

Harvey Norman

HOLDINGS LIMITED

ANNUAL REPORT 1998



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THE ANNUAL GENERAL MEETING

The Annual General Meeting of the Shareholders of Harvey Norman Holdings Limited will be held in the Theatre, Australian Stock Exchange, 20 Bond Street Sydney on Tuesday, 24 November 1998 at 11.00 am.

(For full details and Proxy Form see separate document enclosed)

DIRECTORY

DIRECTORS:

G. Harvey - Chairman
M.J. Harvey
K.L. Page
R.J. Skippen
A.B. Brew
C.H. Brown
I.J. Norman

COMPANY SECRETARY

R.J. Skippen

REGISTERED OFFICE

A1 Richmond Road
Flemington NSW 2140
Telephone: (02) 9201 6111
Facsimile: (02) 9201 6250

SHARE REGISTRY

Registries Limited
Level 2
28 Margaret Street
SYDNEY

BANKERS

Australia & New Zealand Banking Group Limited

AUDITORS

Arthur Andersen

SOLICITORS

Gillis Delaney Brown

STOCK EXCHANGE LISTING

Harvey Norman Limited shares are quoted on:

- the Australian Stock Exchange
- the New Zealand Stock Exchange.

HIGHLIGHTS

Consolidated Operating Profit before tax and abnormals for the 12 months to 30 June 1998 was \$90.17 million, an increase of 53.8% on the previous year. Consolidated Operating Profit after tax was \$57.59 million, an increase of 60.0%.

The recommended final dividend has increased from 3.5 cents to 5 cents a share, fully franked, (at 36 cents) bringing the full year dividend to 10.0 cents fully franked.

Basic earnings per share increased from 18.79 cents to 28.97 cents.

Return on shareholders' funds was 17.2%.

FINANCIAL SUMMARY

12 MONTHS TO 30 JUNE 1998

	1998 \$000	1997 \$000	% Change
Operating Revenue	249,689	178,612	39.8
Operating Profit Before Interest Expense and Income Tax	101,249	70,102	44.4
Interest Expense	11,076	12,170	-9.0
Income Tax Expense	32,588	21,947	48.5
Operating Profit after Income Tax	57,585	35,985	60.0
Basic Earnings per share on issue at 30 June (cents)	28.97	18.79	54.2
Dividends per share (cents)	10.0	6.25	60.0
% Return on Shareholders' Funds	17.2	14	-
Paid up Capital at 30 June	19,932	19,153	4.0
Net Tangible Assets per share at 30 June (\$)	1.68	1.34	25.4



CHAIRMAN'S REPORT

I am delighted to announce that the company recorded an audited group consolidated operating profit before tax and abnormals of \$90.17 million for the 12 months ended June 30, 1998 compared with \$58.63 million for the prior year, an increase of 53.8%.

After an income tax expense of \$32.58 million, the net profit after tax and abnormal items was \$57.58 million compared with \$35.98 million for the prior year, an increase of 60.0%.

Sales for the year to June 30, 1998 from the franchised "Harvey Norman" stores and from the group's own stores and other trading operations totalled \$1.480 billion compared to \$1.216 billion for the prior year, an increase of 21.7%. Sales for July and August 1998 have increased 41.2% over 1997 (16.8% like for like). New franchised store openings (including Joyce Mayne) and the group's new stores should positively impact future sales growth.

Property

During the year, Directors have analysed and revalued the Group Property Portfolio resulting in an increase of \$10.27 million in the asset revaluation reserve.

The Group Property Portfolio at June 30, 1998 was valued at \$260.52 million compared with \$194.49 million at June 30, 1997.

Shareholders' Equity

Shareholders' funds at June 30, 1998 were \$334.85 million compared with \$257.48 million at June 30, 1997 - an increase of \$77.37 million (30.0%).

Dividend

The recommended final dividend has been increased from 3.5¢ to 5.0¢ a share fully franked. The total dividend for the year will be 10.0¢ fully franked compared with 6.25¢ fully franked for the previous year.

Expansion

In the 12 months to 30 June 1998, new stores have either been opened or acquired as follows:

- ✦ NSW - Chatswood
- ✦ QLD - Aspley, Gladstone, Toowoomba
- ✦ VIC - Traralgon, Warrnambool
- ✦ WA - Cannington and Osborne Park - *Perth*
- *Ex Archie Martin Vox Stores (acquired on 17 May, 1998)* - Albany, Bunbury, Busselton, Geraldton, Kalgoorlie, Karratha, Port Hedland
- ✦ NEW ZEALAND - Wairau Park, Manukau (Auckland)

Since the end of this financial year new stores have been either opened or acquired at:

- ✦ NEW ZEALAND - Christchurch
- ✦ QLD - Toowoomba
- ✦ TAS - *The Loughran Group (acquired on 3 August, 1998)* - Burnie, Devonport, Glenorchy, Hobart City, Launceston, Rosny, Ulverstone
- ✦ NSW - *Joyce Mayne Group (acquired on 1 July, 1998)* - Auburn, Campbelltown, Caringbah, Gosford, Marrickville, Mt. Druitt, Newcastle

New stores to be opened in the next 12 months:

- ✦ NSW - Liverpool -*Sydney*, Tweed Heads, Orange, Penrith
- ✦ VIC - Greensborough Plaza
- ✦ QLD - Everton Park
- ✦ SA - Marion, Enfield
- ✦ WA - O'Connor, Rockingham, Joondalup
- ✦ TAS - Hobart City
- ✦ NT - Darwin
- ✦ New Zealand
 - Mt Wellington - *Auckland*
 - Hamilton - *North Island*
 - Porirua - *Wellington*

The Company intends to continue to pursue a strategy of steady expansion in Australia and New Zealand.

I would like to thank my fellow Directors, Harvey Norman employees, franchisees and their staff for their continuing efforts and loyalty.

G HARVEY
CHAIRMAN

DIRECTORS' REPORT

The Board of Directors of Harvey Norman Holdings Limited has pleasure in submitting the balance sheet of the company and of the economic entity at 30 June, 1998, and related profit and loss account and statement of cashflows for the year then ended and reports as follows:

DIRECTORS

The directors of the parent company at the date of this report are:

Gerald Harvey
Chairman/Managing Director

Mr G. Harvey, aged 59, was the co-founder of Harvey Norman in 1982 with Mr I. Norman. Mr G. Harvey has overall executive responsibility for the relationship between the company and Harvey Norman franchisees, and the property investments of the company.

Michael John Harvey
Non-Executive Director

Mr M. Harvey, aged 33, 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 on 30 June 1998.

Kay Lesley Page
Merchandising Director

Miss Katie Page, aged 41, joined Harvey Norman in 1983. Miss Page was appointed a director of Harvey Norman Holdings Limited in 1987 when the company first became a listed public company.

Miss Page's primary area of responsibility is the delivery of advisory and advertising services to Harvey Norman furniture and bedding franchisees. Miss Page is also responsible for advertising and promotional activities.

Raymond John Skippen
Finance Director and Company Secretary

Mr. Skippen, aged 50, is a chartered accountant who was a principal in a city based accounting practice for 15 years. During his career he has acquired a vast knowledge in all aspects of finance and administration, including mergers and acquisitions, business restructuring and property based transactions. Mr Skippen became a director of the company in September 1994. Mr Skippen is a member of the Audit and Finance Committee.

Arthur Bayly Brew
Director

Mr. Brew, aged 48, joined the company in 1983 as chief accountant and is responsible for accounting and computer systems for the economic entity. Mr Brew was appointed a director in September 1994. Mr Brew is a member of the Audit and Finance Committee.

Christopher Herbert Brown
Non-Executive Director

Mr. Brown, aged 48, holds the degree of Master of Laws from Sydney University. Mr Brown is the senior partner in Gillis Delaney Brown, Lawyers. Gillis Delaney Brown has acted as lawyers for the Harvey Norman group since 1982. Mr Brown was appointed a director in 1987, when the company became a listed public company. Mr Brown is a member of the Audit and Finance Committee.

Ian John Norman
Non-Executive Director

Mr Norman, aged 59, was co-founder of Harvey Norman with Mr Gerald Harvey in 1982.

DIRECTORS' MEETINGS

During the year the company held fifteen (15) meetings of directors. The names of directors are outlined below. The attendances of the directors at meetings of the Board were as follows:

	Meetings of the Board of Directors	
	Attended	Number of Meetings Held
G. Harvey	12	15
M.J. Harvey	10	15
K.L. Page	12	15
R.J. Skippen	15	15
A.B. Brew	14	15
C.H. Brown	12	15
I.J. Norman	12	15

In addition, the executive directors held regular meetings for the purpose of signing various documentation. A total of sixty one (61) such meetings were held during the year. As at the date of this report, the economic entity had an Audit & Finance Committee of the Board of Directors, which met six times during the year. The details of the functions and memberships of the Audit & Finance Committee of the Board of Directors are presented in the Statement of Corporate Governance Practices.

DIRECTORS' BENEFITS AND INTERESTS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the economic entity's financial statements or the fixed salary of a full-time employee of the company or a related body corporate) by reason of a contract made by the company or a related body corporate with any director or with a company in which he/she has a substantial financial interest or with a firm of which he/she is a member, except as otherwise disclosed in the financial statements.

The relevant interest of each director and related body corporate in the share capital of the parent company as at the date of this report is:

	Number of Ordinary Shares	Number of Share Options
Gerald Harvey	65,242,674	2,000,000
Michael John Harvey	423,672	417,000
Kay Lesley Page	3,105,342	600,000
Raymond John Skippen	56,000	380,000
Arthur Bayly Brew	4,716	200,000
Christopher Herbert Brown	56,802	-
Ian John Norman	34,389,612	-

The share options described above were issued by the parent company upon terms and conditions that were approved by shareholders at the Annual General Meeting held 22 November 1994. These terms and conditions included a condition, in respect of each option, that adjustments to the number of securities over which the option exists and/or the exercise price shall be made to take into account changes to the capital structure of the parent company that occur by way of pro-rata bonus and cash issues. The method of adjustment shall be in accordance with Appendix 29 of the official listing rules of the Australian Stock Exchange Limited A.C.N. 008 624 691 ("ASX") as those rules then were. The numbers of share options set out above have not been adjusted to take into account the pro-rata cash issues made by the parent company since 22 November 1994 (the date the options were granted). The holders of the share options retain the right to adjust the number of securities over which the option exists and/or the exercise price, in accordance with Appendix 29 of the official listing rules of the ASX. The numbers of share options have been adjusted to take into account the subdivision of each twenty cent (\$0.20) share into two ten cent (\$0.10) shares in the capital of the parent company, on 25 November 1997.

BENEFICIAL INTEREST

Included in the above shareholdings are as follows:

Mr. G. Harvey has a beneficial interest in 65,242,674 shares held by G Harvey Nominees Pty Limited.

Mr. I. J. Norman has a beneficial interest in 34,389,612 shares held by Dimbulu Pty Limited.

Mr. C. H. Brown has a beneficial interest in 56,802 shares held by Lisaura Pty Limited.

PRINCIPAL ACTIVITIES

The principal activities of the economic entity continue to be that of:

- ♦ Franchisor
- ♦ Provision of advisory and advertising services to Harvey Norman franchisees.
- ♦ Sale of homewares and electrical goods.
- ♦ Provision of consumer finance.
- ♦ Property investment.
- ♦ Lessor of premises to Harvey Norman franchisees and other third parties.

RESULTS

The consolidated net profit of the economic entity for the financial year ended 30 June 1998 after income tax expense was \$57.58 million - this represents an increase of 60.0% on the net profit after tax and abnormals for the year ended 30 June 1997.

PAYMENT OF RECOMMENDED DIVIDENDS

Directors recommend a fully franked dividend of 5.0 cents per share to be paid on 8 December 1998 (total dividend, fully franked - \$9,980,048). Duly completed transfers received up to 5.00 pm on 17 November 1998 will be registered before dividend entitlements are determined. The following fully franked dividends of the parent entity have also been paid, declared or recommended since the end of the preceding financial year:

1997 final dividend recommended, (as disclosed in the 1997 Directors' Report) - paid 8 December 1997	\$6,703,743
1998 interim dividend - paid 4 May 1998	\$9,965,897

SHARE OPTIONS

Details of share options are set out in Note 19 of the financial statements and form part of this report.

REVIEW OF GROUP OPERATIONS

The net profit and reserves of the economic entity for the year ended 30 June 1998 increased over the previous financial year due to the following:

- ♦ Increased revenue from franchisees
- ♦ Increased number of franchisees and tenants
- ♦ Increased rental from tenants
- ♦ Revaluation of the group property portfolio.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the economic entity that occurred during the financial year not otherwise disclosed in this report or the consolidated financial statements.

SIGNIFICANT EVENTS AFTER BALANCE DATE

- A. By contract dated 18 June 1998, completed on or about 1 July 1998, one or more subsidiaries of Harvey Norman Holdings Limited acquired assets from the Joyce Mayne group of companies for a purchase price of approximately \$45 million.
- B. By contract made and completed on 3 August 1998, subsidiaries of Harvey Norman Holdings Limited acquired assets from James Loughran & Sons Pty Limited and others, in Tasmania, for a purchase price of approximately \$10.0 million.

FUTURE DEVELOPMENTS AND RESULTS

Directors consider it likely that the economic entity will continue to pursue a strategy of steady expansion in Australia and New Zealand. Further information as to likely developments in the operation of the economic entity, including the expected results of those operations in subsequent financial years, would, in our opinion, prejudice the interests of the company and has, therefore, not been included in this report.

The Directors are not prepared to speculate about the expected results of those operations.

INDEMNIFICATION OF OFFICERS

During the financial year, insurance and indemnity arrangements were continued concerning officers of the economic entity.

An indemnity agreement was entered into between Harvey Norman Holdings Limited 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. There is a limit to the extent of this indemnity (\$5,000,000).

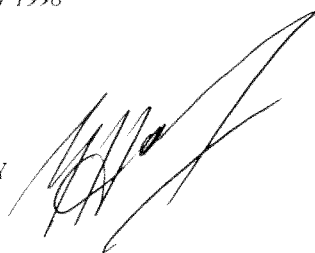
Harvey Norman Holdings Limited paid an insurance premium of \$14,773 in respect of a contract insuring each of the directors of the company named earlier in this report and each full-time executive officer, director and secretary of Australian group entities, against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law.

ROUNDING OF AMOUNTS

The parent entity is a company of the kind specified in Corporations Regulation 3.6.05(6). In accordance with Section 311 of the Corporations Law and Corporations Regulation 3.6.05, amounts in the financial statements and Directors' report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

*Signed in accordance with a resolution of directors
of Harvey Norman Holdings Limited
23 September 1998*

G. HARVEY
Chairman



R. J. SKIPPEN
Director



A.B. BREW
Director



STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors

The Board of Directors is responsible for setting the strategic direction and establishing the policies of Harvey Norman Holdings Limited, for overseeing the financial position, and for monitoring the business and affairs on behalf of the shareholders, by whom the directors are elected and to whom they are accountable. Responsibility for day to day activities is delegated to the Chief Executive by the Board.

Corporate governance is a term used to describe the way a board is structured and the way the directors act to ensure their oversight of a company is beyond reproach. The Board keeps its own processes under review.

The Board currently comprises seven directors, including four executive directors and three non-executive directors. All directors have shares or options or both in Harvey Norman Holdings Limited. Details of directors' interests are disclosed in the Directors' Report.

If a potential conflict of interest arises, involved Directors must withdraw from all deliberations concerning the matter and are not permitted to exercise any influence over other board members or receive relevant Board papers. With the approval of the Chairman, any Director or committee of the board can seek external professional advice as considered necessary, at the Company's expense. The Audit & Finance Committee is responsible for monitoring the independence and suitability of all professional advisers.

Committee of the Board

The Board has an Audit and Finance Committee which has been established to consider issues and strategies, within common areas, in order to advise and guide the Board. Ad hoc committees are also established as the need arises. These committees comprise both executive and non-executive directors. Board committees that operated through the year (unless otherwise indicated) were:

Audit & Finance Committee

Audit	<ul style="list-style-type: none">Ensures compliance with statutory responsibilities relating to accounting policy and disclosure.Liaises with, assesses the quality and reviews the scope of work and reports of the external auditors.Assesses the adequacy of accounting, financial and operating controls.
Finance	<ul style="list-style-type: none">Reviews broad financial issues and strategies and acts for the Board on financial matters as requested.Reviews specific funding proposals.

The membership and details of attendances of the Audit & Finance Committee of the Board are detailed below. The attendance of the meetings of the Board are detailed in the Directors' report, which precedes this statement.

		<i>Audit & Finance</i>	
		A	B
M.J. Harvey	Executive C	6	6
R.J. Skippen	Executive	6	6
A.B. Brew	Executive	6	6
C.H. Brown	Non-Executive	6	6

- A - The number of meetings held during the period the Director was a member of the Committee.
B - The number of meetings attended by the Director.
C - Mr Harvey ceased to be an Executive Director and member of the Audit & Finance Committee on 30 June 1998.

Remuneration

Directors' remuneration is determined as part of an annual review, which includes performance evaluation, regard to comparative remuneration and independent advice. Remuneration packages generally comprise both salary and other benefits.

Directors are also provided with longer term incentive through option schemes, which act to align the Directors' actions with the interests of the shareholders. The details of these schemes are provided in Note 19 of the financial statements.

Internal controls and risk management

Procedures have been established at the Board and executive management levels which are designed to safeguard the assets and interests of Harvey Norman Holdings Limited, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures.

Ethical standards and performance

The Board acknowledges the need for and continued maintenance of the highest standards of corporate governance practice and ethical conduct by all directors and employees of Harvey Norman Holdings Limited.

The directors and management carry out their functions with a view to maximising financial performance of the economic entity. This concerns both propriety of decision making in conflict of interest situations and quality of decision making for the benefit of shareholders.

BALANCE SHEET AS AT 30 JUNE 1998

		CONSOLIDATED		PARENT ENTITY	
	NOTE	1998	1997	1998	1997
		\$000	\$000	\$000	\$000
Current Assets					
Cash		1,203	7,182	-	-
Receivables	6	255,333	217,116	156,122	127,097
Inventories	7	29,062	13,043	-	-
Other	8	1,455	4,291	-	-
Total current assets		287,053	241,632	156,122	127,097
Non-Current Assets					
Receivables	9	9,000	9,085	-	-
Investments	10	26,669	19,592	62,921	39,265
Property, plant and equipment	11	318,289	240,871	-	-
Intangibles	12	7,330	-	-	-
Other	13	3,890	3,198	442	262
Total non-current assets		365,178	272,746	63,363	39,527
Total Assets		652,231	514,378	219,485	166,624
Current Liabilities					
Accounts payable	14	187,392	127,733	7,369	88
Borrowings	15	12,299	10,658	-	-
Provisions	16	33,606	22,269	21,068	13,308
Total current liabilities		233,297	160,660	28,437	13,396
Non-Current Liabilities					
Borrowings	17	83,872	95,950	-	-
Provisions	18	206	283	-	-
Total non-current liabilities		84,078	96,233	-	-
Total Liabilities		317,375	256,893	28,437	13,396
NET ASSETS		334,856	257,485	191,048	153,228
Shareholders' Equity					
Share capital	19	19,932	19,153	19,932	19,153
Reserves	20	161,029	122,076	111,768	81,976
Retained profits	21	153,895	116,256	59,348	52,099
TOTAL SHAREHOLDERS' EQUITY		334,856	257,485	191,048	153,228

The Balance Sheet is to be read in conjunction with the attached Notes.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1998

		CONSOLIDATED		PARENT ENTITY	
	NOTE	1998 \$000	1997 \$000	1998 \$000	1997 \$000
Operating Profit	3	90,173	57,932	42,678	28,653
Income tax attributable to Operating Profit	4	32,588	21,947	15,483	10,611
Operating Profit after Income Tax		57,585	35,985	27,195	18,042
Retained profits at the beginning of the financial year		116,256	92,241	52,099	46,028
Total Available for Appropriation		173,841	128,226	79,294	64,070
Dividends provided for or paid	21	19,946	11,970	19,946	11,971
RETAINED PROFITS AT THE END OF THE FINANCIAL YEAR		153,895	116,256	59,348	52,099
Basic earnings per share (cents per share)	5	28.97	18.79	-	-
Diluted earnings per share (cents per share)	5	28.58	18.63	-	-

The Profit and Loss Account is to be read in conjunction with the attached Notes.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 1998

		CONSOLIDATED		PARENT ENTITY	
	NOTE	1998	1997	1998	1997
		\$000	\$000	\$000	\$000
Cashflows from operating activities					
Net receipts from franchisees		142,593	125,958	-	-
Receipts from customers		74,663	37,844	-	-
Payments to suppliers and employees		(132,561)	(90,657)	(123)	(27)
Interest received		745	571	-	193
Interest and other costs of finance paid		(6,981)	(7,846)	-	-
Income taxes paid		(25,853)	(22,313)	(11,179)	(11,468)
Dividends received		84	-	-	-
Trust distributions received		-	-	42,678	28,619
Loans to subsidiaries		-	-	(45,277)	(6,779)
		52,690	43,557	(13,901)	10,538
FAST Trust No. 1-related cash flows					
Customer loans granted by economic entity		(119,596)	(118,352)	-	-
Proceeds from sale of customer loans to FAST No. 1 Trust		117,493	102,298	-	-
Accommodation fees paid		(4,095)	(4,279)	-	-
Trust distribution received		2,682	3,474	-	-
Repayments received from customers on loans granted by economic entity and not sold to FAST No. 1 Trust		12,771	2,998	-	-
		9,255	(13,861)	-	-
Net Operating Cash Flows	30(b)	61,945	29,696	(13,901)	10,538

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 1998 (continued)**

		CONSOLIDATED		PARENT ENTITY	
	NOTE	1998	1997	1998	1997
		\$000	\$000	\$000	\$000
Cash Flows from Investing Activities					
Payment for purchases of property, plant and equipment		(62,565)	(69,083)	-	-
Proceeds from sale of property, plant and equipment		2,964	2,698	-	-
Purchase of units in unit trusts		(2,948)	(6,063)	3	(4)
Proceeds from sale of units in unit trusts		-	3,022	-	-
Payment for purchases of equity investments		(8,332)	(9,651)	-	-
Proceeds from sale of equity investments		4,518	9,210	-	-
Proceeds from repayment of loans to other persons and corporations		-	6,407	-	-
Loans granted		(5,486)	-	-	-
<hr/>					
Net Investing Cash Flows		(71,849)	(63,460)	3	(4)
<hr/>					
Cash Flows from Financing Activities					
Proceeds from borrowings		-	43,818	-	-
Repayment of borrowings		(9,973)	-	-	-
Dividends paid		(16,670)	(10,534)	(16,670)	(10,534)
Proceeds from share issue		30,568	-	30,568	-
<hr/>					
Net Financing Cash Flows		3,925	33,284	13,898	(10,534)
<hr/>					
Net decrease in cash held		(5,979)	(480)	-	-
Cash at Beginning of Period		7,182	7,662	-	-
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Cash at End of Period	30(a)	1,203	7,182	-	-
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The Statement of Cash Flows should be read in conjunction with the attached Notes.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 1998

1. Statement of Significant Accounting Policies

(a) Basis of Accounting

The financial statements have been prepared as a general purpose financial report in accordance with Australian Accounting Standards.

The financial statements have been prepared in accordance with the historical cost convention using the accounting policies described below. These policies are consistent with those adopted in the previous year. Further they do not take account of changes in either the general purchasing power of the dollar or in the prices of specific assets, except for land and buildings, which are stated at directors' valuation, as described in Note 11.

(b) Principles of Consolidation

The consolidated financial statements of the economic entity include the financial statements of the parent entity, Harvey Norman Holdings Limited, and its controlled entities (refer Note 34). All intergroup transactions and balances have been eliminated. Franchisees are not controlled by the economic entity and have not been consolidated.

(c) Investments

Shares in listed and unlisted companies, and units in unit trusts are included in investments and carried at the lower of cost or recoverable amount. Dividend income is brought to account when received. Trust income is brought to account when derived.

(d) Land and Buildings

It is the policy of the economic entity to review annually the values of land and buildings based on the use of the properties by the economic entity as a going concern. The directors are of the view that their valuations, as adopted, are not materially different from the current market values. The revaluations take no account of any potential capital gains tax as it is the intention of the economic entity to hold the properties as part of its ongoing operations.

(e) Depreciation and Amortisation of Property, Plant and Equipment

Property, plant and equipment, other than freehold land, are depreciated at rates based upon their estimated useful lives using the straight line method. Properties in the ACT which are held under a 99 year ground crown land sublease from the Commonwealth Government, are not amortised over the remaining life of the lease, as the expectation is that these leases will be renewed at minimal cost once they expire. Buildings on these sites are depreciated over their useful lives. New assets are depreciated from the time of acquisition. Profits and losses on disposal of property, plant and equipment are taken into account in determining the profit for the year.

Property, plant and equipment, excluding freehold land, are depreciated over their useful economic lives as follows:

	Life
Buildings	20-40 years
Owned Plant and Equipment	3-20 years
Plant and Equipment Under Lease	1-10 years

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998 (continued)**

(f) Leases

The economic entity has adopted the following accounting policies for leases:

Company as lessee

Operating leases

Operating leases are not capitalised and minimum lease payments are charged against operating profit in equal instalments over the accounting periods covered by the lease term.

Company as lessor

Direct finance leases

The investment in the lease, comprising the present value of the minimum lease payments receivable plus the present value of any unguaranteed residual expected to accrue to the benefit of the company at the end of the lease term, is brought to account as a receivable at the beginning of the lease term. The discount rate used in determining the present value is the interest rate implicit in the lease. Lease payments are allocated between principal and interest components. Lease receivables are reduced by payments of principal whilst the interest component is credited to the profit and loss account.

(g) Income Tax

Income tax has been brought to account using a method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit and the taxable income. The tax effect of timing differences which arise from the recognition of revenue and expense items in the accounts in periods different from those in which they are assessable or allowable for income tax purposes, are presented in the balance sheets as a "future income tax benefit" at current tax rates. A future income tax benefit relating to timing differences is only carried forward as an asset where realisation of the benefit can be regarded as being assured beyond reasonable doubt.

(h) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs have been assigned to inventory quantities on hand at balance date using the specific identification method.

(i) Customer Loans

Repayments of customer loans are allocated between principal and interest components. Interest on customer loans is recognised as income as each repayment instalment comes due.

(j) Intangible Assets

- *Goodwill*

Goodwill represents the future benefits associated with businesses as acquired. Goodwill is amortised over a 20 year period from the date of acquisition on a straight line basis.

The unamortised balance of goodwill was reviewed at 30 June 1997 and was charged to profit and loss in that year ended 30 June 1997, in the opinion of directors, applicable future benefits were no longer certain.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998 (continued)**

- *Trademarks*

Costs associated with trademarks which provide a benefit for more than one financial year are deferred and amortised over the period of expected benefits. The unamortised balance is reviewed each balance date and charged to profit and loss to the extent that future benefits are no longer probable.

(k) Income Recognition and Unearned Income

- (i) Unearned revenue on customer loans has been calculated using actuarial methods so that revenue earned over the term of the contract bears a constant relationship to funds employed.
- (ii) Income is brought to account on customer loans only where it is being paid or where it is unpaid but recovery is certain.

(l) Employee Benefits

Provision has been made in the financial statements for benefits accruing to employees in relation to such matters as sick leave, annual leave, long service leave and workers' compensation in accordance with AASB1028.

(m) Comparative Figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(n) Provision for Doubtful Debts

The economic entity establishes a provision for any doubtful debts based on a review of all outstanding amounts at year end. Bad debts are written off when they are identified.

(o) Recoverable amounts of non-current assets

The carrying amounts of all non-current assets are reviewed at least annually to determine whether they exceed their recoverable amount. The recoverable amounts of all non-current assets, except the future income tax benefit, have been determined using net cash flows that have been discounted to their present value. The recoverable amount of the future income tax benefit is determined by reference to net cash flows which have not been discounted.

(p) Joint Ventures

An interest in a joint venture is brought to account by including in the respective financial statement categories:

- the economic entity's share in each of the individual assets employed in each joint venture;
- liabilities incurred by the economic entity in relation to each joint venture including the economic entity's share of any liabilities for which the economic entity is jointly and/or severally liable; and
- the economic entity's share of expenses of each joint venture.

The accounts for each joint venture are not shown as they are considered immaterial.

(q) Foreign Currency Transactions

Foreign currency items are translated to Australian currency on the following bases:

- Transactions are converted at exchange rates in effect at the date of each transaction; and
- Amounts payable and receivable are translated at the average of the buy and sell rates available on the close of business at balance date.

- The financial statements of all foreign operations are translated using the current rate method as they are considered self-sustaining.

Exchange differences relating to monetary items are included in the profit and loss account, as exchange gains and losses, in the period when exchange rates change except where the difference relates to hedging part of the net investment in a self-sustaining foreign operation, in which case the differences are transferred to the foreign currency translation reserve on consolidation.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998 (continued)**

2. Segment Information

Industry Segment	Segment Revenue \$000	Segment Result \$000	Segment Assets \$000
1998			
Consolidated			
Retailing	69,535	1,230	34,369
Advisory & Advertising Services	123,390	41,080	247,413
Property Investments	39,684	11,382	273,692
Investments	4,518	202	4,402
Financial Services	12,562	3,691	92,355
Corporate Items	-	-	-
Total Consolidated	249,689	57,585	652,231
1997			
Consolidated			
Retailing	33,076	914	10,097
Advisory & Advertising Services	89,305	25,351	252,675
Property Investments	35,059	8,383	195,475
Investments	9,424	1,030	2,044
Financial Services	11,748	2,848	54,087
Corporate Items	-	(2,541)	-
Total Consolidated	178,612	35,985	514,378
Geographical Segments			
1998			
Consolidated			
Australia	210,168	56,946	621,867
New Zealand	39,521	639	30,364
Total Consolidated	249,689	57,585	652,231
1997			
Consolidated			
Australia	178,612	35,985	495,415
New Zealand	-	-	18,963
Total Consolidated	178,612	35,985	514,378

The economic entity operates predominantly in four industries:

- retailing - this represents the operations of stores owned by the economic entity
- advisory and advertising services - this represents services provided to franchisees
- property investments - this represents property investments leased to franchisees and other third parties
- financial services - this represents credit provided to consumers.

		CONSOLIDATED		PARENT ENTITY	
	NOTE	1998	1997	1998	1997
		\$000	\$000	\$000	\$000

3. Operating Profit

Operating profit is after crediting the following revenues:

Sales revenues		69,535	33,076	-	-
<hr/>					
Other operating revenue:					
Gross revenue from franchisees (excluding rent and interest received)		113,015	89,910	-	-
Rent received from franchisees		39,684	35,059	-	-
Trust distribution received from associated entities		2,682	3,474	42,678	28,619
Interest received from:					
Franchisees		13,411	13,192	-	-
Other		755	584	-	-
Other		3,125	619	-	193
Proceeds from the disposal of non-current assets	(a)	7,482	2,698	-	-
<hr/>					
Total other operating revenues		180,154	145,536	42,678	28,812
<hr/>					
Total operating revenues		249,689	178,612	42,678	28,812
<hr/>					

Operating profit is after charging the following expenses:

Depreciation of property, plant and equipment:					
Buildings		2,237	1,734	-	-
Plant and equipment		12,870	11,951	-	-
<hr/>					
Total depreciation of property, plant and equipment		15,107	13,685	-	-
<hr/>					
Interest paid or payable to other persons		11,076	12,170	-	-
<hr/>					
Bad debts and provision for doubtful debts		518	660	-	-

3. Operating Profit (continued)

	CONSOLIDATED		PARENT ENTITY	
	1998	1997	1998	1997
	\$000	\$000	\$000	\$000
Amortisation of intangibles				
Goodwill	-	231	-	-
Operating lease rentals	20,224	19,152	-	-
Provision for employee entitlements	557	15	-	-
Abnormal items:				
Profit on sale of investments before tax effect of \$580,000	-	(1,610)	-	-
Write off of goodwill (\$Nil tax effect)	-	2,310	-	-
Total abnormal charge	-	700	-	-
(a) Loss on disposal of non-current assets	476	447	-	-

4. Income Tax Expense

Operating profit	90,173	57,932	42,678	28,653
Prima facie tax thereon at 36%	32,462	20,856	15,364	10,315
Tax effect on permanent differences:				
Amortisation of goodwill	-	911	-	-
Building depreciation	130	137	-	-
Legal Fees	13	36	14	36
Dividends	(28)	-	(28)	-
Sundry items	11	7	133	260
	126	1,091	119	296
Income tax attributable to operating profit.	32,588	21,947	15,483	10,611

CONSOLIDATED

1998 1997

5. Earnings per share

Basic earnings per share (cents per share)	28.97	18.79
Diluted earnings per share (cents per share)	28.58	18.63
(a) Weighted average number of ordinary shares used in calculation of basic earnings per share	199,319,750	195,535,508
(b) Potential ordinary shares not considered dilutive. All potential ordinary shares being options to acquire ordinary shares, are considered dilutive.		
(c) Conversion, call, subscription or issue after 30 June 1998. There have been no conversions to, calls of or subscriptions for ordinary shares or issues of potential ordinary shares since 30 June 1998 and before completion of these financial statements.		

CONSOLIDATED

PARENT ENTITY

1998 1997 1998 1997
\$000 \$000 \$000 \$000

6. Receivables (Current)

Trade debtors	220,599	181,138	-	-
Customer loans	16,363	28,272	-	-
Provision for doubtful debts	(722)	(697)	-	-
	15,641	27,575	-	-
Amounts receivable in respect of finance leases, net	2,233	1,601	-	-
Non-trade debts receivable from:				
Wholly owned controlled entities	-	-	156,122	127,097
Other persons and corporations	16,860	6,802	-	-
	16,860	6,802	156,122	127,097
Total receivables (current)	255,333	217,116	156,122	127,097

	CONSOLIDATED		PARENT ENTITY	
	1998	1997	1998	1997
	\$000	\$000	\$000	\$000
7. Inventories				
Finished goods:				
At cost	29,062	13,043	-	-
8. Other Current Assets				
Prepayments	1,455	4,291	-	-
9. Receivables (Non-Current)				
Customer loans	5,455	5,562	-	-
Provision for doubtful debts	(241)	(258)	-	-
	5,214	5,304	-	-
Amounts receivable in respect of finance leases, net	3,786	3,781	-	-
Total receivables (non-current)	9,000	9,085	-	-

10. Investments (Non-Current)

Securities quoted on prescribed Stock Exchange - at cost	4,399	2,045	-	-
Securities not quoted on prescribed Stock Exchange - at cost (in wholly owned controlled entities - Note 34)	-	-	54,155	30,504
Units in unit trusts not quoted on prescribed Stock Exchange - at cost (Note 34)	22,270	17,547	8,766	8,761
Total investments (non-current)	26,669	19,592	62,921	39,265

Units in Unit Trusts

Certain customer receivables and proprietor loans are sold, in accordance with an agreement, to a special purpose trust, "The Financial Assets Specialised Trust No. 1" (FAST). The economic entity may, but is not obliged to, sell receivables to FAST and FAST may, but is not obliged to, purchase some or all of customer receivables and/or proprietor loans. The receivables and proprietor loans that have been sold to FAST, and which at balance date remain outstanding, total \$95,090 million (1997 \$85,667 million). The economic entity also holds monies on behalf of FAST relating to these receivables and proprietor loans of \$7.832 million (1997 \$8.373 million) at balance date.

In these financial statements, the economic entity's interest in FAST is 20% of all issued equity units in FAST. These units are of variable amounts and are included in the consolidated financial statements in investments - \$20.3 million. Customer receivables and proprietor loans that have not been sold pursuant to this arrangement are included in customer loans.

The economic entity, prior to selling the receivables, establishes a provision for doubtful debts, adequate to cover any bad or doubtful debts that may be sold back to the economic entity.

	CONSOLIDATED		PARENT ENTITY	
	1998 \$000	1997 \$000	1998 \$000	1997 \$000
11. Property, Plant and Equipment				
Freehold land at directors' valuation				
1998	154,866	-	-	-
1997	-	105,751	-	-
	154,866	105,751	-	-
Leasehold property at directors' valuation				
1998	6,830	-	-	-
1997	-	6,830	-	-
	6,830	6,830	-	-
Buildings at directors' valuation				
1998	98,829	-	-	-
1997	-	81,914	-	-
	98,829	81,914	-	-
Total freehold land, leasehold property and buildings	260,525	194,495	-	-
Plant and equipment - at cost	103,274	79,778	-	-
Provision for depreciation of plant and equipment	(45,526)	(33,442)	-	-
Total plant and equipment, net	57,748	46,336	-	-
Plant and equipment - leased	17	41	-	-
Provision for amortisation of plant and equipment - leased	(1)	(1)	-	-
Total plant and equipment, net - leased	16	40	-	-
Total property, plant and equipment	373,550	281,847	-	-
Provision for depreciation	(55,261)	(40,976)	-	-
Total property, plant and equipment, net	318,289	240,871	-	-

11. Property, Plant and Equipment (continued)

Valuations of land and buildings were made by directors of the parent entity as at 30 June 1998 on the basis of market value. The valuations used for 1997 comparatives were made by directors of the parent entity as at 30 June 1997 on the basis of market value. All properties are valued at market valuations which have been calculated using the capitalisation method of valuation. The capitalisation method involves capitalising the net income capable of being produced by the property on an existing use basis at an appropriate capitalisation rate.

The capitalisation rate is selected to reflect such factors as the quality of accommodation, age of improvements and strength of the tenure.

The valuations were performed by Gerald Harvey and Raymond John Skippen and submitted to the Board of Directors for approval. The basis of valuation was an assumed sale and leaseback by the economic entity, at market rent, for a lease term of ten (10) years.

	CONSOLIDATED		PARENT ENTITY	
	1998	1997	1998	1997
	\$000	\$000	\$000	\$000
Trademark - at cost	7,330	-	-	-
Goodwill	-	4,621	-	-
Accumulated amortisation	-	(4,621)	-	-
Total intangibles	7,330	-	-	-

By contract dated 18 June 1998, a subsidiary of Harvey Norman Holdings Limited acquired a trademark for \$7.330 million.

13. Other Assets (Non-Current)

Future income tax benefit attributable to timing differences:

Provision for employee entitlements	543	417	535	373
Provision for doubtful debts	347	344	3	-
Unearned interest on customer loans	2,715	2,534	-	4
Prepayment	91	175	55	97
Other	285	(30)	(151)	14
Deferred income on lease receivables	(91)	(242)	-	(226)
Total other assets (non-current)	3,890	3,198	442	262

14. Accounts Payable (Current)

Unsecured trade creditors:	187,392	127,733	7,369	88
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15. Borrowings (Current)

Unsecured:				
Lease liabilities	32	33	-	-
Non trade amounts owing to:				
Directors	3,507	2,169	-	-
Other persons	850	83	-	-
Associated entities	7,910	8,373	-	-
Total borrowings (current)	12,299	10,658	-	-

	CONSOLIDATED		PARENT ENTITY	
	1998	1997	1998	1997
	\$000	\$000	\$000	\$000

16. Provisions (Current)

Dividends	9,980	6,704	9,980	6,704
Taxation	22,116	14,689	11,088	6,604
Employee entitlements	1,510	876	-	-
Total provisions (current)	33,606	22,269	21,068	13,308

17. Borrowings (Non-Current)

Bills payable	83,872	95,950	-	-
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- 1 Bills payable are secured by a first mortgage over freehold land and buildings and by deeds of charge and mortgage debentures over inventories, trade debtors, customer loans and lease receivables.
- 2 Bills payable have been classified as non-current liabilities on the basis that no principal repayments are intended to be made prior to 30 June 1999. The bank reserves the right to withdraw the facilities if in the opinion of the bank there have been material adverse changes in the financial condition or operation of the business. In addition certain financial ratios are to be maintained to the satisfaction of the bank.
- 3 These facilities are subject to annual review.

18. Provisions (Non-Current)

Employee entitlements	206	283	-	-
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19. Share Capital

Authorised				
3,000,000,000 ordinary shares				
of \$0.10 each	300,000	50,000	300,000	50,000

Issued				
199,317,952 ordinary shares				
of \$0.10 each	19,932	19,153	19,932	19,153

The authorised capital of the company was increased by special resolution at the Annual General Meeting on 25 November 1997 from \$50 million to \$300 million.

	Number of Ordinary Shares	
	1998	1997
Opening number of shares	191,535,508	191,535,508
One for twenty-five rights issue on 21 November 1997	7,782,444	-
	199,317,952	191,535,508

19. Share Capital (continued)

Unissued shares in respect of which options are outstanding:

On 22 November 1994, options to take up ordinary shares of twenty cents (\$0.20) in the capital of the parent company at an issue price of \$5.05 per share, were granted to the trustees of separate trusts for the benefit of each of Gerald Harvey and family (1,000,000 options), Kay Lesley Page and family (300,000 options), Michael John Harvey and family (300,000 options), Raymond John Skippen and family (300,000 options), and Arthur Bayly Brew and family (100,000 options). It was a condition of each option that adjustments to the number of securities over which the option exists and or the exercise price shall be made to take into account changes to the capital structure of the parent company that occurred by way of pro-rata bonus and cash issues. The method of adjustment shall be in accordance with Appendix 29 of the official listing rules of the Australian Stock Exchange Limited A.C.N. 008 624 691 ("ASX"), as those rules then were.

On 21 November 1997, a renounceable rights issue of one twenty cent (\$0.20) share for each holding twenty five twenty cent (\$0.20) shares was made at \$7.90 per ordinary twenty cent (\$0.20) share. The purpose of the rights issue was to raise funds for ongoing operations and further expansion. On 25 November 1997, each ordinary twenty cent (\$0.20) share in the parent company was subdivided into two shares of ten cents (\$0.10), by special resolution of the parent company.

Options are outstanding in respect of 3,880,000 unissued ordinary shares of 10 cents in the parent company. Each option is exercisable between 1 July 1997 and 30 June 1999 at \$2.53 per share being 10 cents par value and a premium of \$2.43 per share.

On 12 December 1997, the trustee of the R J Skippen Option Trust (the holder of 300,000 options in respect of 300,000 shares of twenty cents (\$0.20) in the parent company, which were converted into options in respect of 600,000 shares of ten cents (\$0.10) in the parent company), exercised options in respect of 120,000 shares of ten cents (\$0.10) in the parent company at an exercise price of \$2.53 per ten cent (\$0.10) share.

	CONSOLIDATED		PARENT ENTITY	
	1998	1997	1998	1997
	\$000	\$000	\$000	\$000
Share premium	111,768	81,976	111,768	81,976
Asset revaluation	49,572	39,300	-	-
Foreign currency translation	(311)	800	-	-
Balance at end of year	161,029	122,076	111,768	81,976
Movement in reserves:				
Asset revaluation				
Balance at beginning of year	39,300	23,131	-	-
Revaluation of land and buildings during the year	10,272	16,169	-	-
Balance at end of year	49,572	39,300	-	-
Share premium				
Balance at beginning of year	81,976	81,976	81,976	81,976
Issue of shares as described in note 19	29,792	-	29,792	-
Balance at end of year	111,768	81,976	111,768	81,976
Foreign currency translation:				
Opening balance	800	-	-	-
Exchange fluctuations arising on overseas net assets	(1,111)	800	-	-
Balance at end of year	(311)	800	-	-

CONSOLIDATED		PARENT ENTITY	
1998	1997	1998	1997
\$000	\$000	\$000	\$000

21. Retained Profits and Dividends

Retained Profits:

Retained profits and reserves that could be distributed as dividends and franked out of existing franking credits or out of franking credits arising from income tax payable	153,895	116,256	59,348	52,099
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Dividend franking:

All dividends paid or provided for as reported in the profit and loss account were or will be fully franked at the current tax rate of 36%

22. Lease Commitments

Non-cancellable operating leases with a term of more than one year commitments not provided for.

Payable:

Not later than one year	21,358	13,588	-	-
Later than one year but not later than two years	14,865	12,646	-	-
Later than two years but not later than five years	36,581	29,905	-	-
Later than five years	37,295	26,693	-	-
	110,099	82,832	-	-

23. Commitments for Expenditure

(a) Capital expenditure contracted as at 30 June, 1998 but not provided for:

Not later than one year	37,606	50,862	-	-
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(b) Capital expenditure commitments on behalf of joint ventures as at year end are payable as follows

Not later than one year	6,000	3,280	-	-
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CONSOLIDATED		PARENT ENTITY	
1998	1997	1998	1997
\$000	\$000	\$000	\$000

24. Contingent Liabilities

Bank performance guarantees given to various councils and other third parties on behalf of economic entity.	1,833	2,098	-	-
Irrevocable letters of credit	821	544	-	-
The parent entity has guaranteed the performance of a number of controlled entities which have entered into leases with other parties.	-	-	98,999	61,997
	2,654	2,642	98,999	61,997

25. Retirement Benefits

The following prescribed benefits were given to a prescribed superannuation fund in connection with the retirement of persons from prescribed offices in relation to a corporation in the economic entity during the financial year. Particulars have been summarised as the directors believe that provision of full particulars would be unreasonable given the detail required.

24	24	-	-
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Remuneration of directors and executives and retirement benefits of prescribed officers has been determined in accordance with relief granted by ASC class order 1171.

26. Superannuation Commitments

Yoogalu Superannuation Funds:

A company within the economic entity contributes funds for certain employees. The funds are all accumulation plans. The company is obliged to contribute to the funds but such obligation is not legally enforceable. No actuarial assessments have been obtained. There being no defined benefits payable, there is no liability of the company in the event of termination of the funds or voluntary or compulsory termination of the employment of each employee.

Harvey Norman Superannuation Fund:

The economic entity contributes to an employee superannuation fund and such contributions are charged against profit. The fund is an accumulation plan. The amount of benefits vested in a member is calculated on the basis of contributions made to the fund and on the net earnings of the fund.

CONSOLIDATED		PARENT ENTITY	
1998	1997	1998	1997
\$000	\$000	\$000	\$000

27. Remuneration of Auditors

Total of remuneration received
or due and receivable by the
auditors in connection with:

Auditing the accounts	191	170	-	-
Other services	22	85	-	-
	213	255	-	-

CONSOLIDATED		PARENT ENTITY	
1998	1997	1998	1997
\$000	\$000	\$000	\$000

28. Directors' and Executives' Income

Aggregate income received, or due and receivable, by directors	1,066	1,027	1,066	1,027
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Number of directors of the parent
company whose total income falls
within the following bands:

\$20,000 - \$29,999	2	2	2	2
\$100,000 - \$109,999	-	1	-	1
\$130,000 - \$139,999	1	1	1	1
\$140,000 - \$149,999	1	-	1	-
\$190,000 - \$199,999	1	1	1	1
\$240,000 - \$249,999	1	1	1	1
\$290,000 - \$299,999	1	1	1	1

The total of all remuneration received or due and receivable, directly or indirectly from the respective corporation of which they are director or any related corporate, by all the directors of each corporation in the economic entity was \$1,065,567 (1997 \$1,026,977).

28. Directors' and Executives' Income (continued)

		CONSOLIDATED		PARENT ENTITY	
		1998	1997	1998	1997
The number of executive officers domiciled in Australia who received, or were due to receive, directly or indirectly from the company, or from any related body corporate, a total remuneration (excluding retirement benefits) in connection with the management of affairs of the company, or any related body corporate, whether as executive officers or otherwise were:					
\$100,000	-\$109,999	-	1	-	1
\$130,000	-\$139,999	1	1	1	1
\$140,000	-\$149,999	1	-	1	-
\$190,000	-\$199,999	1	1	1	1
\$240,000	-\$249,999	1	1	1	1
\$290,000	-\$299,999	1	1	1	1

The aggregate remuneration of the executive officers referred to above was \$1,025,207 (1997 \$986,617)

The following persons held the position of director of the parent entity during both financial years:

G. Harvey
M. J. Harvey
K. L. Page
R. J. Skippen
A. B. Brew
C. H. Brown
I. J. Norman

CONSOLIDATED		PARENT ENTITY	
1998	1997	1998	1997
\$000	\$000	\$000	\$000

29. Related Party Transactions

During the year the following transactions took place with related parties.

1. Various subsidiaries borrowed money from entities associated with I. J. Norman, R. J. Skippen M. J. Harvey and G. Harvey. Interest is payable at normal commercial rates. These loans are unsecured and repayable at call.

Net amounts received from/(repaid to) entities associated with the abovementioned directors.

1,367	171	-	-
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Interest paid/payable

152	140	-	-
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2. Legal fees were paid to the firm of which Mr C. H. Brown is a partner for professional services rendered to the group in the normal course of business.

379	348	-	-
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3. On 25 November 1992 Edbrook Pty Limited a wholly owned subsidiary, entered into a lease of a retail showroom and office premises at Bundall, Queensland from Ruzden Pty Limited, a company in which certain directors have an interest. This transaction was approved by shareholders at an Extraordinary Meeting held 25 May 1993.

The lease is subject to normal commercial terms and conditions. Rent paid.

1,328	1,314	-	-
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4. Certain franchises are operated by entities owned or controlled by relatives of directors under normal franchisees terms and conditions. Total gross income received by entities owned or controlled by relatives of directors.

1,902	1,550	-	-
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5. The economic entity entered into an agreement, as lessor, with Noble House Retail Pty Limited, in which the economic entity has a minority interest holding, on 1 June 1994. The value of the lease has been included in current receivables

73	116	-	-
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29. Related Party Transactions (continued)

	CONSOLIDATED		PARENT ENTITY	
	1998	1997	1998	1997
	\$000	\$000	\$000	\$000
6. Director's shareholdings				
Shares and share options exercised during the year:				
Ordinary shares	3,977	-	3,977	-
Ordinary share options	120	-	120	-
Shares and share options disposed of during the year:				
Ordinary shares	405	74	405	74
Ordinary share option	-	-	-	-
Shares and share options held at the end of the year:				
Ordinary shares	103,240	99,428	103,240	99,428
Ordinary share options	3,880	4,000	3,880	4,000

30. Notes to the Statement of Cash Flows

(a) Reconciliation of Cash

For the purposes of the statement of cash flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

Cash	1,203	7,182	-	-
Cash at end of period	1,203	7,182	-	-

(b) Reconciliation of net cash provided by operating activities to operating profit after income tax:

Operating profit after income tax	57,585	35,985	27,195	18,042
Adjustments for non-cash income and expense items:				
Bad and doubtful debts	518	660	-	-
Depreciation of property, plant and equipment	15,107	13,685	-	-

30. Notes to the Statement of Cash Flows (continued)

	CONSOLIDATED		PARENT ENTITY	
	1998	1997	1998	1997
	\$000	\$000	\$000	\$000
Amortisation of goodwill	-	2,542	-	-
Transfers of provisions:				
Employee entitlements	557	21	-	-
(Profit)/loss on disposal of:				
Property, plant and equipment	791	447	-	-
Investments	(315)	(1,610)	-	-
Increase in provision for:				
Income tax payable	7,427	702	4,484	(765)
Adjustment for non-operating cashflows:				
Conversion of non-trade amounts receivable from wholly owned controlled entities as consideration for purchase of investments	-	-	(23,656)	(30,000)
Changes in assets and liabilities net of effects from purchase and sale of controlled entities:				
(Increase)/decrease in assets:				
Accounts receivable	(28,591)	(16,785)	(29,025)	23,221
Inventory	(16,019)	(974)	-	-
Other current assets	2,836	(2,596)	-	-
Other non-current assets	(692)	(1,069)	(180)	26
Increase/(decrease) in liabilities:				
Accounts payable	23,204	(2,472)	7,281	14
Non trade amounts owing to FAST No. 1 Trust	(463)	1,160	-	-
Net cash from operating activities	61,945	29,696	(13,901)	10,538

31. Financing Arrangements

Corporations in the economic entity had access to the following financing facilities with a financial institution:

1998 CONSOLIDATED			
	Accessible \$000	Drawndown \$000	Unused \$000
Bank Bill standby arrangements (a)	152,900	83,872	69,028
Bank Overdraft (a)	600	-	600
Total financing facilities	153,500	83,872	69,628

1997 CONSOLIDATED			
	Accessible \$000	Drawndown \$000	Unused \$000
Bank Bill standby arrangements (a)	201,950	95,950	106,000
Bank Overdraft (a)	900	-	900
Total financing facilities	202,850	95,950	106,900

- (a) The economic entity has \$50 million of the bill facility on a fixed interest rate swap which is due to expire on 11 November 2002. Interest is charged at a fixed rate of 6.16%. The remaining facilities are subject to annual review and subject to cancellation at either party's election at each review date upon expiry of each arrangement.

32. Foreign Currency Exposure

The Australian dollar equivalents of foreign currency monetary items included in the balance sheet headings to the extent that they were not effectively hedged, are as follows:

	CONSOLIDATED		PARENT ENTITY	
	1998 \$000	1997 \$000	1998 \$000	1997 \$000
Current Assets				
Net amounts receivable in foreign currency which are not effectively hedged:				
- New Zealand Dollars	-	1,499	-	-

33. Financial Instruments

(a) Objectives for Holding Derivative Financial Instruments

The economic entity uses derivative financial instruments to manage specifically identified interest rate and foreign currency risks. The purposes for which specific derivative instruments are used are as follows:

Forward exchange contracts are purchased to hedge the Australian dollar value of purchases of products denominated in foreign currency.

Interest rate swap agreements are used to convert floating interest rate exposures on certain debt to fixed rates. These swaps entitle the economic entity to receive, or oblige it to pay, the amounts, if any, by which actual interest payments on nominated loan amounts exceed or fall below specified interest amounts.

(b) Interest Rate Risk Exposures

The economic entity is exposed to interest rate risk through primary financial assets and liabilities, modified through derivative financial instruments such as interest rate and cross currency swaps. The following table summarises interest rate risk for the economic entity, together with effective interest rates as at balance date.

1998	Floating interest rate (a) \$000	Fixed interest rate maturing in				Non- interest bearing \$000	Total \$000	Average interest rate	
		1 year or less \$000	Over 1 to 5 years \$000	More than 5 years \$000	floating			fixed	
Financial assets									
Cash	1,203	-	-	-	-	1,203	4.90%	-	
Customer loans	-	5,206	966	-	14,683	20,855	-	9%	
Finance lease, receivables	6,019	-	-	-	-	6,019	9-12%	-	
Trade debtors	-	-	-	-	220,599	220,599	-	-	
Non-trade debtors & loans	1,354	-	-	-	15,506	16,860	4.90-10%	-	
	<u>8,576</u>	<u>5,206</u>	<u>966</u>	<u>-</u>	<u>250,788</u>	<u>265,536</u>			
Financial liabilities									
Trade creditors	-	-	-	-	187,392	187,392	-	-	
Bills payable	33,872	-	50,000	-	-	83,872	5.08%	6.16	
Other loans	3,529	-	10	-	8,760	12,299	4.9%	-	
	<u>37,401</u>	<u>-</u>	<u>50,010</u>	<u>-</u>	<u>196,152</u>	<u>283,563</u>			

(a) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

(c) Foreign Exchange

The following table summarises by currency the Australian dollar value of forward foreign exchange agreements. Foreign currency amounts are translated at rates current at the reporting date. The 'buy' amounts represent the Australian dollar equivalent of commitments to purchase foreign currencies. Contracts to buy and sell foreign currency are entered into from time to time to offset purchase and sale obligations so as to maintain a properly hedged position.

33. Financial Instruments (continued)

	CONSOLIDATED			
	1998		1997	
Currency	Buy \$000	Sell \$000	Buy \$000	Sell \$000
Italian Lira				
3 months or less	1,597	-	-	-
Total	1,597	-	-	-

(d) Net fair value of financial assets and liabilities

The Directors believe the net fair value of the economic entity's financial assets and liabilities do not materially differ from their carrying value.

34. Controlled Entities and Unit Trusts

Shares held by Harvey Norman Holdings Limited

The following companies are 100% owned by Harvey Norman Holdings Limited and incorporated in Australia unless marked otherwise:

Name	Name
Achiever Computers Pty Ltd ^{1,6}	Edbrook Pty Limited ⁵
Aldrum Pty Limited ^{1,7}	Farane Pty Limited
Aloku Pty Limited	Floorcom Pty Limited ¹
Anwarah Pty Limited	(formerly Yoogalu Warehouse Pty Limited)
Arlenu Pty Limited	Flormonda Pty Limited
Arpayo Pty Limited	Furnmac Pty Limited ^{1,6}
Artza Pty Limited ^{1,7}	Ganoru Pty Limited
Bagron Pty Limited ^{1,7}	Geraldton WA Pty Limited ^{1,6}
Balwundu Pty Limited	Gestco Pty Limited
Bestest Pty Limited	Hangova Pty Limited ^{1,7}
Bossee Pty Limited ^{1,2}	Hardly Normal Discounts Pty Limited
Bradiz Pty Limited	Hardly Normal Pty Limited
Braxpine Pty Limited	Hardly Normal (NZ) Limited ^{1,8,9}
Bundallcom Pty Limited ^{1,6}	Harvey Cellars Pty Limited ^{1,6}
Calardu Pty Limited	Harvey Liquor Pty Limited ^{1,6}
Calardu Auburn Pty Limited ^{1,6}	Harvey Norman (ACT) Pty Limited
Calardu Broadmeadow Pty Limited ^{1,6}	Harvey Norman Cellars Pty Limited ^{1,6}
Calardu Bunbury (WA) Pty Limited ^{1,6}	Harvey Norman Commercial Your Solution
Calardu Cannington Pty Limited	Provider Pty Limited ¹
Calardu Caringbah Pty Limited ^{1,6}	Harvey Norman Computer Club Pty Limited ^{1,6}
Calardu Chatswood Pty Limited ^{1,6}	Harvey Norman Computer Training Pty Limited ^{1,6}
Calardu Edwardstown Pty Limited	Harvey Norman Export Pty Limited ¹
Calardu Gordon Pty Limited ^{1,6}	Harvey Norman Finance (N.Z.) Limited ^{1,8,9}
Calardu Joondalup Pty Limited ^{1,6}	Harvey Norman Financial Services Pty Limited
Calardu Maribyrnong Pty Limited ¹	Harvey Norman Gamezone Pty Limited ¹
Calardu Melville Pty Limited ^{1,6}	Harvey Norman Leasing (N.Z.) Limited ^{1,8,9}
Calardu Marion Pty Limited ^{1,6}	Harvey Norman Limited ^{1,9}
Calardu Noosa Pty Limited ^{1,6}	Harvey Norman Liquor Pty Limited ^{1,6}
Calardu North Ryde Pty Limited ¹	Harvey Norman Net.orks Pty Limited
(formerly Bathurst Services (NSW) Pty Limited)	Harvey Norman (N.S.W.) Pty Limited ¹
Calardu Penrith Pty Limited	Harvey Norman Properties (N.Z.) Limited ^{1,8,9}
Calardu Port Macquarie Pty Limited	Harvey Norman (QLD) Pty Limited ⁵
Calardu Preston Pty Limited	Harvey Norman Retailing Pty Limited
Calardu Queensland Pty Limited	Harvey Norman Shopfitting Pty Limited ¹
Calardu Rockingham Pty Limited ^{1,6}	Harvey Norman Stores Pty Limited
Calardu South Australia Pty Limited	Harvey Norman Stores (N.Z.) Pty Limited ¹
Calardu Tweed Heads Pty Limited ^{1,6}	Harvey Norman Stores (W.A.) Pty Limited ¹
Calardu Vicburn Pty Limited ¹	Harvey Norman Technology Pty Limited
Calardu Victoria Pty Limited	(formerly Wemeni Pty Limited)
Calardu Warrnambool Pty Limited ¹	Harvey Norman Victoria Pty Limited
Calardu West Gosford Pty Limited ^{1,6}	Havoscu Pty Limited ⁷
Carlando Pty Limited	Havrex Pty Limited ⁵
Charmela Pty Limited	Hodberg Pty Limited ⁴
Clambruno Pty Limited	Hodvale Pty Limited ⁴
Combund Pty Limited ^{1,6}	Hoxco Pty Limited ⁵
Commac Pty Limited ^{1,6}	Jamacar Pty Limited ^{1,7}
Copee Pty Limited ^{1,6}	Jartoso Pty Limited
Cropp Pty Limited ^{1,6}	J.M. Contracting Service Pty Limited ^{1,6}
Daldere Pty Limited	J.M. Plant & Equipment Hire Pty Limited ^{1,6}
Dandolena Pty Limited	J.M. Share Investment Pty Limited ^{1,6}
Derni Pty Limited	Jondarlo Pty Limited
Divonda Pty Limited	Kalinya Development Pty Limited ^{1,6}
Durslee Pty Limited	Kambaldu Pty Limited

34. Controlled Entities and Unit Trusts (continued)

Shares held by Harvey Norman Holdings Limited (continued)

Name	Name
Keyko Pty Limited ^{1,7}	Warungi Pty Limited
Kita Pty Limited ¹	Waytango Pty Limited
Koodero Pty Limited	Webzone Pty Limited ^{1,6}
Korinti Pty Limited	Wytharra Pty Limited
Lamino Pty Limited	Yoogalu Pty Limited
Lesandu Pty Limited	Zabella Pty Limited
Lesandu Chatswood Pty Limited ^{1,6}	Zavarte Pty Limited
Lesandu Orange Pty Limited ^{1,6}	Zirdano Pty Limited
Lesandu S.A. Pty Limited ¹	Zirdanu Pty Limited
Lesandu Tamworth Pty Limited ^{1,6}	
Lesandu Tweed Heads Limited ^{1,6}	
Lesandu W.A. Pty Limited	
Lexeri Pty Limited	1. Company is not part of the class order described in Note 34
Lodare Pty Limited	2. Harvey Norman Holdings Limited owns 50% of shares in Misstar Pty Limited and Bossee Pty Limited, and 51% of the shares in Space Furniture Pty Limited
Loreste Pty Limited	3. Shares held by Sarsha Pty Limited
Makdon Pty Limited ¹	4. Shares held by Harvey Norman Retailing Pty Limited
Makfindi Pty Limited ^{1,7}	5. Shares held by Harvey Norman Stores Pty Limited
Malvis Pty Limited	6. These companies were acquired during the year
Manutu Pty Limited	7. These companies were disposed of during the year
Maradoni Pty Limited	8. Shares held by Harvey Norman Limited
Marinski Pty Limited	9. These companies are incorporated in New Zealand
Milblu Pty Limited ^{1,6}	
Millintar Pty Limited ^{1,7}	
Misstar Pty Limited ^{1,2}	
Nedcroft Pty Limited	
Nomadale Pty Limited ⁵	
Norman Ross Pty Limited	
Oldmist Pty Limited	
Osraidi Pty Limited	
Plezero Pty Limited	
Pulpy Pty Limited ⁷	
Quandallo Pty Limited ⁷	
R. Reynolds Nominees Pty Limited ^{1,6}	
Rosieway Pty Limited	
Rustona Pty Limited ^{1,6}	
Sarsha Pty Limited	
Signature Computers Pty Limited ^{1,6}	
Solaro Pty Limited	
Space Furniture Pty Limited ^{1,2}	
Strathloro Pty Limited	
Stupendous Pty Limited	
Sungu Pty Limited ^{1,7}	
Swaneto Pty Limited	
Swanpark Pty Limited ⁵	
Swedon Pty Limited ^{1,7}	
Tatroko Pty Limited	
Trivea Pty Limited ^{1,7}	
Upoes Pty Limited ^{1,6}	
Ventama Pty Limited ³	
Venusway Pty Limited ^{1,7}	
Wadins Pty Limited	
Wanalti Pty Limited	

34. Controlled Entities and Unit Trusts (continued)

Units in Unit Trusts held by Harvey Norman Holdings Limited (continued)

Units in Unit Trusts held by Harvey Norman Holdings Limited

Name

Aldrum No. 2 Trust
 Anwarah No. 2 Trust
 Artza No. 2 Trust
 Aspleybed No. 2 Trust**
 Avocoe No. 2 Trust
 Bagron No. 2 Trust
 Bena No. 2 Trust
 Big Apple Trust
 Bogardo No. 2 Trust
 Bradiz No. 2 Trust
 Bundallcom No. 2 Trust**
 Calardu ACT Trust
 Calardu Adderley Street Trust**
 Calardu Auburn No. 1 Trust**
 Calardu Auburn No. 2 Trust**
 Calardu Auburn No. 3 Trust**
 Calardu Auburn No. 4 Trust**
 Calardu Auburn No. 5 Trust**
 Calardu Auburn No. 6 Trust**
 Calardu Auburn No. 7 Trust**
 Calardu Auburn No. 8 Trust**
 Calardu Auburn No. 9 Trust**
 Calardu Aspley Trust
 Calardu Bennetts Green Trust
 Calardu Bennetts Green Warehouse Trust**
 Calardu Broadmeadow No. 1 Trust**
 Calardu Broadmeadow No. 2 Trust**
 Calardu Brookvale Trust
 Calardu Bunbury Trust**
 Calardu Bundaberg Trust
 Calardu Cannington Trust
 Calardu Caringbah Trust**
 Calardu Gordon Trust**
 Calardu Joondalup Trust**
 Calardu Mackay Trust**
 Calardu Maribyrnong Trust
 Calardu Maribyrnong 1995 Trust
 Calardu Marion Trust**
 Calardu Melville Trust**
 Calardu Noosa Trust**
 Calardu North Ryde Trust
 Calardu No. 1 Trust
 Calardu No. 2 Trust
 Calardu No. 3 Trust
 Calardu Oxley Trust
 Calardu Penrith Trust
 Calardu Port Macquarie Trust
 Calardu Preston Trust
 Calardu Rockingham Trust**

Name

Calardu Rockhampton Trust
 Calardu Rosebery Trust
 Calardu Thomastown Trust**
 Calardu Toowoomba Trust
 Calardu Tweed Heads Trust**
 Calardu Vicfurn Trust
 Calardu Warrawong Trust
 Calardu Warrnambool Trust
 Calardu West Gosford Trust**
 Charmela No. 2 Trust
 Claret No. 2 Trust**
 Combund No. 2 Trust**
 Commac No 2 Trust**
 Copee No. 2 Trust
 Fillinde No. 2 Trust
 Furnchat No. 2 Trust
 Furnmac No. 2 Trust**
 Furnmil No. 2 Trust**
 Geevarne No. 2 Trust
 Glaydon No. 2 Trust
 Gordinia No. 2 Trust
 Hangova No. 2 Trust
 Happee No. 2 Trust
 Harbund No. 2 Trust**
 Harvey Norman Discounts No. 1 Trust
 Harvey Norman Lighting Asset Trust
 Harvey Norman Lighting No. 1 Trust
 Harvey Norman Liquor Unit Trust**
 Harvey Norman No. 1 Trust
 Havoscu No. 2 Trust
 Hopcorp No. 2 Trust**
 Hoxgold No. 2 Trust
 Jamarcar No. 2 Trust
 Kaboola No. 2 Trust
 Kalinya Unit Trust**
 Kanfare No. 2 Trust
 Kazron No. 2 Trust
 Keybare No. 2 Trust
 Keyko No. 2 Trust
 Kilcarva No. 2 Trust
 Krimshaw No. 2 Trust
 Kroomba No. 2 Trust
 Lamino Investments No. 1 Trust
 Lamino Investments No. 2 Trust
 Lamino Investments No. 3 Trust
 Lamino Investments No. 4 Trust
 Lamino Investments No. 5 Trust
 Lamino Investments No. 6 Trust
 Lesandu Albury Trust
 Lesandu Campbelltown Trust
 Lesandu Fairfield Trust
 Lesandu Gordon Trust

34. Controlled Entities and Unit Trusts (continued)

Units in Unit Trusts held by Harvey Norman Holdings Limited (continued)

Name	Name
Lesandu Gosford Trust	Venusway No. 2 Trust
Lesandu Miranda Trust	Vidara No. 2 Trust
Lesandu Newcastle Trust	Wartonu No. 2 Trust
Lesandu No. 1 Trust	Yoogalu Albury Trust
Lesandu Penrith Trust	Yoogalu Campbelltown Trust
Lesandu Rockdale Trust	Yoogalu Fairfield Trust
Lesandu Tamworth Trust**	Yoogalu Gordon Trust
Lesandu Warrawong Trust	Yoogalu Gosford Trust**
Lesandu Warringah Mall Trust	Yoogalu Lismore Trust**
Lodare No. 2 Trust	Yoogalu Miranda Trust
Makdon No. 2 Trust	Yoogalu Newcastle Trust
Makfindi No. 2 Trust	Yoogalu Warrawong Trust
Malvis No. 2 Trust	Yoogalu Warringah Mall Trust
Marouli No. 2 Trust	Zoderme No. 2 Trust
Masorie No. 2 Trust**	
Milblu No. 2 Trust**	
Millintar No. 2 Trust	*All the units in the Unit Trusts are held by Harvey Norman Holdings Limited except units that exist in Yoogalu Gosford Trust and Yoogalu Lismore Trust. Minority unit holders hold units entitling them to a share of profits but they have no rights to receive more than the par value of those units on winding up.
Moracroft No. 2 Trust	
Mozzpex No. 2 Trust	
Nargista No. 2 Trust	
Natley No. 2 Trust	
Osraidi No. 2 Trust	
Piatan No. 2 Trust	
Posharnu No. 2 Trust	
Pulpy No. 2 Trust	**These trusts were acquired during the year
Quandallo No. 2 Trust	
Quinlea No. 2 Trust	
Rajola No. 2 Trust	
Ranano No. 2 Trust	
Resum No. 2 Trust	
Roowin No. 2 Trust	
Rozborn No. 2 Trust	
Rudari No. 2 Trust	
Rustona No. 2 Trust**	
Sardonnu No. 2 Trust	
Saywarre No. 2 Trust	
Sungu No. 2 Trust	
Swedon No. 2 Trust	
Sydney No. 1 Trust	
Tampar No. 2 Trust	
Tandulu No. 2 Trust**	
Tarshellu No. 2 Trust	
Tifcon No. 2 Trust**	
Torcarsa No. 2 Trust	
Tortah No. 2 Trust	
The Calardu Trust	
Trialli No. 2 Trust	
Trivea No. 2 Trust	
Truen No. 2 Trust	
Uconu No. 1 Trust	
Upoes No. 2 Trust**	
Valerinar No. 2 Trust	

35. Deed of Cross Guarantee

A majority of controlled entities (refer Note 34) have entered into a deed of cross guarantee dated 21 September 1992 with Harvey Norman Holdings Limited which provides that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding-up of that company. In addition, as a result of the Class Order issued by the Australian Securities Commission these companies are relieved from the requirement to prepare financial statements.

Controlled Entities (Refer Note 34) marked ¹ are not part of the Class Order.

The aggregate assets, liabilities and net profit after tax of the companies which are parties to the deed of cross guarantee are as follows:

	1998 \$000	1997 \$000
Assets	432,746	347,754
Liabilities	288,938	243,497
Net profit after tax	30,390	17,943

36. Subsequent Events

- A. By contract dated 18 June 1998, completed on or about 1 July 1998, one or more subsidiaries of Harvey Norman Holdings Limited acquired assets from the Joyce Mayne group of companies for a purchase price of \$45 million approximately.
- B. By contract made and completed on 3 August 1998, subsidiaries of Harvey Norman Holdings Limited acquired assets from James Loughran & Sons Pty Limited and others, in Tasmania, for a purchase price of approximately \$10 million.

DIRECTORS' STATEMENT

In the opinion of the directors:

- (a) the profit and loss account is drawn up so as to give a true and fair view of the profit of the company for the year ended 30 June 1998;
- (b) the balance sheet is drawn up so as to give a true and fair view of the state of affairs of the company at 30 June 1998;
- (c) the statement of cash flows is drawn up so as to give a true and fair view of the cash flows of the company for the year ended 30 June 1998; and
- (d) at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due, and the companies and parent entity who are a party to the deed described in Note 34, will as an economic entity be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee dated 21 September 1992.

It is also the opinion of the directors that the consolidated financial statements have been made out in accordance with Divisions 4A and 4B of Part 3.6 of the Corporations Law, and so as to give a true and fair view of the matters with which they deal.

This statement has been made in accordance with a resolution of directors.

G. HARVEY
Chairman



R. J. SKIPPEN
Director



A.B. BREW
Director



23 September 1998

INDEPENDENT AUDIT REPORT

To The Members of Harvey Norman Holdings Limited

Scope

We have audited the financial statements of HARVEY NORMAN HOLDINGS LIMITED and of the economic entity for the year ended 30 June 1998, as set out on pages 10 to 42. The financial statements include the consolidated accounts of the economic entity comprising the company and the entities it controlled at year's end or from time to time during the financial year. The company's directors are responsible for the financial statements. We have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) and statutory requirements so as to present a view which is consistent with our understanding of the company's and the economic entity's financial position, the results of their operations and their cashflows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial statements of Harvey Norman Holdings Limited are properly drawn up:

- (a) so as to give a true and fair view of:
 - (i) the state of affairs as at 30 June 1998 and the profit and cashflows for the year ended on that date of the company and of the economic entity; and
 - (ii) the other matters required by Divisions 4, 4A and 4B of Part 3.6 of the Corporations Law to be dealt with in the financial statements;
- (b) in accordance with the provisions of the Corporations Law; and
- (c) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.

Arthur Andersen
Chartered Accountants

MARK B. BRYANT
Partner

Sydney
11 September 1998

SHAREHOLDER INFORMATION

Distribution of Shareholdings as at 7 September 1998

Size of Holding	Ordinary Shareholders
1 - 1,000	458
1,001 - 5,000	526
5,001 - 10,000	360
10,001 - 100,000	402
100,001 and over	74
	<hr/> 1,820 <hr/>
Number Shareholders with less than a marketable parcel	<hr/> 13 <hr/>

Voting Rights

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

Twenty Largest Shareholders as at 7 September 1998

Number of Ordinary Shares	Shareholder
34,302,668	G Harvey Nominees Pty Limited
31,000,250	Dimbulu Pty Limited
29,830,668	Mr Gerald Harvey
11,266,782	Permanent Trustee Australia Limited
10,337,468	Ms Margaret Lynette Harvey
6,588,712	B T Custodial Services Pty Limited
5,642,229	Permanent Trustee Australia Limited
5,535,061	Permanent Trustee Australia Limited
4,820,061	Permanent Trustee Australia Limited
3,941,074	National Nominees Limited
3,623,640	Enbearn Pty Limited
3,389,362	Dimbulu Pty Limited
3,091,565	Westpac Custodian Nominees Limited
3,078,690	Ms Kay Lesley Page
2,781,026	Queensland Investment Corporation
1,792,749	Chase Manhattan Nominees Limited
1,558,606	AMP Life Limited
1,279,829	Permanent Trustee Australia Limited
1,250,000	Mr Spencer Murray Gibson
1,137,618	CSS Board
<hr/> 166,248,058 <hr/>	

Total held by twenty largest shareholders as a percentage 83.29%.

DIRECTORY OF "HARVEY NORMAN" SHOPPING COMPLEXES

AUSTRALIAN CAPITAL TERRITORY

FYSHWICK

Cnr Barrier & Ipswich Streets
Fyshwick 2609
Phone (02) 6280 4140

WODEN

Shop 5
Mezzanine Level
Woden Plaza
Woden 2606
Phone (02) 6282 2511

NEW SOUTH WALES

SYDNEY SUBURBAN

AUBURN

233-239 Parramatta Road
Auburn 2144
Phone (02) 9202 4888

250 Parramatta Road
Auburn 2144
Phone (02) 9202 4888

BALGOWLAH

176-190 Condamine Street
Balgowlah 2093
Phone (02) 9948 4511

BLACKTOWN

Unit C5
Cnr Blacktown
& Bungarribee Roads
Blacktown 2148
Phone (02) 9831 2155

CAMPBELLTOWN

4 Blaxland Road
Campbelltown 2560
Phone (02) 4628 4088

CARINGBAH

Level 1
Caringbah SupaCenta
220 Taren Point Road
Caringbah 2229
Phone (02) 9542 7088

CHATSWOOD (Electrical & Computers only)

Level 2
Chatswood Chase
Cnr Archer & Victoria Avenue
Chatswood 2067
Phone (02) 9419 6133

FAIRFIELD

Shop 4, The Gateway
46-52 Court Road
Fairfield 2165
Phone (02) 9727 8777

GORDON

1st Floor
802-808 Pacific Highway
Gordon 2072
Phone (02) 9498 1499

MOORE PARK

Level 2, North SupaCenta
Cnr South Dowling Street
& Dacey Avenue
Moore Park 2021
Phone (02) 9313 6500

NORTH RICHMOND (Manchester Specialist)

Shop 13A, Bells Line of Road
NORTH RICHMOND 2754
Phone (02) 4571 3968

PENRITH

Shop 2
61-79 Henry Street
Penrith 2750
Phone (02) 4732 1566

WILEY PARK

1018 Canterbury Road
Wiley Park 2195
Phone (02) 9740 6055

DIRECTORY OF "HARVEY NORMAN" SHOPPING COMPLEXES

NEW SOUTH WALES COUNTRY

ALBURY

430 Wilson Street
Albury 2640
Phone (02) 6041 1944

ARMIDALE

Shop 8, Girraween Shopping Centre
Queen Elizabeth Drive
Armidale 2350
(02) 6771 3788

BATHURST

Sydney Road
Kelso 2795
Phone (02) 6332 3399

BENNETTS GREEN (NEWCASTLE)

7 Abdon Close
Bennetts Green 2290
Phone (02) 4948 4555

COFFS HARBOUR

Park Beach Plaza
Cnr Park Beach Road
& Arthur Street
Coffs Harbour 2450
Phone (02) 6651 9011

DENILIQUIN

Cnr. Hardinge &
Harfleur Streets
Deniliquin 2710
Phone (03) 5881 5499

DUBBO

195 Cobra Street
Dubbo 2830
Phone (02) 6884 4977

ERINA (GOSFORD)

Harvey Norman Shopping Complex
Karalta Lane
Erina 2250
Phone (02) 4367 6444

GRAFTON

76 Fitzroy Street
Grafton 2460
Phone (02) 6643 3266

INVERELL

Cnr Vivian &
Evans Streets
Inverell 2360
Phone (02) 6721 0811

LISMORE

17 Zadoc Street
Lismore 2480
Phone (02) 6621 8888

MAITLAND

557 High Street
Maitland 2320
Phone (02) 4934 2423

MOREE

321 Frome Street
Moree 2400
Phone (02) 6752 7531

MUDGEE

Cnr Oporto &
Lisbon Roads
South Mudgee 2850
Phone (02) 6372 6514

NOWRA

1 O'Keefe Avenue
Nowra 2541
Phone (02) 4421 5755

ORANGE

70 Endsleigh Avenue
Orange 2800
Phone (02) 6361 4111

PARKES

Shop 1, Saleyards Road
Parkes 2870
Phone (02) 6862 2800

PORT MACQUARIE

140 Lake Road
Port Macquarie 2444
Phone (02) 6581 0088

TAMWORTH

174-176 Peel Street
Tamworth 2340
Phone (02) 6766 3999

TAREE

9 Mill Close
Taree 2430
Phone (02) 6551 3699

DIRECTORY OF "HARVEY NORMAN" SHOPPING COMPLEXES

WAGGA

75 Morgan Street
Wagga 2650
Phone (02) 6921 7100

WARRAWONG

Cnr King Street &
Shellharbour Road
Warrawong 2502
Phone (02) 4275 2722

YOUNG

326 Boorowa Street
Young 2594
Phone (02) 6382 5744

QUEENSLAND

BRISBANE SUBURBAN

ASPLEY

1411-1419 Gympie Road
Aspley 4034
Phone (07) 3834 1100

CARINDALE

Homemaker Centre
Cnr Carindale Street and
Old Cleveland Road
Carindale 4152
Phone (07) 3843 1700

MT GRAVATT

Big Top Showrooms
1290 Logan Road
Mt Gravatt 4122
Phone (07) 3849 4299

OXLEY

2098 Ipswich Road
Oxley 4075
Phone (07) 3332 1100

WINDSOR

Unit C1-3
Windsor Centre
Cnr Lutwyche & Newmarket Roads
Windsor 4030
Phone (07) 3357 7777

QUEENSLAND COUNTRY

BUNDABERG

125 Takalvan Street
Bundaberg 4670
Phone (07) 4151 1570

BUNDALL (GOLD COAST QLD)

29-45 Ashmore Road
Bundall 4217
Phone (07) 5538 3155

CAIRNS

101 Spence Street
Portsmith 4870
Phone (07) 4051 8499

GLADSTONE

60 Hanson Road
Gladstone 4680
Phone (07) 4972 9900

KAWANA WATERS (SUNSHINE COAST QLD)

Lot 28 Nicklin Way
Minyama Gardens
Kawana Waters 4575
Phone (07) 5444 8277

MACKAY

Lot 3 Heath's Road
Glenella 4740
Phone (07) 4942 2688

ROCKHAMPTON

407 Yaamba Road
North Rockhampton 4701
Phone (07) 4926 2755

TOOWOOMBA

910-932 Ruthven Street
Toowoomba 4350
Phone (07) 4635 0266

TOWNSVILLE

238-262 Woolcock Street
Townsville 4810
Phone (07) 4725 5561

DIRECTORY OF "HARVEY NORMAN" SHOPPING COMPLEXES

TASMANIA

BURNIE

64 Mount Street
Burnie 7320
Phone (03) 6431 9133

DEVONPORT

Cnr Best Street
& Fenton Way
Devonport 7310
Phone (03) 6424 5155

GLENORCHY

313 Main Road
Glenorchy 7010
Phone (03) 6272 5555

HOBART CITY

119 Elizabeth Street
Hobart 7000
Phone (03) 6234 3361

HOBART CITY (Bedding Specialist)

171 Argyle Street
Hobart 7000
Phone (03) 6231 5333

LAUNCESTON

115 Wellington Street
Launceston 7250
Phone (03) 6334 6222

LAUNCESTON (Bedding Specialist)

151 York Street
Launceston 7250
Phone (03) 6331 8588

ROSNY

33 Bligh Street
Rosny 7018
Phone (03) 6244 3388

ULVERSTONE

5-7 Reibey Street
Ulverstone 7315
Phone (03) 6425 1944

VICTORIA

BALLARAT

13 Grenville Street North
Ballarat 3350
Phone (03) 5332 9344

BENDIGO

Cnr. High & Furness Streets
Kangaroo Flat 3555
Phone (03) 5447 2333

DANDENONG

Cnr Frankston-Dandenong & Greens Roads
Dandenong 3175
Phone (03) 9706 9992

GEELONG

420 Princes Highway
Corio 3214
Phone (03) 5274 1077

GREENSBOROUGH

Shop 227
25 Main Street
GREENSBOROUGH 3088
Phone (03) 9433 5555

MARIBYRNONG (Highpoint)

169 Rosamond Road
Maribyrnong 3032
Phone (03) 9318 2700

MILDURA

Cnr Fifteenth Street
& Etiwanda Avenue
Mildura 3500
Phone (03) 5021 0166

MOORABBIN

420 South Road
Moorabbin 3189
Phone (03) 9555 1222

NUNAWADING

396-408 Whitehorse Road
Nunawading 3131
Phone (03) 9872 6366

DIRECTORY OF "HARVEY NORMAN" SHOPPING COMPLEXES

PRESTON

Cnr Victoria and Bell Roads
Preston 3072
Phone (03) 9629 3300

SHEPPARTON

Cnr Melbourne Road
& Goulburn Valley Highway
Kialla 3631
Phone (03) 5823 2530

TRARALGON

123 Argyle Street
Traralgon 3844
Phone (03) 5174 8177

WARRNAMBOOL

84 Raglan Parade
Warrnambool 3280
Phone (03) 5562 9177

WESTERN AUSTRALIA

PERTH SUBURBAN

CANNINGTON

1363 Albany Highway
Cannington 6107
Phone (03) 9311 1100

OSBORNE PARK

469-475 Scarborough Beach Road
Osborne Park 6017
Phone (08) 9441 1100

WESTERN AUSTRALIA COUNTRY

ALBANY

136 Lockyer Avenue
Albany 6330
Phone (08) 9841 1628

BUNBURY

Homemaker Centre, Unit 6
Block B, Lot 100 Blair Street
Bunbury 6230
Phone (08) 9721 4811

BUSSELTON

28-34 Bussell Highway
Busselton 6280
Phone (08) 9752 1336

GERALDTON

38 Chapman Road
Geraldton 6530
Phone (08) 9921 1910

KALGOORLIE

376 Hannon Street
Kalgoorlie 6430
Phone (08) 9021 1400

KARRATHA

Unit 5 Lot 3818
Balmoral Road
Karratha 6174
Phone (08) 9144 1589

PORT HEDLAND

Boulevard Shopping Centre
Anderson Street
Port Hedland 6721
Phone (08) 9173 1497

LIGHTING SHOWROOMS

AUBURN

241 Parramatta Road
Auburn 2144
Phone (02) 9202 4888

CROWS NEST

Spectrum Building, Podium Level
220 Pacific Highway
Crows Nest 2065
Phone (02) 9929 3833

ERINA (GOSFORD)

168-170 The Entrance Road
Erina 2250
Phone (02) 4367 6444

NEW ZEALAND

CHRISTCHURCH

Cnr Moorhouse Ave
& Colombo Street
Christchurch N.Z.
Phone 0011 64 3 353 2440

MANUKAU

Manukau SupaCenta
Cnr Ronwood & Lambie Drives
Manukau City
Auckland
Phone 0011 64 9 262 7050

WAIRAU PARK

10 Croftfield Lane
Glenfield
Auckland
Phone 64 9 441 9750

DIRECTORY OF "HARVEY NORMAN" SHOPPING COMPLEXES

JOYCE MAYNE

AUBURN

66 Adderley Street
Auburn 2144
Phone (02) 9648 5411

CAMPBELLTOWN

8 Blaxland Road
Campbelltown 2560
Phone (02) 4627 4311

CARINGBAH

212 Taren Point Road
Taren Point 2229
Phone (02) 9524 0371

GOSFORD

Cnr Pacific Highway
& Manns Road
West Gosford 2250
Phone (02) 4322 5555

MARRICKVILLE

Shop 5, Marrickville Metro Shopping Centre
Cnr Smidmore & Murray Street
Marrickville 2204
Phone (02) 9557 7344

Mt. DRUITT

Shops 70 & 71 Marketown
Cnr Luxford & Carlisle Avenue
Mt. Drutt 2770
Phone (02) 9832 9411

NEWCASTLE

35-43 Lambton Road
Broadmeadow 2292.
Phone (02) 4962 2399

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