	Total non-current assets		5,339,932	4,946,358
	Total Assets		7,246,403	6,672,934
Current Liabilities	Trade and other payables	16	358,341	355,663
	Interest-bearing loans and borrowings	17	261,053	359,969
	Lease liabilities	19	139,288	135,389
	Income tax payable		67,830	148,031
	Other liabilities	20	126,236	108,847
	Provisions	21	37,059	37,162
	Total current liabilities		989,807	1,145,061
Non-Current Liabilities	Interest-bearing loans and borrowings	17	438,522	200,000
	Lease liabilities	19	1,065,340	1,043,276
	Provisions	21	10,261	9,823
	Deferred tax liabilities		446,810	380,932
	Other liabilities	20	1,539	823
	Total non-current liabilities		1,962,472	1,634,854
	Total Liabilities		2,952,279	2,779,915
	NET ASSETS		4,294,124	3,893,019
Equity	Contributed equity	22	717,925	717,925
	Reserves	25	288,170	267,393
	Retained profits	23	3,254,936	2,879,511
	Parent entity interests		4,261,031	3,864,829
	Non-controlling interests	24	33,093	28,190
	TOTAL EQUITY		4,294,124	3,893,019

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

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2022

	Note	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Sales of products to customers	3	2,807,329	2,768,328
Cost of sales		(1,871,051)	(1,838,365)
Gross profit		936,278	929,963
Revenues received from franchisees	3	1,301,142	1,345,782
Revenues and other income items	3	397,186	324,521
Distribution expenses		(56,880)	(49,971)
Marketing expenses		(396,208)	(377,639)
Occupancy expenses	4,13,15	(270,320)	(243,066)
Administrative expenses	4	(667,931)	(637,583)
Other expenses		(59,637)	(67,585)
Finance costs	4,19	(52,148)	(50,213)
Share of net profit of joint venture entities	27	8,961	8,320
Profit before income tax		1,140,443	1,182,529
Income tax expense	5	(322,564)	(335,684)
Profit after tax		817,879	846,845
Attributable to:			
Owners of the parent		811,527	841,414
Non-controlling interests		6,352	5,431
		817,879	846,845
Earnings per share			
Basic earnings per share (cents per share)	6	65.13 cents	67.53 cents
Diluted earnings per share (cents per share)	6	65.04 cents	67.45 cents
Dividends per share (cents per share)	23	37.5 cents	35.0 cents

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2022

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Profit for the year	817,879	846,845
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(13,256)	(16,897)
Net movement on cash flow hedges	23	46
Income tax effect on net movement on cash flow hedges	(7)	(14)
Items that will not be reclassified subsequently to profit or loss		
Fair value revaluation of land and buildings	41,967	55,616
Income tax effect on fair value revaluation of land and buildings	(4,509)	(5,578)
Net fair value (losses) / gains on financial assets at fair value through other comprehensive income	(2,084)	12,655
Other comprehensive income for the year (net of tax)	22,134	45,828
Total comprehensive income for the year (net of tax)	840,013	892,673
Total comprehensive income attributable to:		
Owners of the parent	831,782	889,249
Non-controlling interests	8,231	3,424
	840,013	892,673

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 2022

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2022

CONSOLIDATED $000	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Reserve	FVOCI Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-Controlling Interests	Total
At 1 July 2020	717,925	2,511,580	158,608	56,941	9,919	(35)	10,005	(18,601)	30,983	3,477,325
Revaluation of land and buildings	-	-	50,038	-	-	-	-	-	-	50,038
Currency translation differences	-	-	-	(14,890)	-	-	-	-	(2,007)	(16,897)
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	35	-	-	-	35
Fair value of forward foreign exchange contracts	-	-	-	-	-	(3)	-	-	-	(3)
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	12,655	-	-	-	-	12,655
Other comprehensive income	-	-	50,038	(14,890)	12,655	32	-	-	(2,007)	45,828
Profit for the year	-	841,414	-	-	-	-	-	-	5,431	846,845
Total comprehensive income for the year	-	841,414	50,038	(14,890)	12,655	32	-	-	3,424	892,673
Cost of share based payments	-	-	-	-	-	-	1,453	-	-	1,453
Utilisation of employee equity benefits reserve	-	-	-	-	-	-	(1,059)	-	-	(1,059)
Dividends paid	-	(473,483)	-	-	-	-	-	-	(2,634)	(476,117)
Disposal of investment	-	-	-	-	-	-	-	2,327	(3,583)	(1,256)
At 30 June 2021	717,925	2,879,511	208,646	42,051	22,574	(3)	10,399	(16,274)	28,190	3,893,019

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 2022

		Note	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Operating Activities	**Cash Flows from Operating Activities**			
	Net receipts from franchisees		1,187,422	886,344
	Receipts from customers		2,968,636	2,984,441
	Payments to suppliers and employees		(3,097,107)	(2,984,050)
	Distributions received from joint ventures		9,210	9,332
	GST paid		(93,194)	(103,403)
	Interest received		6,964	5,496
	Interest and other costs of finance paid		(9,702)	(8,953)
	Interest paid on lease liabilities		(41,738)	(40,941)
	Income taxes paid		(336,225)	(206,595)
	Dividends received		3,034	2,198
	Net Cash Flows From Operating Activities	26(b)	**597,300**	**543,869**
Investing Activities	**Cash Flows from Investing Activities**			
	Payments for purchases of property, plant and equipment and intangible assets		(94,918)	(100,300)
	Payments for purchase and refurbishments of freehold investment properties		(81,155)	(173,822)
	Proceeds from sale of property, plant and equipment and properties held for resale		4,735	1,922
	Payments for purchase of units in unit trusts and other investments		(145)	(2,312)
	Payments for purchase of equity accounted investments		(950)	(409)
	Payments for purchase of listed securities		-	(2,360)
	Proceeds from sale of listed securities		7,511	78
	Proceeds from sale of a controlled entity		-	15,082
	Proceeds from insurance claims		2,381	2,689
	Loans (granted to) / repaid from joint venture entities, joint venture partners, related and unrelated entities		(16,254)	5,316
	Net Cash Flows Used In Investing Activities		**(178,795)**	**(254,116)**
Financing Activities	**Cash Flows from Financing Activities**			
	Lease payments (principal component)		(137,615)	(130,849)
	Proceeds from Syndicated Facility		120,000	295,000
	Dividends paid		(436,102)	(473,483)
	Proceeds from / (Repayments of) other borrowings		20,843	(26,140)
	Net Cash Flows Used In Financing Activities		**(432,874)**	**(335,472)**
	Net Decrease in Cash and Cash Equivalents		(14,369)	(45,719)
	Cash and Cash Equivalents at Beginning of the Year		248,727	294,446
	Cash and Cash Equivalents at End of the Year	26(a)	**234,358**	**248,727**

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

1 Statement of Significant Accounting Policies

(a) Corporate Information

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

(b) Basis of Preparation

The financial report has been prepared on a historical cost basis, except for freehold investment properties, leasehold investment properties: right-of-use assets, land and buildings, derivative financial instruments and equity financial assets, which have been measured at fair value. Certain comparative amounts have been re-presented to align with the presentation in the current year. The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and the amended Instrument 2022/519. 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 2022 were authorised for issue in accordance with a resolution of the directors on 30 September 2022.

(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 2022. For details on the impact of future accounting standards, refer to page 91.

(d) Basis of Consolidation

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

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

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

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

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

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

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

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

1 Statement of Significant Accounting Policies (continued)

(e) Summary of Significant Accounting Policies

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

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2021 except for IFRIC agenda decision on Net Realisable Value of Inventories and Software-as-a-service Arrangements as noted below. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Impact of new IFRIC agenda decision on Net Realisable Value of Inventories
The IFRS Interpretations Committee (IFRIC) has issued an agenda decision relating to the costs an entity includes as the 'estimated costs necessary to make the sale' when determining the net realisable value of inventories. When determining the net realisable value of inventories, AASB 102 *Inventories* requires an entity to estimate the costs necessary to make the sale. The IFRIC agenda decision states that this requirement does not allow an entity to limit such costs to only those that are incremental, thereby potentially excluding costs the entity must incur to sell its inventories but which are not incremental to a particular sale. Therefore, when determining the net realisable value of inventories, an entity estimates the costs necessary to make the sale in the ordinary course of business. An entity uses its judgement to determine which costs are necessary to make the sale considering its specific facts and circumstances, including the nature of the inventories.

The change in accounting policy has been applied and there was no material impact on the consolidated entity's FY22 financial report.

Impact of new IFRIC agenda decision on Software-as-a-service Arrangements
IFRIC published an agenda decision in relation to the accounting treatment of configuration and customisation costs related to Software-as-a-Service ('SaaS') arrangements. The IFRIC concluded that costs relating to configuration and customisation are only capitalised if the implementation activities create an intangible asset that an entity controls in accordance with the requirements of AASB 138 Intangible Assets. Costs that do not result in intangible assets should be expensed as incurred unless the costs are incurred to significantly customise the cloud-based software. In this case, the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement.

The change in accounting policy has been applied and there was no material impact on the consolidated entity's FY22 financial report.

(ii) Significant accounting judgements and estimates

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

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

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

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

1 Statement of Significant Accounting Policies (continued)

(e) Summary of Significant Accounting Policies (continued)

(ii) Significant accounting judgements and estimates (continued)

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

At least on an annual basis, the directors of HNHL assess the requirements of control in accordance with AASB 10 *Consolidated Financial Statements*. During the 2022 financial year, after considering both the legal arrangements in place between the consolidated entity and Harvey Norman®, Domayne® and Joyce Mayne® franchisees and the practical application of those arrangements, the directors have continued to conclude that HNHL, or any subsidiary of HNHL, does not control the business operations of franchisees. In particular, HNHL, or any subsidiary of HNHL, does not have any existing rights that give the consolidated entity the current ability to direct the relevant activities that most significantly affect the returns of the franchisee. The ability to direct the relevant activities that most significantly affect the returns of the franchisee, rest with the franchisee.

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

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

- Impairment of Non-Financial Assets

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

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

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

1 Statement of Significant Accounting Policies (continued)

(iii) Taxes

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

Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except:

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

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

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

(iv) Foreign Currency Translation

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

f) Future Accounting Standards

The table below lists the Australian Accounting Standards which have recently been issued or amended but not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2022. The consolidated entity does not expect a material impact on the application of the below standards.

Reference	New Standard	Effective Date	Application Date
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	1 July 2022
AASB 2021-7	Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022	1 July 2022
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2023	1 July 2023
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2023
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 July 2023
AASB 2022-1	Amendments to Australian Accounting Standards– Initial Application of AASB 17 and AASB 9– Comparative information	1 January 2023	1 July 2023
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2025	1 July 2025

2 Operating Segments

	CONSOLIDATED ($000)		
Operating Segment Revenue 30 June 2022	Sales of products to customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	1,193,169	1,193,169
Retail – New Zealand	1,119,089	28,218	1,147,307
Retail – Singapore & Malaysia	621,230	16,726	637,956
Retail – Slovenia & Croatia	189,319	3,488	192,807
Retail – Ireland & Northern Ireland	645,285	11,363	656,648
Other Non-Franchised Retail	242,040	2,748	244,788
TOTAL RETAIL	2,816,963	62,543	2,879,506
Retail Property	385	494,007	494,392
TOTAL PROPERTY	385	494,007	494,392
EQUITY INVESTMENTS	-	3,090	3,090
OTHER	1,872	12,830	14,702
INTERCOMPANY ELIMINATIONS	(11,891)	(67,311)	(79,202)
TOTAL SEGMENT REVENUE	2,807,329	1,698,328	4,505,657

	CONSOLIDATED ($000)		
Operating Segment Revenue 30 June 2021	Sales of products to customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	1,237,706	1,237,706
Retail – New Zealand	1,148,150	28,537	1,176,687
Retail – Singapore & Malaysia	577,483	10,788	588,271
Retail – Slovenia & Croatia	179,223	3,274	182,497
Retail – Ireland & Northern Ireland	647,903	11,225	659,128
Other Non-Franchised Retail	224,538	5,990	230,528
TOTAL RETAIL	2,777,297	59,814	2,837,111
Retail Property	6	409,197	409,203
TOTAL PROPERTY	6	409,197	409,203
EQUITY INVESTMENTS	-	11,103	11,103
OTHER	2,805	20,360	23,165
INTERCOMPANY ELIMINATIONS	(11,780)	(67,877)	(79,657)
TOTAL SEGMENT REVENUE	2,768,328	1,670,303	4,438,631

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Operating Segments (continued)

Operating Segment Result 30 June 2022	CONSOLIDATED ($000) Segment Result Before Interest, Tax, Depreciation & Amortisation	Interest Expense	Depreciation Expense (excl ROU Assets)	Depreciation & Fair Value Re-measurement of ROU Asset	Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	718,222	(27,128)	(26,938)	(90,723)	(20,418)	553,015
Retail – New Zealand	152,744	(4,468)	(7,681)	(11,257)	(261)	129,077
Retail – Singapore & Malaysia	89,761	(5,086)	(7,649)	(31,634)	(32)	45,360
Retail – Slovenia & Croatia	18,202	(1,005)	(2,814)	(2,860)	(121)	11,402
Retail – Ireland & Northern Ireland	74,178	(5,884)	(6,648)	(15,245)	(242)	46,159
Other Non-Franchised Retail	1,555	(1,355)	(2,497)	(1,709)	(157)	(4,163)
TOTAL RETAIL	336,440	(17,798)	(27,289)	(62,705)	(813)	227,835
Retail Property	387,040	(6,533)	(10,179)	-	(229)	370,099
Retail Property Under Construction	(852)	(163)	-	-	-	(1,015)
Property Developments for Resale	(2,582)	(25)	-	-	-	(2,607)
TOTAL PROPERTY	383,606	(6,721)	(10,179)	-	(229)	366,477
EQUITY INVESTMENTS	8	(67)	-	-	-	(59)
OTHER	(1,643)	(513)	(4,669)	-	-	(6,825)
INTER-COMPANY ELIMINATIONS	(79)	79	-	-	-	-
TOTAL SEGMENT RESULT BEFORE TAX	1,436,554	(52,148)	(69,075)	(153,428)	(21,460)	1,140,443

Operating Segment Result 30 June 2021	CONSOLIDATED ($000) Segment Result Before Interest, Tax, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense (excl ROU Assets)	Depreciation & Fair Value Re-measurement of ROU Asset	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	776,309	(25,218)	(26,286)	(77,947)	(18,670)	628,188
Retail – New Zealand	163,667	(4,591)	(7,307)	(9,804)	(355)	141,610
Retail – Singapore & Malaysia	80,465	(5,595)	(7,247)	(31,315)	(393)	35,915
Retail – Slovenia & Croatia	18,019	(1,032)	(2,935)	(2,544)	(126)	11,382
Retail – Ireland & Northern Ireland	78,787	(6,211)	(6,531)	(13,966)	(193)	51,886
Other Non-Franchised Retail	8,492	(1,137)	(2,368)	(1,408)	(255)	3,324
TOTAL RETAIL	349,430	(18,566)	(26,388)	(59,037)	(1,322)	244,117
Retail Property	307,647	(5,868)	(9,687)	-	(305)	291,787
Retail Property Under Construction	(104)	(14)	-	-	-	(118)
Property Developments for Resale	(104)	(28)	-	-	-	(132)
TOTAL PROPERTY	307,439	(5,910)	(9,687)	-	(305)	291,537
EQUITY INVESTMENTS	10,959	(77)	-	-	-	10,882
OTHER	13,026	(468)	(4,753)	-	-	7,805
INTER-COMPANY ELIMINATIONS	(26)	26	-	-	-	-
TOTAL SEGMENT RESULT BEFORE TAX	1,457,137	(50,213)	(67,114)	(136,984)	(20,297)	1,182,529

2 Operating Segments (continued)

	CONSOLIDATED ($000)					
Operating Segment Assets and Liabilities 30 June 2022	Segment Assets	Inter-Company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-Company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	4,282,910	(2,364,206)	1,918,704	1,004,402	(20,975)	983,427
Retail – New Zealand	390,779	-	390,779	240,049	(2,200)	237,849
Retail – Singapore & Malaysia	487,257	(2,820)	484,437	306,712	(43,313)	263,399
Retail – Slovenia & Croatia	83,447	(2,079)	81,368	68,640	(423)	68,217
Retail – Ireland & Northern Ireland	262,551	-	262,551	252,088	(2,263)	249,825
Other Non-Franchised Retail	222,281	(32,674)	189,607	305,705	(175,728)	129,977
TOTAL RETAIL	1,446,315	(37,573)	1,408,742	1,173,194	(223,927)	949,267
Retail Property	3,620,867	10,988	3,631,855	2,375,464	(1,983,024)	392,440
Retail Property Under Construction	81,550	20	81,570	86,220	(7,609)	78,611
Property Developments for Resale	24,604	-	24,604	3,804	(2,152)	1,652
TOTAL PROPERTY	3,727,021	11,008	3,738,029	2,465,488	(1,992,785)	472,703
EQUITY INVESTMENTS	55,890	-	55,890	4,458	-	4,458
OTHER	172,727	(55,592)	117,135	236,460	(208,676)	27,784
TOTAL SEGMENT ASSETS/LIABILITIES BEFORE TAX	9,684,863	(2,446,363)	7,238,500*	4,884,002	(2,446,363)	2,437,639*

	CONSOLIDATED ($000)					
Operating Segment Assets and Liabilities 30 June 2021	Segment Assets	Inter-Company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-Company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,981,402	(2,272,596)	1,708,806	850,415	(7,348)	843,067
Retail – New Zealand	390,749	-	390,749	250,246	(2,232)	248,014
Retail – Singapore & Malaysia	475,869	(2,451)	473,418	326,132	(40,731)	285,401
Retail – Slovenia & Croatia	85,457	(2,156)	83,301	75,810	(525)	75,285
Retail – Ireland & Northern Ireland	281,545	-	281,545	267,794	(577)	267,217
Other Non-Franchised Retail	218,656	(58,705)	159,951	267,252	(154,111)	113,141
TOTAL RETAIL	1,452,276	(63,312)	1,388,964	1,187,234	(198,176)	989,058
Retail Property	3,339,075	(3,567)	3,335,508	2,334,254	(1,983,024)	351,230
Retail Property Under Construction	7,486	-	7,486	7,562	(7,562)	-
Property Developments for Resale	27,662	-	27,662	3,917	(2,199)	1,718
TOTAL PROPERTY	3,374,223	(3,567)	3,370,656	2,345,733	(1,992,785)	352,948
EQUITY INVESTMENTS	69,327	-	69,327	4,861	-	4,861
OTHER	179,604	(53,165)	126,439	255,349	(194,331)	61,018
TOTAL SEGMENT ASSETS/LIABILITIES BEFORE TAX	9,056,832	(2,392,640)	6,664,192*	4,643,592	(2,392,640)	2,250,952*

* Segment assets for FY22 and FY21 are exclusive of deferred tax assets. Segment liabilities for FY22 and FY21 are exclusive of income tax payable and deferred 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 and wholesale trading operations in Australia which are wholly-owned or controlled by the consolidated entity, and does not include the operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail Property	Consists of freehold land and buildings that are owned by the consolidated entity for each site that are fully operational or are ready for operations. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement. This segment includes the mining camp accommodation joint ventures.
Retail Property Under Construction	Consists of freehold sites that are currently undergoing construction at balance date intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income.
Property Developments for Resale	Consists of freehold land and buildings acquired by the consolidated entity, to be developed, or currently under development, for the sole purpose of resale at a profit. This segment includes land and buildings held for sale, which were previously reported in the Retail Property segment.
Equity Investments	This segment refers to the investment in, and trading of, equity investments.
Other	This segment primarily relates to credit facilities provided to related and unrelated parties and other unallocated income and expense items.

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3 Revenues

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Revenue from contracts with customers and franchisees:		
Sale of products to customers (a)	2,807,329	2,768,328
Services to customers (c)	35,095	33,496
Franchise fees in accordance with franchise agreements (b)	1,033,166	1,075,753
Total revenue from contracts with customers and franchisees	**3,875,590**	**3,877,577**
Other revenue from franchisees:		
Rent and outgoings received from franchisees	248,650	248,598
Interest to implement and administer the financial accommodation facilities	19,326	21,431
Total other revenue received from franchises (b)	**267,976**	**270,029**
Gross revenue from other unrelated parties:		
Rent and outgoings received from external tenants	110,072	98,006
Interest received from financial institutions and other parties	6,963	5,068
Dividends received	3,090	2,340
Total other revenue received from unrelated parties (c)	**120,125**	**105,414**
Other income items:		
Net property revaluation increment on Australian freehold investment properties	213,684	138,686
Property revaluation (decrement)/increment for overseas controlled entities	(5)	1,688
Net revaluation increment of equity investments to fair value	-	8,763
Other income	28,287	36,474
Total other income items (c)	**241,966**	**185,611**
Disclosed in the Income Statement as follows:		
(a) Sale of products to customers	2,807,329	2,768,328
(b) Revenues received from franchisees	1,301,142	1,345,782
(c) Revenues and other income items	397,186	324,521

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3 Revenues (continued)

Operating Segments 30 June 2022	TYPES OF CONTRACTS $000 Sale of Products to Customers	Services to Customers	Franchisee Fees from Franchisees	Total Revenue from Contracts with Customers
FRANCHISING OPERATIONS	-	-	1,033,166	1,033,166
Retail – New Zealand	1,119,089	17,737	-	1,136,826
Retail – Singapore & Malaysia	621,230	6,094	-	627,324
Retail – Slovenia & Croatia	189,319	2,867	-	192,186
Retail – Ireland & Northern Ireland	645,285	8,017	-	653,302
Other Non-Franchised Retail	242,040	380	-	242,420
TOTAL RETAIL	2,816,963	35,095	-	2,852,058
Retail Property	385	-	-	385
TOTAL PROPERTY	385	-	-	385
EQUITY INVESTMENTS	-	-	-	-
OTHER	1,872	-	-	1,872
INTER-COMPANY ELIMINATIONS	(11,891)	-	-	(11,891)
TOTAL SEGMENT REVENUE	2,807,329	35,095	1,033,166	3,875,590

Operating Segments 30 June 2021	TYPES OF CONTRACTS $000 Sale of Products to Customers	Services to Customers	Franchisee Fees from Franchisees	Total Revenue from Contracts with Customers
FRANCHISING OPERATIONS	-	-	1,075,753	1,075,753
Retail – New Zealand	1,148,150	16,446	-	1,164,596
Retail – Singapore & Malaysia	577,483	5,197	-	582,680
Retail – Slovenia & Croatia	179,223	2,385	-	181,608
Retail – Ireland & Northern Ireland	647,903	8,983	-	656,886
Other Non-Franchised Retail	224,538	485	-	225,023
TOTAL RETAIL	2,777,297	33,496	-	2,810,793
Retail Property	6	-	-	6
TOTAL PROPERTY	6	-	-	6
EQUITY INVESTMENTS	-	-	-	-
OTHER	2,805	-	-	2,805
INTER-COMPANY ELIMINATIONS	(11,780)	-	-	(11,780)
TOTAL SEGMENT REVENUE	2,768,328	33,496	1,075,753	3,877,577

3 Revenues (continued)

Operating Segments 30 June 2022	PRIMARY GEOGRAPHICAL MARKETS $000				
	Australia	New Zealand	Asia	Europe	Total Revenue from Contracts with Customers
FRANCHISING OPERATIONS	1,033,166	-	-	-	1,033,166
Retail – New Zealand	-	1,136,826	-	-	1,136,826
Retail – Singapore & Malaysia	-	-	627,324	-	627,324
Retail – Slovenia & Croatia	-	-	-	192,186	192,186
Retail – Ireland & Northern Ireland	-	-	-	653,302	653,302
Other Non-Franchised Retail	229,836	12,584	-	-	242,420
TOTAL RETAIL	229,836	1,149,410	627,324	845,488	2,852,058
Retail Property	385	-	-	-	385
TOTAL PROPERTY	385	-	-	-	385
EQUITY INVESTMENTS	-	-	-	-	-
OTHER	1,872	-	-	-	1,872
INTER-COMPANY ELIMINATIONS	-	(11,153)	(738)	-	(11,891)
TOTAL SEGMENT REVENUE	1,265,259	1,138,257	626,586	845,488	3,875,590

Operating Segments 30 June 2021	PRIMARY GEOGRAPHICAL MARKETS $000				
	Australia	New Zealand	Asia	Europe	Total Revenue from Contracts with Customers
FRANCHISING OPERATIONS	1,075,753	-	-	-	1,075,753
Retail – New Zealand	-	1,164,596	-	-	1,164,596
Retail – Singapore & Malaysia	-	-	582,680	-	582,680
Retail – Slovenia & Croatia	-	-	-	181,608	181,608
Retail – Ireland & Northern Ireland	-	-	-	656,886	656,886
Other Non-Franchised Retail	213,191	11,832	-	-	225,023
TOTAL RETAIL	213,191	1,176,428	582,680	838,494	2,810,793
Retail Property	6	-	-	-	6
TOTAL PROPERTY	6	-	-	-	6
EQUITY INVESTMENTS	-	-	-	-	-
OTHER	2,805	-	-	-	2,805
INTER-COMPANY ELIMINATIONS	-	(11,177)	(603)	-	(11,780)
TOTAL SEGMENT REVENUE	1,291,755	1,165,251	582,077	838,494	3,877,577

4 Expenses and Losses

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Employee benefits expense:		
Wages and salaries *	374,519	351,110
Workers compensation	2,950	2,768
Superannuation contributions	18,032	16,782
Payroll tax	15,278	14,828
Share-based payments	3,089	1,488
Other employee benefits	10,904	12,797
Total employee benefits expense	**424,772**	**399,773**
Finance costs:		
Interest on lease liabilities	41,738	40,941
Bank interest paid to financial institutions	9,444	7,975
Other	966	1,297
Total finance costs	**52,148**	**50,213**
Occupancy expenses:		
Variable lease payments (including short-term and low-value leases)	34,534	30,407
Property, plant and equipment: Right-of-use assets - Depreciation expense	65,870	62,908
Property, plant and equipment: Right-of-use assets - Impairment expense	2,148	-
Investment properties (leasehold): Right-of-use assets - Fair value re-measurement	87,558	74,076
Other occupancy expenses	80,210	75,675
Total occupancy expenses	**270,320**	**243,066**
Depreciation, amortisation and impairment:		
Depreciation of (excluding AASB 16 depreciation in occupancy expenses above):		
- Buildings	10,179	9,276
- Plant and equipment	58,896	57,838
Amortisation of:		
- Computer software	20,778	19,777
- Net licence property and other intangible assets	682	520
Total depreciation, amortisation and impairment	**90,535**	**87,411**

* These amounts are net of the COVID-19 wages support and assistance received for the year-ended 30 June 2022 totalling $2.41 million in Malaysia, Singapore, Northern Ireland and Slovenia (2021: $4.43 million).

No COVID-19 wages support and assistance was received by any controlled entity of Harvey Norman Holdings Limited in Australia during the 2022 financial year.

In August 2021, all of the wages support and assistance previously received by controlled entities in Australia totalling $6.02 million (FY21: $3.63 million and FY20: $2.39 million) was repaid to the Federal Government via the Australian Taxation Office. This payment has been recorded in the Non-Franchised Retail Segment within Note 2. Operating Segments for the year-ended 30 June 2022.

5 Income Tax

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
(a) Income tax recognised in the Income Statement:		
Current income tax:		
Current income tax charge	252,294	285,742
Adjustments in respect of current income tax of previous years	(1,086)	(76)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	71,356	50,018
Total income tax expense reported in the Income Statement	322,564	335,684
(b) Income tax recognised in the Statement of Changes in Equity :		
Deferred income tax:		
Net gain on revaluation of cash flow hedges	7	14
Net gain on revaluation of land and buildings	4,509	5,578
Total income tax expense reported in other comprehensive income	4,516	5,592
(c) Reconciliation between income tax expense and prima facie income tax:		
Accounting profit before tax	1,140,443	1,182,529
At the Australian statutory income tax rate of 30% (2021: 30%)	342,133	354,759
Adjustments to arrive at total income tax expense recognised for the year:		
Transactions undertaken by Harvey Norman Holdings Limited and Harvey Norman Holdings (Ireland) Limited as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012 which expired in June 2021	-	11,125
Brand licensing fees charged to overseas controlled entities	3,174	-
Adjustments in respect of current income tax of previous year	(1,086)	(76)
Share-based payment expenses	196	129
Expenditure not allowable for income tax purposes	712	1,931
Income not assessable for income tax purposes	(201)	(2,445)
Unrecognised tax losses	455	105
Utilisation of previously unrecognised tax losses	(5,322)	(13,196)
Tax concession for research and development expenses	-	(189)
Difference between tax capital gain and accounting profit on revaluation of pre-CGT properties	(642)	(334)
Non-allowable building and motor vehicle depreciation	(571)	266
Receipt of fully franked dividends	(993)	(771)
Sundry items	(51)	(74)
Effect of different rates of tax on overseas income and exchange rate differences	(15,240)	(15,546)
Total adjustments	(19,569)	(19,075)
Total income tax reported in the Income Statement	322,564	335,684
Effective income tax rate (%)	28.28%	28.39%

5 Income Tax (continued)

SIGNIFICANT ACCOUNTING POLICIES

Tax consolidation

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

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

(d) Deferred income tax assets and liabilities:	STATEMENT OF FINANCIAL POSITION		DEFERRED TAX EXPENSES in the INCOME STATEMENT	
Deferred income tax at 30 June relates to the following:	June 2022 $000	June 2021 $000	June 2022 $000	June 2021 $000
Deferred tax liabilities:				
Revaluations of freehold investment properties to fair value	(296,796)	(233,220)	63,442	40,892
Revaluations of owner-occupied land and buildings to fair value	(45,325)	(45,125)	-	-
Non-allowable building depreciation in respect of properties in New Zealand	-	-	(1,924)	(760)
Reversal of building depreciation expense for freehold investment properties	(144,842)	(130,307)	14,388	13,969
Research and development	(2,973)	(13,548)	(1,969)	(1,731)
Other items	(10,831)	(8,455)	2,053	3,795
Total deferred tax liabilities	(500,767)	(430,655)		
Deferred tax assets:				
Employee provisions	11,354	10,904	(474)	(1,221)
Unused tax losses and tax credits	8,033	8,875	497	(5,592)
Right-of-use assets and lease liabilities	24,452	19,146	(5,172)	(1,702)
Capital losses	8,836	9,188	300	300
Other provisions	7,178	7,416	238	2,275
Provisions for lease makegood	511	440	(45)	(61)
Provision for executive remuneration	946	968	22	(146)
Revaluations of owner-occupied land and buildings to fair value	550	1,527	-	-
Total deferred tax assets*	61,860	58,464		
Total deferred tax	(438,907)	(372,191)	71,356	50,018

* Of the total deferred tax assets of $61.86 million (30 Jun 2021: $58.46 million), $53.96 million (30 June 2021: $49.72 million) was offset with the deferred tax liabilities in accordance with the deferred income tax accounting policy outlined on page 102.

The consolidated entity has not recognised deferred tax assets relating to tax losses of $97.64 million (2021: $88.71 million) which are available for offset against taxable profits of the companies in which the losses arose. At 30 June 2022, no deferred tax liability has been recognised (2021: nil) in respect of the unremitted earnings of certain subsidiaries, associates or joint ventures.

5 Income Tax (continued)

SIGNIFICANT ACCOUNTING POLICIES

Current income tax

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

Deferred income tax

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

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

Deferred tax assets and liabilities are not recognised if temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Recovery of deferred tax assets

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

6 Earnings Per Share

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Basic earnings per share (cents per share)	65.13c	67.53c
Diluted earnings per share (cents per share)	65.04c	67.45c

The following reflects the income and number of HVN shares used in the calculation of basic and diluted earnings per share:

	June 2022 $000	June 2021 $000
Profit after tax	817,879	846,845
Less: Profit after tax attributable to non-controlling interests	(6,352)	(5,431)
Profit after tax attributable to owners of the parent	811,527	841,414

	NUMBER OF SHARES	
	June 2022 Number	June 2021 Number
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	1,246,006,654	1,246,006,654
Effect of dilutive securities (b)	1,738,851	1,413,644
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,247,745,505	1,247,420,298

(a) Weighted Average Number of Ordinary Shares

No new shares issued during the current year, the weighted average number of ordinary shares used in calculating basic earnings per share for the 2022 financial year was the number of shares on issue as at 30 June 2022.

(b) Effect of Dilutive Securities

Performance rights pursuant to Tranche FY19, Tranche FY20, Tranche FY21 and Tranche FY22 of the 2016 LTI Plan that have been granted to Executive Directors have been included in the calculation of dilutive earnings per share. Refer to Table 4. Performance Rights of Key Management Personnel for the Year Ended 30 June 2022 on page 57 of this report for further information.

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

7 Trade and Other Receivables

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Current		
Receivables from franchisees	892,917	793,228
Trade receivables (a)	119,099	78,917
Consumer finance loans (b)	2,669	2,094
Allowance for expected credit loss (a) (b)	(3,493)	(3,578)
Trade receivables, net	118,275	77,433
Amounts receivable in respect of finance leases (c)	3,155	3,206
Non-trade debts receivable from (d):		
- Related parties (including joint ventures and joint venture partners)	4,407	1,824
- Unrelated parties	46,676	13,738
Allowance for expected credit loss (d)	(126)	(228)
Non-trade debts receivable, net	50,957	15,334
Total trade and other receivables (current)	1,065,304	889,201
Non-Current		
Trade receivables (a)	7,087	6,703
Consumer finance loans (b)	570	441
Allowance for expected credit loss (a) (b)	(5)	(3)
Trade receivables, net	7,652	7,141
Amounts receivable in respect of finance leases (c)	537	713
Non-trade debts receivable from (d):		
- Related parties (including joint ventures and joint venture partners)	46,345	56,022
- Unrelated parties	19,628	29,352
Allowance for expected credit loss (d)	(20,668)	(20,668)
Non-trade debts receivable, net	45,305	64,706
Total trade and other receivables (non-current)	53,494	72,560

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

7 Trade and Other Receivables (continued)

SIGNIFICANT ACCOUNTING POLICIES

Allowance for expected credit losses

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

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

Receivables from franchisees

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

The receivables from franchisees balance of $892.92 million as at 30 June 2022 (2021: $793.23 million) comprises the aggregate of the balances due from each franchisee to Derni, and is net of any uncollectible amounts. The indebtedness of each franchisee to Derni is reduced on a daily basis by an electronic funds transfer process. Each franchisee directs the financial institution of that franchisee to transfer the net cash receipts in the bank account of the franchisee to Derni, in reduction of outstanding indebtedness.

Receivables from franchisees have been measured at amortised cost. The consolidated entity has performed an assessment of the franchisee receivables and has calculated the expected credit loss by applying the general approach for provisioning for expected credit losses prescribed by AASB 9. The expected credit loss assessment was conducted on the carrying value of franchisee receivables as at 30 June 2022 totalling $892.92 million (2021: $793.23 million). Based on the assessment, receivables from franchisees are current and neither past due nor impaired as at 30 June 2022.

(a) Trade receivables and allowance for expected credit loss

Trade receivables are non-interest bearing and are generally on 30-day terms. An allowance has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $0.56 million (2021: $0.25 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:

- $102.24 million of the trade receivables balance as at 30 June 2022 (2021: $72.08 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.
- $20.48 million of the trade receivables balance as at 30 June 2022 (2021: $9.98 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 2022 (2021: nil).
- $3.47 million of the trade receivables balance as at 30 June 2022 (2021: $3.56 million) are past due and impaired, and have been provided for in full as at balance date.

Ageing Analysis	Neither past due or impaired	Past due but not impaired			Past due and impaired			Total
		31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	
2022 ($000)	102,238	8,525	2,307	9,647	244	129	3,096	126,186
2021 ($000)	72,077	2,629	2,193	5,161	507	246	2,807	85,620

7 Trade and Other Receivables (continued)

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Reconciled to:		
Trade receivables (Current)	119,099	78,917
Trade receivables (Non-current)	7,087	6,703
Total trade receivables	126,186	85,620
Movement in the allowance for expected credit loss for trade receivables were as follows:		
At 1 July	3,560	3,697
Charge for the year	561	254
Foreign exchange translation	(35)	(16)
Amounts written off	(617)	(375)
At 30 June	3,469	3,560

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

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

- $1.05 million of the consumer finance loans at 30 June 2022 (2021: $0.86 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. $2.16 million of the consumer finance loans balance as at 30 June 2022 (2021: $1.66 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 2022 (2021: $0.02 million) are past due and impaired, and have been provided for in full as at balance date.

		Past due but not impaired			Past due and impaired			
Ageing Analysis	Neither past due or impaired	31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	Total
2022 ($000)	1,053	605	523	1,029	-	-	29	3,239
2021 ($000)	858	393	297	966	-	-	21	2,535

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Reconciled to:		
Consumer finance loans (Current)	2,669	2,094
Consumer finance loans (Non-current)	570	441
Total consumer finance loans	3,239	2,535
Movement in the allowance for expected credit loss for consumer finance loans were as follows:		
At 1 July	21	23
Charge for the year	8	-
Amounts written off	-	(2)
At 30 June	29	21

7 Trade and Other Receivables (continued)

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

Finance lease receivables are reconciled as follows:

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Aggregate of minimum lease payments and guaranteed residual values:		
Not later than one year	3,264	3,365
Later than one year but not later than five years	594	758
	3,858	4,123
Future finance revenue:		
Not later than one year	(109)	(135)
Later than one year but not later than five years	(57)	(69)
	3,692	3,919
Reconciled to:		
Amounts receivable in respect of finance leases (current)	3,155	3,230
Amounts receivable in respect of finance leases (non-current)	537	689
Total finance lease receivables	3,692	3,919

The consolidated entity offers finance lease arrangements as part of the consumer finance business. Finance leases are offered in respect of motor vehicles and livestock with lease terms not exceeding 4 years. All finance leases are at fixed rates for the term of the lease. An expected credit loss allowance is made for estimated unrecoverable finance lease receivable amounts. No expected credit loss was recognised in the 2022 financial year (2021: nil).

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

- $0.97 million of the finance lease receivable balance as at 30 June 2022 (2021: $1.20 million) are neither past due nor impaired.
- $2.72 million of the finance lease receivable balance as at 30 June 2022 (2021: $2.72 million) are past due but not impaired. These receivables are subject to regular monitoring to ensure that they are recoverable. As at balance date, there were no events that required the consolidated entity to sell or re-pledge the secured leased assets.
- There was no finance lease receivable balance as at 30 June 2022 that was past due and impaired (2021: nil).

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

Non-trade debts receivable are generally interest-bearing and are normally payable at call. The aggregate balance of current and non-current non-trade debts receivable as at 30 June 2022 was $117.06 million (2021: $100.94 million) as follows:

- $78.06 million of the non-trade debts receivable balance as at 30 June 2022 (2021: $54.15 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.
- $18.20 million of the non-trade debts receivable balance as at 30 June 2022 (2021: $25.89 million) are past due but not impaired. These receivables are subject to regular monitoring and periodic impairment testing to ensure that they are recoverable.
- $20.79 million of the non-trade debts receivable balance as at 30 June 2022 (2021: $20.90 million) are past due and impaired, and have been provided for in full as at balance date.

		Past due but not impaired			Past due and impaired			
Ageing Analysis	Neither past due or impaired	31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	Total
2022 ($000)	78,062	-	-	18,200	-	-	20,794	117,056
2021 ($000)	54,150	-	-	25,890	-	-	20,896	100,936

7 Trade and Other Receivables (continued)

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

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Reconciled to:		
Non-trade debts receivable (current)	51,083	15,562
Non-trade debts receivable (non-current)	65,973	85,374
Total non-trade debts receivables	117,056	100,936

Movement in the allowance for expected credit loss for non-trade debts receivable were as follows:

	June 2022 $000	June 2021 $000
At 1 July	20,896	29,162
Charge for the year	134	35
Reversal during the year (i)	-	(8,000)
Utilisation of allowance for expected credit loss	(236)	(301)
At 30 June	20,794	20,896

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

The consolidated entity has non-trade debts receivable from the mining camp joint ventures totalling $25.16 million (2021: $30.69 million) in aggregate as at 30 June 2022. The recoverable amount of non-trade receivable from the mining camp joint ventures was assessed during the year. No impairment reversal or loss was recognised in the current year (2021: impairment reversal of $8.00 million). The total balance of the allowance for expected credit loss as at 30 June 2022 relating to non-trade receivables from the mining camp joint ventures was $3.23 million (2021: $3.23 million).

Allowance for expected credit loss of these non-trade receivables have been determined based on the present value of estimated cash flow projections as at 30 June 2022 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, to each of these variables to assess the recoverable amount of the non-trade receivables as at balance date.

8 Other Financial Assets

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Current		
Equity investments at fair value through profit or loss	-	41,281
Derivatives receivable	346	95
Total other financial assets (current)	**346**	**41,376**
Non-Current		
Equity investments at fair value through profit or loss	30,796	-
Equity investments at fair value through other comprehensive income	25,095	28,046
Units in unit trusts	414	414
Other non-current financial assets	4,768	4,623
Total other financial assets (non-current)	**61,073**	**33,083**

During FY22, the consolidated entity reclassified the equity investments at fair value through profit or loss from current to non-current financial assets.

SIGNIFICANT ACCOUNTING POLICIES

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

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

9 Inventories (Current)

	June 2022 $000	June 2021 $000
Finished goods at cost	534,386	490,015
Provision for obsolescence	(10,112)	(10,922)
Total inventories (current)	**524,274**	**479,093**

SIGNIFICANT ACCOUNTING POLICIES

During the year, the Company revised its accounting policy in relation to the costs an entity includes as the 'estimated costs necessary to make the sale' when determining the net realisable value of inventories. This is in response to the IFRIC agenda decision which clarifies that such costs are not limited to only those that are incremental. The new accounting policy is presented below.

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

	CONSOLIDATED	
	June 2022 $000	June 2021 $000

10 Other Assets (Current)

	June 2022 $000	June 2021 $000
Prepayments	52,551	36,803
Other current assets	2,808	2,752
Total other assets (current)	55,359	39,555

11 Intangible Assets

	June 2022 $000	June 2021 $000
Current		
Net licence property (current)	280	258
Non-Current		
Net licence property	1,817	1,981
Other intangible assets	66	90
Computer software:		
At cost	247,628	232,571
Accumulated amortisation and impairment	(191,091)	(170,974)
Net computer software	56,537	61,597
Total net intangible assets (non-current)	58,420	63,668

Reconciliation of non-current computer software is as follows:

	June 2022 $000	June 2021 $000
Opening balance	61,597	60,353
Additions	15,876	20,791
Disposals	(384)	(36)
Amortisation	(20,778)	(19,777)
Net foreign currency differences arising from foreign operations	226	266
Net computer software (non-current)	56,537	61,597

11 Intangible Assets (continued)

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

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

During the year, the consolidated entity revised its accounting policy in relation to upfront configuration and customisation costs incurred in implementing SaaS arrangements in response to the IFRIC agenda decision clarifying its interpretation of how current accounting standards apply to these types of arrangements. The new accounting policy is presented below.

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

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

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

12 Property, Plant and Equipment

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Land at fair value	219,802	185,916
Buildings at fair value	274,319	265,173
Land and buildings at fair value (a)	**494,121**	**451,089**
Plant and equipment:		
At cost	836,313	798,335
Accumulated depreciation	(551,217)	(519,577)
Net plant and equipment	**285,096**	**278,758**
Total property, plant and equipment:		
Land and buildings at fair value	494,121	451,089
Plant and equipment at cost	836,313	798,335
Total property, plant and equipment	**1,330,434**	**1,249,424**
Accumulated depreciation	(551,217)	(519,577)
Total written down amount of property, plant and equipment	**779,217**	**729,847**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Property, Plant and Equipment (continued)

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

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Land at fair value		
Opening balance	185,916	150,235
Additions	10,613	1,685
Increase resulting from revaluation	28,516	35,910
Net foreign currency differences arising from foreign operations	(5,243)	(1,914)
Closing balance	219,802	185,916
Buildings at fair value		
Opening balance	265,173	252,681
Additions	12,353	3,222
Disposals	-	(646)
Increase resulting from revaluation	14,699	21,938
Depreciation for the year	(10,131)	(9,210)
Net foreign currency differences arising from foreign operations	(7,775)	(2,812)
Closing balance	274,319	265,173
Net land and buildings at fair value (a)	494,121	451,089

(a) The net book value of land and buildings (other than land and buildings classified as freehold investment properties) would have been $201.22 million (2021: $191.43 million) if measured on a historical cost basis.

	June 2022 $000	June 2021 $000
Plant and equipment at cost:		
Opening balance	798,335	837,764
Additions	73,616	83,776
Disposals	(39,620)	(115,390)
Transfers from other asset categories	9,732	-
Net foreign currency differences arising from foreign operations	(5,750)	(7,815)
Closing balance	836,313	798,335
Plant and equipment accumulated depreciation:		
Opening balance	519,577	577,791
Depreciation for the year	58,896	57,838
Disposals	(31,383)	(110,938)
Transfers from other asset categories	8,102	-
Net foreign currency differences arising from foreign operations	(3,975)	(5,114)
Closing balance	551,217	519,577
Net book value plant and equipment	285,096	278,758
Total written down amount of property, plant and equipment	779,217	729,847

12 Property, Plant and Equipment (continued)

SIGNIFICANT ACCOUNTING POLICIES

Freehold owner-occupied properties

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

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

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

Plant and equipment assets

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

Derecognition and disposal

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Valuation of freehold owner-occupied properties

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

The Board of Directors make an assessment of the fair value of each freehold owner-occupied property as at balance date. This assessment is informed by:

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

Independent External Valuations

From 1 January 2020, the entire freehold owner-occupied property portfolio is being independently valued by an Independent Valuer at least once every two (2) years.

Internal Valuation and Reviews

Freehold owner-occupied properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. The key assumptions used to determine the fair value of freehold owner-occupied properties, and the relevant sensitivity analysis, are disclosed in Note 12(b) and Note 12(c).

12 Property, Plant and Equipment (continued)

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

	New Zealand		Slovenia		Singapore	Ireland	Australia	Total	
	Retail $000	Warehouse $000	Retail $000	Warehouse $000	Office $000	Retail $000	Retail $000	2022 $000	2021 $000
Opening balance	334,653	5,184	75,727	1,684	7,648	15,823	10,370	451,089	402,916
Additions	11,981	24	-	232	-	10,715	14	22,966	4,905
Disposals	-	-	-	-	-	-	-	-	(645)
Fair value adjustments	26,143	1,159	7,402	-	5,255	-	3,256	43,215	57,849
Depreciation for the year	(7,658)	(95)	(1,921)	-	(18)	(299)	(140)	(10,131)	(9,210)
Net foreign currency differences	(9,521)	(157)	(3,050)	(69)	418	(639)	-	(13,018)	(4,726)
Closing balance	355,598	6,115	78,158	1,847	13,303	25,600	13,500	494,121	451,089

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy*	Fair value 30 June 2022 $000	Valuation Technique	Key unobservable inputs	2022 Range of unobservable inputs	2021 Range of unobservable inputs
Retail	Level 3	472,856 (Jun-21: 436,573)	Discounted cash flow	Terminal Yield	3.1% - 7.8%	3.1% - 7.8%
				Discount Rate	4.0% - 8.0%	4.0% - 8.5%
			Income capitalisation	Net market rent per sqm p.a	$53 - $550	$98 - $362
				Capitalisation Rate	4.0% - 8.0%	4.5% - 7.9%
			Direct sale comparison	Price per sqm of lettable	$10,235	$7,621
Warehouse	Level 3	7,962 (Jun-21: 6,868)	Discounted cash flow	Terminal Yield	5.3%	5.9%
				Discount Rate	6.5%	6.6%
			Income Capitalisation	Net market rent per sqm p.a	$111	$98
				Capitalisation Rate	5.0%	5.6%
Office	Level 3	13,303 (Jun-21: 7,648)	Discounted cash flow	Terminal Yield	N/A	3.5%
				Discount Rate	N/A	4.0%
			Income capitalisation	Net market rent per sqm p.a	N/A	$215-$250
				Capitalisation Rate	N/A	3.3%
			Direct sale comparison	Price per sqm of lettable	$12,101 - $16,030	$7,266 - $9,026
TOTAL		494,121 (Jun-21: 451,089)				

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

12 Property, Plant and Equipment (continued)

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

The income capitalisation method of valuation was used for the valuation of retail and warehouse properties in New Zealand. A discounted cash flow method was undertaken in respect of the same properties as a secondary method. There were no material differences between the income capitalisation method result and the discounted cash flow method result. The income capitalisation method of valuation was used for the valuation of one (1) retail owner-occupied property in Australia. A direct sale comparison method was used for the same property as a secondary method. There were no material differences between the income capitalisation method result and the direct sale comparison method result. The income capitalisation method of valuation was used for the valuation of retail properties in Slovenia and one (1) retail property in Ireland. The direct sale comparison method was used for the valuation of the office 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 using the current market rental value generated by the property, which is divided by the appropriate market capitalisation rate.

Discounted cash flow ("DCF") method

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

Direct sale comparison method

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

Net market rent

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

Capitalisation rate

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

Terminal yield

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

Discount rate

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

Price per square metre

Price per square metre is obtained based on recent transactions of similar properties around the vicinity. Appropriate adjustments are made between the 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) 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.

12 Property, Plant and Equipment (continued)

(d) Highest and best use

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

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

	CONSOLIDATED		
	Leasehold properties: ROUA $000	Plant and equipment: ROUA $000	Total ROUA $000
As at 1 July 2020	509,220	4,562	513,782
New and modified leases	81,116	1,490	82,606
Leases exited	(5,390)	-	(5,390)
Depreciation	(60,788)	(2,120)	(62,908)
Foreign currency	(16,868)	(55)	(16,923)
As at 30 June 2021	507,290	3,877	511,167
As at 1 July 2021	507,290	3,877	511,167
New, modified and re-measured leases	36,266	2,652	38,918
Leases exited	(14,648)	-	(14,648)
Impairment	(2,148)	-	(2,148)
Depreciation	(63,668)	(2,202)	(65,870)
Foreign currency	5,125	(34)	5,091
As at 30 June 2022	468,217	4,293	472,510

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

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Australia	25,792	30,181
New Zealand	118,485	113,083
Singapore & Malaysia	218,386	244,163
Slovenia & Croatia	14,947	19,235
Ireland & Northern Ireland	94,900	104,505
Total lease liabilities of leases of owner occupied properties and plant and equipment assets	472,510	511,167

SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment: Right-of-Assets

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

14 Investment Properties: Freehold

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Opening balance at beginning of the year, at fair value	2,905,509	2,593,330
Net additions, disposals and transfers	111,020	171,805
Net increase from fair value adjustments	213,684	140,374
Closing balance at end of the year, at fair value	**3,230,213**	**2,905,509**

Below is a list of the top 20 freehold investment properties ranked in order of fair value as at 30 June 2022:

Property	Last independent valuation date	Independent valuation at last valuation date ($000)	Fair value 30 June 2022 ($000)	Cap rate 30 June 2022 %
Penrith Homemaker Centre – Harvey Norman® / Domayne®	31 Dec 2021	240,000	241,263	5.50%
Springvale Homemaker Centre – Harvey Norman® / Domayne®	30 Jun 2022	170,000	170,000	5.75%
Maroochydore Homemaker Centre – Harvey Norman® / Domayne® / Joyce Mayne®	30 Jun 2021	98,000	103,600	6.50%
Watergardens Homeplace – Harvey Norman® (a)	N/A	N/A	102,546	N/A
Alexandria Complex – Domayne®	30 Jun 2022	81,200	81,200	4.25%
Toowoomba Centre Complex – Harvey Norman®	31 Dec 2021	71,000	71,158	7.00%
Silverwater Warehouse Complex	31 Dec 2020	68,000	71,000	6.25%
The Cambridge Park Centre – Harvey Norman®	31 Dec 2020	61,300	64,953	7.50%
Perth City West Complex – Harvey Norman® / Domayne® (b)	30 Jun 2022	61,250	61,250	6.00%
Albury Homemaker Centre – Harvey Norman®	30 Jun 2021	54,000	57,900	7.00%
Auburn Complex – Domayne® / Harvey Norman®	30 Jun 2022	55,000	55,000	4.75%
Auburn Flagship Store Complex – Harvey Norman®	30 Jun 2021	51,000	51,093	5.75%
Maribyrnong Complex – Harvey Norman®	31 Dec 2020	50,000	50,156	6.50%
Rutherford (Maitland) Complex – Harvey Norman® / Domayne®	31 Dec 2020	47,300	49,025	7.25%
Browns Plains Homemaker Centre – Harvey Norman®	31 Dec 2020	46,000	47,561	7.25%
Devonport Homemaker Centre – Harvey Norman®	31 Dec 2021	47,500	47,540	6.25%
Alexandria Harvey Norman Warehouse Complex	31 Dec 2021	46,600	46,722	4.75%
Macgregor Homemaker Centre – Harvey Norman® (c)	N/A	N/A	45,797	N/A
Munno Para Shopping City – Harvey Norman®	31 Dec 2020	42,200	44,119	7.25%
Tweed Heads Homemakers Centre – Harvey Norman®	31 Dec 2021	43,500	43,589	6.50%
TOTAL TOP 20 INVESTMENT PROPERTIES			**1,505,472***	

The fair value of the top 20 freehold investment properties amounted to $1.51 billion as at 30 June 2022, representing 46.6% of the total fair value of freehold investment properties of $3.23 billion. The fair value of the remaining 117 freehold investment properties as at 30 June 2022 totalled $1.72 billion, representing 53.4% of the portfolio as at balance date.

(a) The investment property was acquired in April 2021.
(b) Balances represent the consolidated entity's 50% ownership interest in the investment property.
(c) The property is under construction and less than 75% complete. No external valuation is required per valuation methodologies on page 118 of this report.

* The difference between the fair value of the freehold investment property as at 30 June 2022 and the independent valuation as at the last valuation date mainly relates to Internal Valuations and Reviews and capital additions in respect of the freehold investment property between the periods.

14 Investment Properties: Freehold (continued)

SIGNIFICANT ACCOUNTING POLICIES

Valuation of Freehold Investment Properties

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Valuation Approach:

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

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

Independent External Valuations

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

For the 2022 financial year, sixty-eight (68) valuations of freehold investment properties were performed by an Independent Valuer: thirty-two (32) at 31 December 2021 and thirty-six (36) at 30 June 2022. This represents a total of 49.6% of the number of freehold investment properties independently externally valued this year, and 52.2% in terms of the fair value of the freehold investment property portfolio in Australia subject to independent external valuation.

Internal Valuations and Reviews

Freehold investment properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. Each internal valuation and management review is informed by the last independent external valuation and reliable market evidence. For the current year, thirteen (13) freehold investment properties had been affected by the same factors as the properties which had been independently externally valued. As a consequence, internal valuations for these thirteen (13) properties were undertaken to determine the effect of these factors.

Valuation Methodologies:

The large-format retail market in Australia continues to be a resilient and buoyant asset class providing an attractive return on investment relative to alternative asset classes since the commencement of the pandemic. This has been underpinned by the strength of the Home & Lifestyle retail category throughout FY22 and robust sales volumes and historically low yields reported by the large-format property market. Investor competitiveness for scarce, well-located large-format property investments, with strong national lease covenants and lease tenure, has also contributed to the increase in large-format retail values.

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

- the highest and best use of the property
- the quality of construction
- the age and condition of improvements
- recent market sales data in respect of comparable properties
- current market rental value, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction
- the tenure of franchisees and external tenants
- adaptive reuse of buildings
- non-reliance on turnover rent
- other specific circumstances of the property

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

The fair value of a freehold investment property under construction is determined using the income capitalisation method by estimating the fair value of the property as at the relevant completion date less the remaining costs to complete and allowances for associated risk. As a secondary method, a discounted cash flow valuation is undertaken. An internal valuation or management review is performed for any property less than 75% complete where there is an indication of a substantial change in the risks or benefits to warrant an earlier assessment. Normally, the direct sale comparison method of valuation is used for properties held for future development.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Investment Properties: Freehold (continued)

(a) Reconciliation of investment properties: freehold

	New Zealand		Ireland	Australia			Total	
	Retail $000	Warehouse	Retail $000	Retail $000	Warehouse $000	Office $000	2022 $000	2021 $000
Opening balance	6,501	4,793	-	2,599,604	255,860	38,751	2,905,509	2,593,330
Additions	-	-	28,970	83,357	2,970	184	115,481	174,242
Disposals	-	-	-	(3,769)	(297)	-	(4,066)	(2,334)
Fair value adjustments*	-	-	-	177,587	31,692	4,405	213,684	140,374
Depreciation for the year	(43)	(5)	-	-	-	-	(48)	(66)
Net foreign currency differences	(199)	(148)	-	-	-	-	(347)	(37)
Closing balance	6,259	4,640	28,970	2,856,779	290,225	43,340	3,230,213	2,905,509

* Fair value adjustments totalling $213.68 million for the year ended 30 June 2022 are included in other income (2021: $140.37 million).

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy*	Fair value 30 June 2022 $000	Valuation Technique	Key unobservable inputs	2022 Range of unobservable inputs	2021 Range of unobservable inputs
Retail	Level 3	Metropolitan = 1,755,018 (Jun-21: 1,566,037) Regional = 1,136,990 (Jun-21: 1,040,068) Total = 2,892,008 (Jun-21: 2,606,105)	Income capitalisation	Net market rent per sqm p.a	$70 - $326	$70 - $326
				Capitalisation Rate - Metropolitan	4.3% - 9.3%	4.0% - 8.0%
				- Regional	5.8% - 9.3%	6.5% - 9.8%
			Discounted cash flow	Terminal Yield	4.5% - 9.0%	4.1% - 9.8%
				Discount Rate	5.0% - 9.0%	5.0% - 9.8%
			Direct sale comparison	Price per sqm of lettable area	$710 - $5,664	$710 - $5,664
Warehouse	Level 3	294,865 (Jun-21: 260,653)	Income Capitalisation	Net market rent per sqm p.a	$69 - $160	$69 - $160
				Capitalisation Rate	4.8% - 9.5%	5.8% - 9.5%
			Discounted cash flow	Terminal Yield	5.0% - 7.0%	6.0% - 8.3%
				Discount Rate	5.5% - 7.3%	6.3% - 8.5%
			Direct sale comparison	Price per sqm of lettable area	$709 - $3,151	$709 - $3,018
Office	Level 3	43,340 (Jun-21: 38,751)	Income capitalisation	Net market rent per sqm p.a	$115 - $233	$115 - $385
				Capitalisation Rate	6.5% - 8.0%	7.0% - 8.8%
			Discounted cash flow	Terminal Yield	6.5%	7.3%
				Discount Rate	7.0%	7.0%
			Direct sale comparison	Price per sqm of lettable area	$1,676 - $3,545	$1,442 - $4,793
TOTAL		3,230,213 (Jun-21: 2,905,509)				

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

14 Investment Properties: Freehold (continued)

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

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

(c) Sensitivity information

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

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

Included in rent and outgoings received from franchisees and rent and outgoings received from other tenants as disclosed in Note 3. Revenues is rent and outgoings received from investment properties of $231.31 million for the year ended 30 June 2022 (2021: $223.15 million). Operating expenses, including rates and taxes and repairs and maintenance, recognised in the income statement in relation to investment properties amounted to $55.43 million for the year ended 30 June 2022 (2021: $52.34 million).

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

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Opening balance at beginning of the year, at fair value	620,461	621,903
New and modified leases	151,728	85,659
Leases exited	(9,031)	(13,025)
Net decrease from fair value re-measurements	(87,558)	(74,076)
Closing balance at end of the year, at fair value	675,600	620,461

(a) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy*	Fair value 30 June 2022 $000	Valuation Technique	Key unobservable inputs	2022 Range of unobservable inputs	2021 Range of unobservable inputs
Retail	Level 3	487,593 (Jun-21: 469,623)	Discounted cash flow	Discount rate Market rental ranges: - Gross - Net	4.69% to 5.48% $50–$575 per sqm $80–$265 per sqm	2.96% to 5.21% $64–$851 per sqm $21–$453 per sqm
Warehouse	Level 3	188,007 (Jun-21: 150,838)	Discounted cash flow	Discount rate Market rental ranges: - Gross - Net	4.69% to 5.48% $25-$750 per sqm $30-$190 per sqm	2.96% to 5.21% $29-$500 per sqm $39-$300 per sqm
TOTAL		675,600 (Jun-21: 620,461)				

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

(b) Sensitivity information

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

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

Included in rent and outgoings received from franchisees as disclosed in Note 3. Revenues is rent and outgoings received from leasehold investment properties of $117.53 million for the year ended 30 June 2022 (2021: $115.19 million). Operating expenses, excluding interest on lease liabilities and fair value re-measurements on leasehold investment properties: ROU Assets, recognised in the income statement in relation to leasehold investment properties amounted to $27.73 million for the year ended 30 June 2022 (2021: $24.42 million).

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

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

The results and recommendations of the review and the information and professional advice provided by the Independent Valuer are used to inform the assessment of the fair value of each IP Leasehold ROU Asset at balance date.

Discount rate

Investment properties (leasehold): right-of-use assets are re-measured to fair value by using the prevailing discount rate as at the reporting date which is determined by taking into account the following:

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

As at 30 June 2022, the discount rates used in re-measuring investment properties (leasehold): right-of-use asses range from 4.69% to 5.48% (2021: 2.96% to 5.21%).

Market rent ranges

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

16 Trade and Other Payables

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Trade and other creditors	258,965	269,959
Accruals	99,376	85,704
Total trade and other payables	358,341	355,663

17 Interest-Bearing Loans and Borrowings

	June 2022 $000	June 2021 $000
Current Secured:		
Bank overdraft (a)	14,446	15,704
Commercial bills payable (b)	5,400	5,650
Syndicated Facility Agreement (c)	200,000	290,000
Other short-term borrowings (d)	36,795	44,202
Current Unsecured:		
Derivatives payable	20	-
Non-trade amounts owing to:		
- Related parties	4,238	4,237
- Unrelated parties	154	176
Total interest-bearing loans and borrowings (current)	261,053	359,969
Non–Current		
Syndicated Facility Agreement (c)	410,000	200,000
Other borrowings (d)	28,522	-
Total interest-bearing loans and borrowings (non-current)	438,522	200,000

(a) Bank Overdraft

The total bank overdraft of $14.45 million as at 30 June 2022 (2021: $15.70 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 17(c).

(b) Commercial bills payable

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

(c) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company (**Borrower**) and certain other subsidiaries of the Company (**Guarantors**) entered into a Syndicated Facility Agreement (the **Facility**) with certain banks (**Financiers** and each a **Financier**). On 26 November 2018, the Amending Deed (No. 6) to the Facility was executed with the effect of extending the repayment date of Tranche B of the Facility totalling $240 million to 4 December 2021. On 29 November 2019, the Amending Deed (No. 7) to the Facility was executed with the effect of extending the repayment date of Tranche A1 of the Facility totalling $170 million to 4 December 2021 and Tranche A2 of the Facility totalling $200 million to 4 December 2022. On 26 November 2020, Tranche A3 of the Facility totalling $200 million was cancelled, reducing the aggregate available facility of the Syndicated Facility Agreement from $810 million to $610 million.

On 30 November 2021, the Amending Deed (No. 8) to the Facility was executed with the effect of extending the repayment date of Tranche A1 of the Facility totalling $170 million to 4 December 2026 and Tranche B of the Facility totalling $240 million to 4 December 2025.

17 Interest-Bearing Loans and Borrowings (continued)

(c) Syndicated Facility Agreement (continued)

The utilised amount of the Facility as at 30 June 2022 was $610 million, repayable as set out below, with $200 million classified as current interest bearing loans and borrowings and $410 million of which was classified as non-current interest-bearing loans and borrowings.

This Facility is secured by:

- a fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers; and
- real estate mortgages granted by certain Guarantors in favour of the security trustee for the Financiers over various real properties owned by those Guarantors.

Under the terms of the Syndicated Facility Agreement, the Facility is repayable:

- in respect of Tranche A1 totalling $170 million, on 4 December 2026 ($170 million utilised at 30 June 2022);
- in respect of Tranche A2 totalling $200 million, on 4 December 2022 ($200 million utilised at 30 June 2022); and
- in respect of Tranche B totalling $240 million, on 4 December 2025 ($240 million utilised at 30 June 2022);
- otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:
  - i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;
  - ii) if any change in law or other event makes it illegal or impractical for a Financier to perform its obligations under the Syndicated Facility Agreement or fund or maintain the amount committed by that Financier to the provision of the Facility, the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During FY22 and FY21, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

(d) Other Short-Term Borrowings

On 28 April 2022, a subsidiary of the Company entered into a Floating Rate Loan Facility with the ANZ Bank with a total limit of $120 million, repayable on 31 October 2022. As at 30 June 2022, this facility was not utilised. In addition, a short term facility with a limit of $10.4 million in Singapore secured by the securities pursuant to the Syndicated Facility Agreement remains unutilised as at 30 June 2022.

Of the total other short-term borrowings of $36.80 million (2021: $44.20 million):

- a total of $6.80 million (2021: nil) in Ireland is secured by fixed and floating charges over the property at Eastgate Retail Park in Little Island, Cork, repayable by 30 June 2023. The total facility limit is $35.33 million and was fully utilised as at 30 June 2022 with $6.80 million classified as current borrowings, with the remaining $28.52 million classified as non-current borrowings.
- a total of $26.73 million (2021: $29.11 million) in Slovenia and Croatia, with a maturity date of 4 December 2022, is secured by the securities given pursuant to the Syndicated Facility Agreement and has a total facility limit of $51.61 million as at 30 June 2022.
- a total of $2.61 million (2021: $4.45 million) relates to a revolving credit facility with ANZ in Singapore and has a total facility limit of $5.22 million as at 30 June 2022.
- a total of $0.66 million (2021: $0.80 million) relates to a revolving credit facility with AmBank (M) Berhad in Malaysia, subject to periodic review and otherwise repayable on demand, and has a total facility limit of $0.99 million as at 30 June 2022.

(e) Defaults and Breaches

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During the 2022 and 2021 financial years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

17 Interest-Bearing Loans and Borrowings (continued)

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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

After initial recognition, loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in the income statement when the liabilities are derecognised.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

18 Financing Facilities Available

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

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Total facilities:		
Bank overdraft	45,834	48,415
Other borrowings	223,573	85,452
Commercial bank bills	5,400	5,650
Syndicated Facility	610,000	610,000
Total Available Facilities	**884,807**	**749,517**
Facilities used at reporting date:		
Bank overdraft	14,446	15,704
Other borrowings (current)	36,795	44,202
Other borrowings (non-current)	28,522	-
Commercial bank bills (current)	5,400	5,650
Syndicated Facility (current)	200,000	290,000
Syndicated Facility (non-current)	410,000	200,000
Total Used Facilities	**695,163**	**555,556**
Facilities unused at reporting date:		
Bank overdraft	31,388	32,711
Other borrowings	158,256	41,250
Syndicated Facility	-	120,000
Total Unused Facilities	**189,644**	**193,961**

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

19 Lease Liabilities

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Lease liabilities at beginning of the year	1,178,665	1,173,087
New, modified and exited leases	163,999	150,809
Interest on lease liabilities	41,738	40,941
Lease payments	(179,353)	(171,790)
Foreign currency	(421)	(14,382)
Lease liabilities at the end of the year	1,204,628	1,178,665
Disclosed as:		
Lease liabilities (current)	139,288	135,389
Lease liabilities (non-current)	1,065,340	1,043,276
Total lease liabilities	1,204,628	1,178,665

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

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

Australia	41,108	46,190
New Zealand	136,175	130,554
Singapore & Malaysia	164,229	190,123
Slovenia & Croatia	16,871	21,272
Ireland & Northern Ireland	127,222	143,410
Total lease liabilities of leases of owner occupied properties and plant and equipment assets	485,605	531,549

Leases of properties sub-leased to external parties:

Australia	719,023	647,116
Total lease liabilities of leases of sub-leased to external parties	719,023	647,116
Total lease liabilities	1,204,628	1,178,665

(c) The maturity profile of undiscounted lease liabilities as at 30 June 2022 is as follows:

Less than 1 year	181,083	174,665
1 to 2 years	171,699	166,888
2 to 5 years	452,210	440,412
Over 5 years	646,458	661,850
Total undiscounted lease liabilities	1,451,450	1,443,815

(d) Commitments for leases not yet commenced

The consolidated entity had committed to leases which had not yet commenced as at 30 June 2022. These leases are not included in the calculation of the consolidated entity's lease liabilities. The estimated undiscounted lease liabilities for these leases are $14.15 million (2021: $0.78 million).

19 Lease Liabilities (continued)

SIGNIFICANT ACCOUNTING POLICIES

Short-term leases and lease of low-value assets

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

Lease liabilities

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Incremental borrowing rate

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

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

As at 30 June 2022, the incremental borrowing rates applied by the consolidated entity were as follows:

Location	Weighted average incremental borrowing rate (%)
Australia	3.89%
New Zealand	3.26%
Singapore & Malaysia	2.98%
Slovenia & Croatia	3.31%
Ireland & Northern Ireland	3.64%

Lease term

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

As at 30 June 2022, the lease terms adopted by the consolidated entity were as follows:

Location	Weighted average lease term (years)
Australia	10.65
New Zealand	12.66
Singapore & Malaysia	5.08
Slovenia & Croatia	8.53
Ireland & Northern Ireland	8.06

As at 30 June 2022, the consolidated entity have assessed that a number of options do not meet the criteria of 'reasonably certain' and therefore the lease payments relating to these options have not been included in the lease liability. The undiscounted lease payments for these excluded options would amount to $84.08 million (2021: $33.62 million).

	CONSOLIDATED	
	June 2022 $000	June 2021 $000

20 Other Liabilities

	June 2022 $000	June 2021 $000
Total unearned revenue (current)	126,236	108,847
Total unearned revenue (non-current)	1,539	823

21 Provisions

	June 2022 $000	June 2021 $000
Employee entitlements	37,059	37,162
Total provisions (current)	37,059	37,162
Employee entitlements	2,546	2,380
Lease make good	7,715	7,443
Total provisions (non-current)	10,261	9,823

SIGNIFICANT ACCOUNTING POLICIES

Provision for employee entitlements

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Provision for lease make good

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

22 Contributed Equity

	June 2022 $000	June 2021 $000
Ordinary shares	717,925	717,925
Total contributed equity	717,925	717,925

Movements in ordinary shares on issue

	June 2022 No. of Shares	June 2022 $000
Balance at 1 July 2021	1,246,006,654	717,925
Issue of shares	-	-
Balance at end of the year	1,246,006,654	717,925

Number of ordinary shares issued and fully paid as at 30 June 2022 was 1,246,006,654 (2021: 1,246,006,654)

Ordinary shares – terms and conditions

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

22 Contributed Equity (continued)

SIGNIFICANT ACCOUNTING POLICIES

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

23 Retained Profits and Dividends

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Movements in retained profits were as follows:		
Balance at beginning of the year	2,879,511	2,511,580
Profit for the year	811,527	841,414
Dividends paid	(436,102)	(473,483)
Balance at end of the year	3,254,936	2,879,511

	June 2022 $000	June 2021 $000
Dividends declared and paid on ordinary shares:		
Final fully-franked dividend for 2021: 15.0 cents (2020: 18.0 cents)	186,901	224,281
Interim fully-franked dividend for 2022: 20.0 cents (2021: 20.0 cents)	249,201	249,202
Total dividends paid	436,102	473,483

The final dividend of $186.90 million, fully franked, for the year ended 30 June 2021 was paid on 15 November 2021.

The interim dividend of 20.0 cents per share, totalling $249.20 million fully-franked, for the year ended 30 June 2022 was paid on 2 May 2022.

The final dividend of 17.5 cents per share totalling $218.05 million, fully franked, for the year ended 30 June 2022 will be paid on 14 November 2022 to shareholders registered at the close of business on 17 October 2022. No provision has been made in the Statement of Financial Position for the payment of this final dividend.

	June 2022 $000	June 2021 $000
Franking account balance:		
The amount of franking credits available for subsequent financial years are:		
- franking account balance as at the end of the financial year at 30%	553,700	455,197
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	49,284	122,596
- franking credits that will be utilised in the payment of the proposed final dividend	(93,450)	(80,100)
Amount of franking credits available for future reporting years	509,534	497,693

24 Non-Controlling Interests

	June 2022 $000	June 2021 $000
Interest in:		
- Ordinary shares	1,091	2,591
- Reserves	14,478	12,716
- Retained earnings	17,524	12,883
Total non-controlling interests	33,093	28,190

25 Reserves

CONSOLIDATED $000	Asset Revaluation Reserve	Foreign Currency Translation Reserve	FVOCI Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Total
At 1 July 2021	208,646	42,051	22,574	(3)	10,399	(16,274)	267,393
Revaluation of land and buildings	41,311	-	-	-	-	-	41,311
Tax effect of revaluation of land and buildings	(4,509)	-	-	-	-	-	(4,509)
Currency translation differences	-	(14,479)	-	-	-	-	(14,479)
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	(2,084)	-	-	-	(2,084)
Reverse expired or realised cash flow hedge reserves	-	-	-	3	-	-	3
Net gain on forward foreign exchange contracts	-	-	-	19	-	-	19
Tax effect on net gain on forward foreign exchange contracts	-	-	-	(6)	-	-	(6)
Cost of share based payments	-	-	-	-	3,297	-	3,297
Utilisation of employee equity benefits reserve	-	-		-	(2,775)	-	(2,775)
At 30 June 2022	245,448	27,572	20,490	13	10,921	(16,274)	288,170
At 1 July 2020	158,608	56,941	9,919	(35)	10,005	(18,601)	216,837
Revaluation of land and buildings	55,616	-	-	-	-	-	55,616
Tax effect of revaluation of land and buildings	(5,578)	-	-	-	-	-	(5,578)
Currency translation differences	-	(14,890)	-	-	-	-	(14,890)
Unrealised gain on financial assets at fair value through other comprehensive income	-	-	12,655	-	-	-	12,655
Reverse expired or realised cash flow hedge reserves	-	-	-	35	-	-	35
Net loss on forward foreign exchange contracts	-	-	-	(4)	-	-	(4)
Tax effect on net loss on forward foreign exchange contracts	-	-	-	1	-	-	1
Cost of share based payments	-	-	-	-	1,453	-	1,453
Utilisation of employee equity benefits reserve	-	-	-	-	(1,059)	-	(1,059)
Sale of a controlled entity	-	-	-	-	-	2,327	2,327
At 30 June 2021	208,646	42,051	22,574	(3)	10,399	(16,274)	267,393

25 Reserves (continued)

SIGNIFICANT ACCOUNTING POLICIES

Asset revaluation reserve

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

Foreign currency translation reserve

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

Fair Value through Other Comprehensive Income (FVOCI) Reserve

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

Cash Flow Hedge Reserve

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

Employee equity benefits reserve

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

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

Acquisition Reserve

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Equity-settled transactions

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

26 Cash and Cash Equivalents

(a) Reconciliation to the Statement of Cash Flows

Cash and cash equivalents comprise the following:

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Cash at bank and on hand	155,158	206,971
Short-term money market deposits	93,646	57,460
	248,804	264,431
Bank overdraft (refer to Note 17)	(14,446)	(15,704)
Cash and cash equivalents	234,358	248,727

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

	June 2022 $000	June 2021 $000
Profit after tax	817,879	846,845
Adjustments for non-cash items:		
Net foreign exchange (gain) / loss	(192)	268
Allowance for expected credit loss	703	289
Share of net profit from joint venture entities	(8,961)	(8,320)
Depreciation of property, plant and equipment	69,075	67,114
Depreciation of right-of-use assets	65,870	62,908
Fair value re-measurement of investment properties (leasehold): ROU assets	87,558	74,076
Amortisation	21,460	20,296
Impairment of ROU assets	2,148	-
Gain on exited/disposed leasehold ROU assets and lease liabilities	(3,428)	-
Revaluation of freehold investment properties	(213,679)	(140,374)
Executive remuneration expenses	7,326	5,648
Profit / (loss) on disposal and sale of property, plant and equipment and the revaluation of listed securities	4,337	(8,397)
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(140,755)	(407,714)
Inventories	(44,371)	(90,162)
Other assets	(14,687)	(5,299)
Increase/(decrease) in liabilities:		
Payables and other current liabilities	29,075	50,916
Income tax payable	(80,201)	80,472
Provisions	(1,857)	(4,697)
Net cash flows from operating activities	597,300	543,869

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

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

27 Investments in Joint Venture Entities

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
Total investments accounted for using the equity method	1,502	1,321

	Ownership interest June 2022 %	Ownership interest June 2021 %	Contribution to Profit / (Loss) Before Tax June 2022 $000	Contribution to Profit / (Loss) Before Tax June 2021 $000
Noarlunga (Shopping complex)	50%	50%	1,698	1,500
Perth City West (Shopping complex)	50%	50%	2,446	2,238
Warrawong King St (Shopping complex) (a)	62.5%	62.5%	1,008	1,056
Dubbo (Shopping complex)	50%	50%	725	692
Bundaberg (Land held for investment)	50%	50%	-	(205)
Gepps Cross (Shopping complex)	50%	50%	3,074	3,028
QCV (Miners residential complex) (b)	50%	50%	10	13
Other	50%	50%	-	(2)
			8,961	8,320

(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 29 July 2022. On 29 July 2022, the maturity date of this finance facility from ANZ was extended to 31 January 2023.
- (ii) Finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $26.47 million (2021: $31.89 million) plus interest and costs, subject to bi-annual review.

SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

28 Assets Held for Sale

As at 30 June 2022, the assets held for sale balance of $12.10 million (2021: $12.66 million) represents the carrying amount of a warehouse in Singapore that is currently held for sale.

SIGNIFICANT ACCOUNTING POLICIES

Assets held for sale

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

29 Employee Benefits

	CONSOLIDATED	
The aggregate employee benefit liability was comprised of:	June 2022 $000	June 2021 $000
Accrued wages, salaries and on-costs	24,192	24,288
Provisions (Current–Note 21)	37,059	37,162
Provisions (Non-current–Note 21)	2,546	2,380
Total employee benefit provisions	63,797	63,830

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

Performance rights

At balance date, the performance rights in the table below were outstanding and vested (or able to be exercised) by, or for the benefit of, directors of Harvey Norman Holdings Limited. Refer to Table 4. Performance Rights of Key Management Personnel for the year ended 30 June 2022 on page 57 of this report for further information.

		Number of Performance Rights Outstanding		Number of Performance Rights Vested	
Grant date	Last Exercise Date	2022	2021	2022	2021
01/12/2017	30/06/2023	-	-	-	226,400
04/12/2018	30/06/2024	-	549,500	549,500	-
02/12/2019	30/06/2025	549,500	549,500	-	-
04/12/2020	30/06/2026	549,500	549,500	-	-
30/11/2021	31/10/2026	914,000	-	-	-
		2,013,000	1,648,500	549,500	226,400

30 Remuneration of Auditors

	CONSOLIDATED June 2022 $	CONSOLIDATED June 2021 $
Fees to Ernst & Young Australia:		
Audit or review of financial reports	1,393,689	1,346,588
Tax services	168,600	178,800
Consulting services	121,160	-
Total payable to Ernst & Young Australia	1,683,449	1,525,388
Fees to overseas member firms of Ernst & Young Australia:		
Audit or review of financial reports	878,417	980,660
Tax services	232,365	218,776
Consulting services	32,927	14,778
Total payable to overseas member firms of Ernst & Young Australia	1,143,709	1,214,214
Total remuneration payable to Ernst & Young	2,827,158	2,739,602

31 Key Management Personnel

(a) Details of Key Management Personnel

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

Senior Executives	Title
Thomas James Scott	General Manager – Property
Gordon Ian Dingwall	Chief Information Officer
Lachlan Roach	General Manager – Home Appliances (Resigned 19 November 2021)
Emmanuel Hohlastos	General Manager – Audio Visual (Resigned 30 November 2021) General Manager – Home Appliances (Appointed 1 December 2021)
Glen Gregory	General Manager – Technology & Entertainment
Richard Beaini	General Manager – Audio Visual (appointed 8 April 2022)
Carene Myers	General Manager – Small Appliances (from 1 July 2021)

31 Key Management Personnel (continued)

(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 2022 $	June 2021 $
Short-term	13,107,159	13,380,900
Post-employment	324,651	305,816
Long-term (share-based payments)	2,249,723	2,032,255
Other–long service leave accrual	95,211	99,564
Other–termination benefit	36,447	33,985
Total compensation to Key Management Personnel	15,813,191	15,852,520

Refer to Tables 1 and 2 on pages 55 and 56 of this report for further information.

32 Related Party Transactions

(a) Ultimate Controlling Entity

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

(b) Transactions with Other Related Parties

(i) Several controlled entities of Harvey Norman Holdings Limited operate loan accounts with other related parties, mainly consisting of joint ventures and the other joint venture partner of the joint ventures. The amount of receivables from related parties at 30 June 2022 were $50,751,835 (30 June 2021: $57,846,269).

(ii) The consolidated entity has a payable to other related parties (excluding transactions with KMPs and their related parties) at arm's length terms and conditions. The amount owing to other related parties at 30 June 2022 was $4,237,364 (30 June 2021: $4,237,364).

Refer to information provided in Section 16. Other Transactions and Balances with Key Management Personnel and their Related Parties in this report on page 60 for further information.

33 Commitments

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

Future minimum amounts receivable under non-cancellable operating leases are as follows:

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Not later than one year	120,630	112,714
Between 1 and 2 years	78,765	76,610
Between 2 and 3 years	64,122	58,548
Between 3 and 4 years	44,459	42,330
Between 4 and 5 years	30,786	30,590
Later than five years	42,380	44,847
Minimum lease receivable	381,142	365,639

	CONSOLIDATED	
	June 2022 $000	June 2021 $000

33 Commitments (continued)

SIGNIFICANT ACCOUNTING POLICIES

The consolidated entity as lessor

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

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

	June 2022 $000	June 2021 $000
Not later than one year	108,880	17,931
Later than one year but not later than five years	20,051	949
Total capital expenditure commitments	**128,931**	**18,880**

The consolidated entity had contractual obligations to purchase and refurbish property, plant and equipment and investment properties of $128.93 million (2021: $18.88 million). The contractual obligations relating to joint venture entities for the year ended 30 June 2022 was $8.04 million (2021: $5.96 million).

34 Contingent Liabilities

As at 30 June 2022, Harvey Norman Holdings Limited (the Company) and its wholly-owned subsidiaries have entered into the following guarantees, however the probability of having to make a payment under these guarantees is considered remote:

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

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

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.

SIGNIFICANT ACCOUNTING POLICIES

Contingent liabilities

The consolidated entity does not recognise liabilities that do not meet the recognition criteria as prescribed in AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities are not recognised as liabilities if the possibility of a probable outflow is considered remote as their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the consolidated entity.

At each reporting date, the consolidated entity assesses whether an outflow of future economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

35 Financial Risk Management

(a) Financial Risk Management Objectives and Policies

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

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

35 Financial Risk Management (continued)

(a) Financial Risk Management Objectives and Policies (continued)

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

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

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

(b) Market Risk

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

i) Foreign Currency Risk Management

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

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

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

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 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 2022 $000	June 2021 $000
Financial assets:		
Cash and cash equivalents	79,146	52,597
Trade and other receivables	4,508	4,098
Derivatives receivable	346	95
	84,000	56,790
Financial liabilities:		
Trade and other payables	44,314	36,441
Interest-bearing loans and borrowings	16,619	16,269
Derivatives payable	20	-
	60,953	52,710
Net exposure	23,047	4,080

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 receivables from related entities and unrelated entities, finance lease receivables, bank overdraft, non-trade amounts owing to related parties, Syndicated Facility, commercial bills and other short-term borrowings.

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

		Fixed interest rate maturing in					Average interest rate	
30 June 2022	Principal subject to floating interest rate $000	1 year or less $000	Over 1 to 5 years $000	More than 5 years $000	Non-interest bearing $000	Total $000	Floating	Fixed
Cash	115,888	93,599	-	-	39,317	248,804	0.00% - 2.0%	0.14% - 2.60%
Consumer finance loans	-	-	-	-	3,239	3,239	-	-
Finance lease receivables	-	433	537	-	2,722	3,692	-	11.00%
Receivables from franchisees	-	-	-	-	892,917	892,917	-	-
Trade receivables	-	-	-	-	126,186	126,186	-	-
Other financial assets	-	-	-	-	61,419	61,419	-	-
Non-trade debts receivables & loans	48,407	46,524	18,391	2,274	1,460	117,056	2.30% - 5.19%	5.00% - 10.0%
Total	164,295	140,556	18,928	2,274	1,127,260	1,453,313		
Syndicated Facility and other short-term borrowings	675,317	-	-	-	-	675,317	0.24% - 4.75%	-
Trade creditors	-	-	-	-	358,341	358,341	-	-
Other loans	4,238	-	-	-	174	4,412	1.15% - 2.29%	-
Bank overdraft	14,446	-	-	-	-	14,446	1.60%-2.00%	-
Bills payable	5,400	-	-	-	-	5,400	0.06%-0.25%	-
Total	699,401	-	-	-	358,515	1,057,916		

35 Financial Risk Management (continued)

(b) Market Risk (continued)

ii) Interest Rate Risk Management (continued)

30 June 2021	Principal subject to floating interest rate	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
Cash	132,842	57,459	-	-	74,130	264,431	0.00% - 0.60%	0.17% - 3.65%
Consumer finance loans	-	-	-	-	2,535	2,535		
Finance lease receivables	-	508	689	-	2,722	3,919	-	11.00%
Receivables from franchisees	-	-	-	-	793,228	793,228	-	-
Trade receivables	-	-	-	-	85,620	85,620	-	-
Other financial assets	-	-	-	-	74,459	74,459	-	-
Non-trade debts receivables & loans	55,409	13,161	26,708	3,921	1,737	100,936	2.30% - 4.15%	5.00% - 13.0%
Total	188,251	71,128	27,397	3,921	1,034,431	1,325,128		
Syndicated Facility and other short-term borrowings	534,202	-	-	-	-	534,202	0.30% - 5.09%	-
Trade creditors	-	-	-	-	355,663	355,663	-	-
Other loans	4,237	-	-	-	176	4,413	1.15% - 1.25%	-
Bank overdraft	15,704	-	-	-	-	15,704	2.01%	-
Bills payable	5,650	-	-	-	-	5,650	0.06% - 0.14%	-
Total	559,793	-	-	-	355,839	915,632		

35 Financial Risk Management (continued)

(b) Market Risk (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 $30.80 million as at 30 June 2022 (2021: $41.28 million). The fair value of the equity investments publicly traded on the NZX was $25.10 million as at 30 June 2022 (2021: $28.05 million).

iv) Sensitivity analysis

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

(c) Credit Risk

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

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

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

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

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

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Location of credit risk		
Australia	1,075,160	919,136
New Zealand	20,732	21,433
Singapore and Malaysia	14,984	14,843
Slovenia and Croatia	3,703	3,308
Ireland and Northern Ireland	4,219	3,041
Total	1,118,798	961,761

As at 30 June 2022, other than the loss allowance recognised in relation to trade and non-trade debts receivables and consumer finance loans as disclosed in Note 7, no financial assets were impaired.

35 Financial Risk Management (continued)

(d) Liquidity Risk

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

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

To help reduce these risks, the consolidated entity:

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

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

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

30 June 2021	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	264,431	-	-	-	264,431
Receivables from franchisees	793,228	-	-	-	793,228
Trade and other receivables	100,911	24,411	46,779	8,846	180,947
Other financial assets	41,281	-	-	33,083	74,364
Derivative financial assets					
Forward currency contracts	95	-	-	-	95
Total financial assets	1,199,946	24,411	46,779	41,929	1,313,065
Non derivative financial liabilities					
Trade and other payables	355,663	-	-	-	355,663
Interest-bearing loans and borrowings	365,146	201,170	-	-	566,316
Total financial liabilities	720,809	201,170	-	-	921,979
Net maturity	479,137	(176,759)	46,779	41,929	391,086

35 Financial Risk Management (continued)

(e) Fair value of Financial Assets and Financial Liabilities

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

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

The consolidated entity uses various methods in estimating the fair value of financial instruments. The methods comprise:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

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

30 June 2022	Quoted market price (Level 1) $000	Market observable inputs (Level 2) $000	Total $000
Financial assets			
Listed investments	55,891	-	55,891
Forward currency contracts	-	346	346
Total financial assets	55,891	346	56,237
Financial liabilities			
Forward currency contracts	-	20	20
Total financial liabilities	-	20	20

30 June 2021	Quoted market price (Level 1) $000	Market observable inputs (Level 2) $000	Total $000
Financial assets			
Listed investments	69,327	-	69,327
Forward currency contracts	-	95	95
Total financial assets	69,327	95	69,422

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

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

The consolidated entity is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the consolidated entity may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The capital structure of the consolidated entity consists of debt, which includes the interest-bearing loans and borrowings disclosed in Note 17, cash and cash equivalents disclosed in Note 26(a) and equity attributable to equity holders of the parent, comprising ordinary shares, retained profits and reserves as disclosed in Notes 22, 23 and 25 respectively. None of the consolidated entity's entities are subject to externally imposed capital requirements.

Capital management is monitored through the net debt to equity ratio. The Capital Management Policy stipulates a net debt to equity target for the consolidated entity of less than 50%. As at 30 June 2022, the consolidated entity had unused, available financing facilities of $189.64 million out of total approved financing facilities of $884.81 million. The net debt to equity ratio as at 30 June 2022 was 10.31% (30 June 2021: 7.47%).

	CONSOLIDATED	
	June 2022 $000	June 2021 $000
Borrowings (refer to Note 17: Interest-Bearing Loans and Borrowings)	699,575	559,969
Less: Cash and Cash equivalents	(248,804)	(264,431)
Net Debt	450,771	295,538
Total equity (a)	4,371,925	3,956,330
Net debt to equity ratio	10.31%	7.47%

(a) For the purpose of calculating the net debt to equity ratio, total equity excludes the negative acquisition reserve of $16.27 million (2021: $16.27 million), the right-of-use assets in respect of property, plant and equipment leases of $472.51 million (2021: $511.17 million) and investment properties (leasehold): right-of-use assets of $675.60 million (2021: $620.46 million) and the lease liabilities recognised under AASB 16 *Leases* of $1,204.63 million (2021: $1,178.67million).

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 2022 $000	June 2021 $000
Current assets		
Foreign currency contracts–held for trading	327	91
Foreign currency contracts–cash flow hedges	19	4
Current liabilities		
Foreign currency contracts–held for trading	20	-
Foreign currency contracts–cash flow hedges	-	-

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

36 Derivative Financial Instruments (continued)

(a) Forward currency contracts-held for trading

Currency	Average Exchange Rate 2022	Average Exchange Rate 2021	CONSOLIDATED 2022 Buy $000	CONSOLIDATED 2022 Sell $000	CONSOLIDATED 2021 Buy $000	CONSOLIDATED 2021 Sell $000
Euro (0-12 months)	65.91	71.44	3,794	-	5,600	-
US Dollar (0-12 months)	72.35	76.38	6,127	-	5,131	-
Total			9,921	-	10,731	-

These contracts are fair valued by comparing the contracted rate to the market rates at balance date. All movements in fair value are recognised in the income statement in the period they occur. The net fair value gain on forward currency contracts during the year ended 30 June 2022 was $0.31 million for the consolidated entity (2021: net fair value gain of $0.09 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:

Currency	Average Exchange Rate 2022	Average Exchange Rate 2021	CONSOLIDATED 2022 Buy $000	CONSOLIDATED 2022 Sell $000	CONSOLIDATED 2021 Buy $000	CONSOLIDATED 2021 Sell $000
Euro (0-12 months)	66.16	63.27	4,580	-	3,386	-
US Dollar (0-12 months)	-	-	-	-	-	-
Total			4,580	-	3,386	-

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 2022, the hedges were 100% effective (2021: 100% effective), therefore the gain or loss on the contracts attributable to the hedged risk is taken directly to other comprehensive income. When the inventory is delivered the amount recognised in other comprehensive income is adjusted to the inventory account in the statement of financial position.

Movement in the forward currency contract cash flow hedge reserve:

	CONSOLIDATED June 2022 $000	CONSOLIDATED June 2021 $000
	Increase/(Decrease)	
Opening balance	(3)	(35)
Reverse expired or realised cash flow hedge reserves	3	35
Gain / (loss) recognised in other comprehensive income	13	(3)
Closing balance	13	(3)

37 Deed of Cross Guarantee

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

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

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

	June 2022 $000	June 2021 $000
Current Assets		
Cash and cash equivalents	111,103	131,576
Trade and other receivables	1,047,828	867,574
Other financial assets	153	41,296
Inventories	255,147	235,981
Intangible assets	280	258
Other assets	28,471	25,045
Total current assets	1,442,982	1,301,730
Non-Current Assets		
Trade and other receivables	1,894,719	1,712,820
Other financial assets	330,645	299,666
Property, Plant & Equipment	40,462	32,215
Property, Plant & Equipment: Right-of-use assets	177,099	175,641
Intangible assets	56,984	60,557
Total non-current assets	2,499,909	2,280,899
Total assets	3,942,891	3,582,629
Current Liabilities		
Trade and other payables	164,343	106,984
Interest-bearing loans and borrowings	205,554	295,833
Lease liabilities	28,346	27,181
Income tax payable	51,048	139,639
Provisions	32,341	32,475
Other liabilities	50,560	49,340
Total current liabilities	532,192	651,452
Non-Current Liabilities		
Interest-bearing loans and borrowings	410,000	200,000
Lease liabilities	175,813	174,911
Provisions	2,252	2,121
Deferred income tax liabilities	115,387	111,402
Total non-current liabilities	703,452	488,434
Total liabilities	1,235,644	1,139,886
NET ASSETS	2,707,247	2,442,743

37 Deed of Cross Guarantee (continued)

	June 2022 $000	June 2021 $000
Equity		
Contributed equity	717,925	717,925
Reserves	11,887	13,150
Retained profits	1,977,859	1,711,993
Non-controlling interests	(424)	(325)
TOTAL EQUITY	2,707,247	2,442,743
Income Statement		
Profit before income tax	823,728	639,151
Income tax	(121,760)	(147,885)
Profit after tax	701,968	491,266
Retained Earnings		
Retained earnings at the beginning of the year	1,711,993	1,694,210
Profit after tax	701,968	491,266
Dividends provided for or paid	(436,102)	(473,483)
Retained earnings at the end of the year	1,977,859	1,711,993

38 Parent Entity Financial Information

	PARENT ENTITY	
	June 2022 $000	June 2021 $000
Current assets	1	38
Non-current assets	2,947,077	2,838,662
Total assets	2,947,078	2,838,700
Current liabilities	51,303	124,093
Non-current liabilities	136,595	134,198
Total liabilities	187,898	258,291
Contributed equity	717,925	717,925
Retained profits	2,041,255	1,862,484
Total Equity	2,759,180	2,580,409
Profit for the year	614,873	537,438
Total Comprehensive Income	614,873	537,438

Guarantees

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

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

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

38 Parent Entity Financial Information (continued)

Contingent Liabilities

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

39 Controlled Entities and Unit Trusts

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

Shares held by Harvey Norman Holdings Limited

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

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

Notes:

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

39 Controlled Entities and Unit Trusts (continued)

Units in Trusts held by Harvey Norman Holdings Limited

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

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

40 Significant Events After Balance Date

There have been no circumstances arising since balance date which have significantly affected or may significantly affect:

- the operations:
- the results of those operations; or
- the state of affairs of the entity or consolidated entity in future financial years.

SHAREHOLDER INFORMATION

Distribution of shareholdings as at 28 September 2022

Size of holding	Ordinary Shareholders
1 – 1,000	14,031
1,001 – 5,000	13,228
5,001 – 10,000	4,016
10,001 – 100,000	3,337
100,001 and over	193
	34,805
Number of shareholders with less than a marketable parcel	1,816

Voting rights

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

Twenty largest shareholders as at 28 September 2022

Number of Ordinary Shares	Shareholder	Percentage of Ordinary Shares
393,787,754	Mr. Gerald Harvey	31.604%
205,525,565	Mr. Christopher Herbert Brown	16.495%
175,614,516	HSBC Custody Nominees Limited	14.094%
73,429,286	J P Morgan Nominees Australia Limited	5.893%
58,592,289	Ms. Margaret Lynette Harvey	4.702%
53,213,245	Citicorp Nominees Pty Limited	4.271%
21,668,783	BNP Paribas Nominees Pty Limited	1.739%
20,063,673	Enbeear Pty Limited	1.610%
20,039,315	Ms. Kay Lesley Page	1.608%
12,554,120	National Nominees Limited	1.008%
5,300,984	BKI Investment Company Limited	0.425%
5,213,182	Argo Investments Limited	0.418%
3,335,180	Ms Jacqueline Galbraith	0.268%
2,522,476	Peter & Lyndy White Foundation Pty Ltd	0.202%
2,500,084	UBS Nominees Pty Ltd	0.201%
2,033,309	Omnilab Media Investments Pty Ltd	0.163%
1,636,839	Quotidian No 2 Pty Limited	0.131%
1,297,486	Mr. Arthur Brew	0.104%
1,252,893	Mr. John Evyn Slack-Smith	0.101%
1,244,297	Mr. Chris Mentis	0.100%
1,060,825,276		85.137%