

**Harvey Norman Holdings Limited**

**ABN 54 003 237 545**

**ANNUAL REPORT**

**Year Ended 30 June 2006**

**Harvey Norman**

**D O M A Y N E**

**JOYCE MAYNE**  
WHERE THE SMART MONEY SHOPS

key date	event
13 September 2006	Announcement of Profit for Year-Ended 30 June 2006 Announcement of Final 2006 Dividend
10 November 2006	Record date for determining entitlement to Final 2006 Dividend
21 November 2006	Annual General Meeting of Shareholders  The Annual General Meeting of the Shareholders of Harvey Norman Holdings Limited will be held at Tattersalls 181 Elizabeth Street, Sydney, at 11:30am.  (for full details and Proxy Form see separate document enclosed)
11 December 2006	Payment of Final 2006 Dividend
28 February 2007	Announcement of Half-Year Profit to 31 December 2006 Announcement of Interim 2007 Dividend
18 April 2007	Record date for determining entitlement to Interim 2007 Dividend
7 May 2007	Payment of Interim 2007 Dividend

## company information

registered office	A1 Richmond Road Homebush West NSW 2140 Ph: 02 9201 6111 Fax: 02 9201 6250
company secretary	Mr Chris Mentis
share registry	Registries Limited Level 2, 28 Margaret Street Sydney NSW 2000 Ph: 02 9290 9600
stock exchange listing	Harvey Norman Holdings Limited shares are quoted on the Australian Stock Exchange ("ASX")
bankers	Australia and New Zealand Banking Group Limited
auditors	Ernst & Young
solicitors	Brown Wright Stein

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no. of franchised outlets <sup>1</sup>	174
no. of company-owned stores <sup>2</sup>	41
franchise sales revenue <sup>1</sup>	\$3.96bn
company-owned sales revenue	\$1.48bn
total consolidated revenue	\$2.27bn
market capitalisation at 30-06-06	\$4.17bn
basic earnings per share	\$0.22
dividends per share	8.0c
net tangible assets per share	1.22

**Harvey Norman**

**D O M A Y N E**

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WHERE THE SMART MONEY SHOPS

<sup>1</sup> Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity  
<sup>2</sup> Includes the "Harvey Norman" branded company-owned stores in New Zealand, Ireland, Singapore and Slovenia and excludes the stores owned by Rebel Sport Limited trading under the "Rebel Sport" brand name

## Market Performance

Throughout 2006, the unique Harvey Norman integrated retail and property system has strengthened the position of the Harvey Norman brand as Australia's leading retailer of furniture, bedding, electrical and computer consumer goods. The Harvey Norman brand continues to capture market share within Australia, New Zealand, Ireland, Slovenia, Singapore and Malaysia, despite tight market conditions.

## Financial Performance

The consolidated profit from continuing operations before tax and before exclusion of minority interests was \$351.68 million for the year ended 30 June 2006 compared to \$298.34 million for the previous corresponding period. Net profit attributable to members of the Company after tax and minority interests was \$229.56 million compared to \$191.63 million for the prior year, an increase of 19.8%.

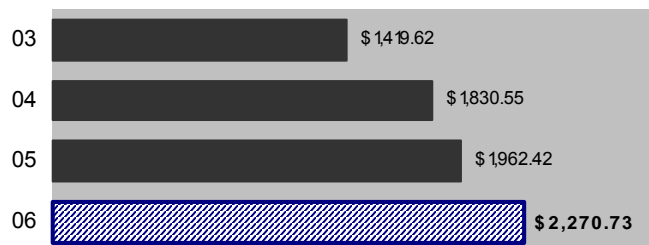
The profit after tax from continuing operations included a one-off impairment expense of \$6.40 million after tax attributable to the write down of certain computer software, following a strategic information technology change in direction.

## Effect of AIFRS

The consolidated group has adopted AIFRS-compliant accounting policies and procedures. Comparative balances in this report have been restated to include the effect of adopting AIFRS. Overall the adoption of AIFRS by the consolidated group has resulted in increased profitability and a stronger asset base relative to the preceding accounting regime.

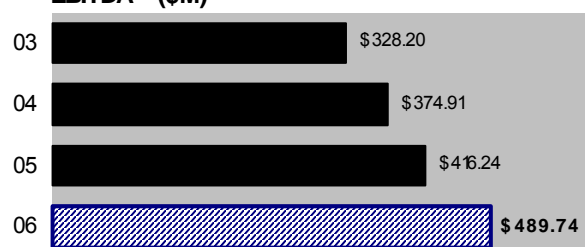
Excluding the effect of AIFRS, the net profit after tax and minority interests would have been \$194.07 million compared with \$171.44 million for the year ended 30 June 2005, an increase of 13.2%.

### Revenue from Continuing Operations (\$M)



revenue from continuing operations ↑ from  
\$1,962.42M in '05 to \$2,270.73M in '06  
... an increase of 15.7%!

### EBITDA\*\* (\$M)



earnings before interest, tax, depreciation,  
amortisation & impairment ↑ from \$416.24M in  
'05 to \$489.74M in '06  
... an increase of 17.7%!

\*\* Balances excludes impairment loss on assets for the year ended 30 June 2006 and is prior to allocation to minority interests  
 Note that the balances for 2003 and 2004 have not been restated for AIFRS

## Business Performance and Outlook

During the year ended 30 June 2006, the consolidated entity has continued to follow the successful "Harvey Norman" integrated retail and property system. The consolidated entity has taken advantage of expansion opportunities in the local marketplace and in offshore locations to enhance the Harvey Norman brand and seize additional market share. In Australia, nine new "Harvey Norman", one new "Domayne" and two new "Joyce Mayne" franchised complexes commenced trading, a total of twelve new franchised complexes in the local market.

The consolidated entity's profit before income tax and before exclusion of minority interests was \$351.68 million for the year ended 30 June 2006 compared to \$298.34 million for the previous financial year, representing an increase of 17.9%. Net profit from continuing operations attributable to members after tax and minority interests was \$229.56 million for the year ended 30 June 2006 compared to \$191.63 million for the preceding period, an increase of 19.8%.

Sales revenue for the year ended 30 June 2006 from franchised Harvey Norman, Domayne and Joyce Mayne complexes, company-owned stores in New Zealand, Slovenia, and Ireland (and excluding operations of Pertama Holdings Limited, Singapore and Rebel Sport Limited) totalled \$4.58 billion compared to \$4.06 billion for the prior year, an increase of 12.7%. Like for like sales increased by 7.0% over the previous corresponding period. Franchisees continued to experience difficult trading conditions and tight product margins. Franchisee sales performance underpins the profitability of the franchising operations segment. The retail franchise system, utilising the Harvey Norman brand and integrated with an astute property strategy, continues to be the main contributor to the total result of the consolidated entity. The launch of the Harvey Norman branded "GO" Mastercard, an initiative with GE Capital Finance, has positively impacted franchisee sales revenue.

There has been a significant improvement in the wholly-owned or controlled offshore and local retail entities. The New Zealand retail operations benefited from a full year's trading of twenty company-owned stores producing an outstanding result before tax of \$44.56 million relative to \$35.07 million in the previous financial year. Rebel Sport Limited produced a record before tax and before minority interests result of \$31.77 million, an increase of 38.1% when compared to the result of \$23.00 million before tax and before minority interests for the previous financial year. Six new stores were opened in Ireland during the year bringing the total number of stores to eight. Recognition of the Harvey Norman brand is rapidly increasing in Ireland.

The integrated retail and property strategy continues to be a successful formula. Harvey Norman, Domayne and Joyce Mayne complexes provide the consolidated entity with the benefits of ownership, including capital appreciation and control of rental obligations so as to enable exploitation of the Harvey Norman, Domayne and Joyce Mayne brands in the retail franchised system.

Basic earnings per share is 21.70 cents per share, an increase of 19.8% over the previous year.

Directors have recommended that a final fully franked dividend of 4.0c per share be paid on 11 December 2006 to shareholders registered at 5.00 pm, 10 November 2006.

## Sales

### Consolidated Entity

Sales revenue for the Harvey Norman consolidated group consists of the sales made by company-owned stores located in New Zealand, Ireland and Slovenia and the controlling interest held in Rebel Sport Limited in Australia and Pertama Holdings Limited in Singapore. Consolidated sales revenue also includes Harvey Norman's controlling interest in several retail partnerships within Australia. 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 complexes in Australia are made by independently owned franchised business entities that are not consolidated with group results.

Consolidated sales revenue for the year ended 30 June 2006 was \$1.48 billion compared to \$1.28 billion for the year ended 30 June 2005, an increase of 15.6%.

The main factors contributing to the increase were:

#### *New Zealand*

Sales revenue from the New Zealand company-owned stores increased by \$92.94 million New Zealand dollars or 19.7%. When sales in New Zealand were translated into Australian dollars for the purposes of this report, the increase in sales was \$68.21 million Australian dollars or 15.6%. This increase is a result of a full year's trading of 20 Harvey Norman stores and the dominant brand position in the New Zealand retail market.

#### *Ireland*

Sales revenue from the company-owned stores in Ireland increased by €20.22 million or 56.3%. When sales in Ireland were translated into Australian dollars for the purposes of this report, the increase in sales was \$30.69 million or 50.5%. This increase is due to the opening of two Harvey Norman stores in Cork and Limerick respectively and the commencement of four smaller format electrical and computer stores during April and May.

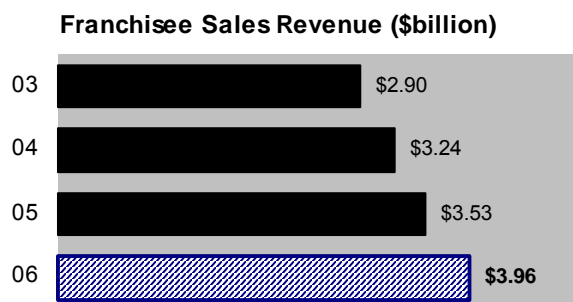
#### *Asia*

Sales revenue from the controlled entity Pertama Holdings Limited, Singapore, trading as "Harvey Norman" increased by \$4.88 million Singaporean dollars or 1.2%. When sales in Singapore were translated into Australian dollars for the purposes of this report, the increase in sales was \$9.67 million Australian dollars or 3.0%. The larger Australian dollar sales increase is due to an improvement in the exchange rate used for translation purposes.

#### *Rebel Sport Limited*

Sales revenue from the controlled entity Rebel Sport Limited, increased by \$54.33 million or 17.1%, including revenue from 6 new Rebel stores and 2 Glue stores opened during the year. Rebel Sport enjoyed a record year and directly benefited from the 2006 Commonwealth Games and the Soccer World Cup.

### Sales from Franchised Harvey Norman Complexes



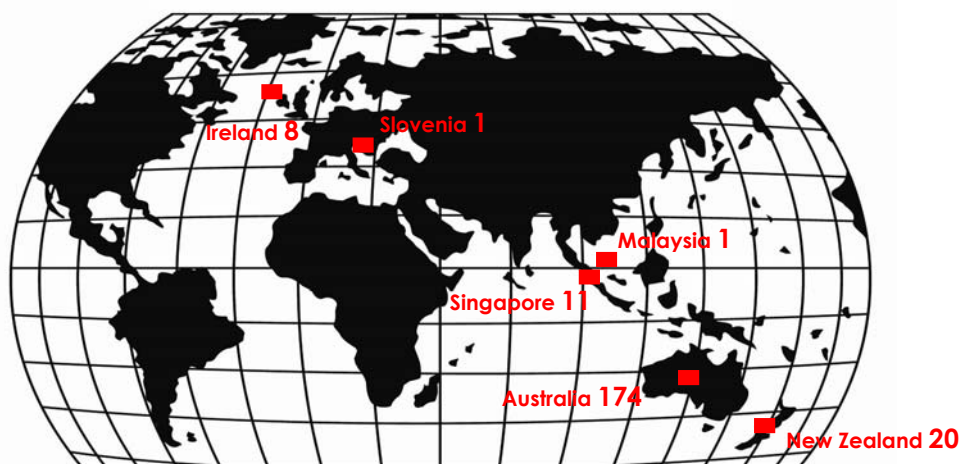
This information is not intended to be representative of the results of the consolidated entity and reflects the sales performance of the independently owned franchised businesses not included in the consolidated results.

Franchised sales revenue is monitored by Harvey Norman, as franchisor, as franchisee sales underpin the ability to collect franchise fees and other franchise related revenue.

franchisee sales revenue ↑ from \$3.53BN  
in '05 to \$3.96BN in '06  
... an increase of 12.2%!

## Geographic Spread

These diagrams display the geographic spread of the franchised Harvey Norman ("HN"), Domayne ("DM") and Joyce Mayne ("JM") complexes in the Australian market as at 30 June 2006 and the "Harvey Norman" branded company-owned stores in New Zealand, Ireland, Singapore and Slovenia.



### Australia:

- 174 franchised complexes in total
- 12 new franchised complexes opened during the 2006 year:

#### NSW

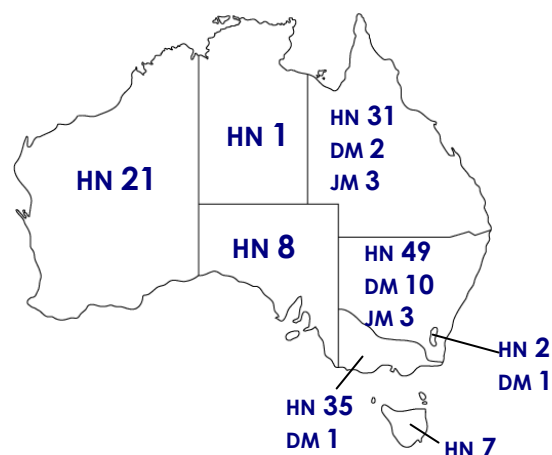
- Castle Hill (HN)
- Alexandria (HN)
- North Ryde (DM)

#### QLD

- Coorparoo (HN)
- Cleveland (HN)
- Chancellor Park (JM)
- Rockhampton (JM)

#### VIC

- Chadstone (HN)
- Fountain Gate (HN)
- Sunshine (HN)
- Thomastown (HN)
- Broadmeadows (HN)



### New Zealand:

- 20 Harvey Norman stores in total
- 1 new store opened:
  - Northwood
- 2 store closures:
  - City Style (Wellington)
  - Big Camera (Auckland)

### Ireland:

- 8 Harvey Norman stores in total;
- 6 new stores opened during the 2006 year:
  - Cork
  - Mullingar
  - Blanchardstown
  - Limerick
  - Rathfarnham
  - Tralee

### Singapore:

- 11 Harvey Norman stores in total

### Malaysia

- 1 Harvey Norman store

### Slovenia

- flagship Harvey Norman store in Ljubljana

## Property Portfolio

The Harvey Norman property portfolio includes Harvey Norman, Domayne and Joyce Mayne owned complexes in Australia, New Zealand and Slovenia. The property portfolio is an essential complement to the Harvey Norman brand and retail system. The ownership of the Harvey Norman, Domayne and Joyce Mayne retail complexes enables shareholders to participate in the benefits of ownership of high quality commercial retail and warehouse property, tenanted by leaders in the Australian and New Zealand retail industry. The benefits flowing from the property investment portfolio include:

- Capital appreciation;
- Control of rental obligations, and avoidance of potentially crippling opportunistic rental escalations by landlords;
- Flexibility and freedom to adjust store layout and configuration to deal with changing market retail trends; and
- Capacity to attract quality third party tenants to the complex location.

The Harvey Norman property portfolio delivers the capacity to optimise the retail offering, enhance the Harvey Norman, Domayne and Joyce Mayne brands, and at the same time achieve capital appreciation on the property portfolio.

The consolidated entity was required to reclassify owned property in Australia, which is leased to external franchisees and not occupied by the consolidated entity, to "investment properties" on the balance sheet to comply with AIFRS. As a result of the reclassification, the consolidated entity held investment property of \$891.90 million as at 30 June 2006 compared with \$778.62 million for the previous corresponding period. Under AIFRS, revaluation of investment property is taken to profit or loss for the year. During the year, the Directors have analysed and revalued the group investment property portfolio in Australia resulting in an increase of \$45.39 million in profit before tax and minority interests. The Directors have also analysed and revalued the consolidated entity's share in joint venture investments resulting in a

revaluation increment of \$1.12 million before tax and minority interests.

All property owned by the consolidated entity in New Zealand is owner-occupied. Under AIFRS, revaluation of owner-occupied property is not taken to profit or loss for the year. The New Zealand property portfolio was also analysed and revalued by Directors following an independent valuation, resulting in an increase of \$24.41 million in the asset revaluation reserve prior to the recognition of any deferred tax liabilities.

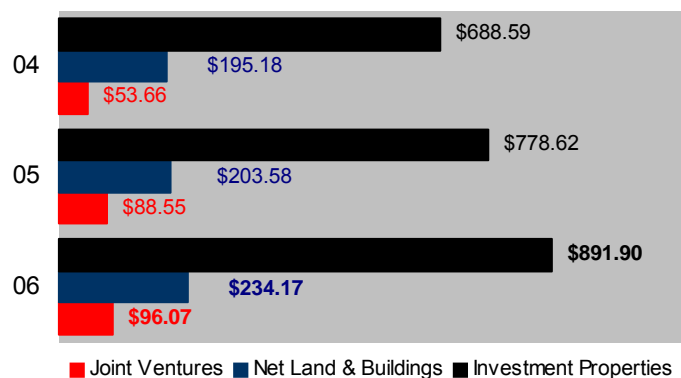
The total group property portfolio at 30 June 2006 including joint venture property interests (consolidated with property held by Pertama Holdings Limited, Singapore and Rebel Sport Limited), but excluding property held for resale treated as non-current inventories of \$32.09 million, had a book value of \$1.22 billion compared to \$1.07 billion at 30 June 2005. The current year figure includes freehold property owned by Pertama Holdings Limited in Singapore of \$3.77 million.

As at the date of this report, the table below depicts the number of Harvey Norman, Domayne and Joyce Mayne complexes in Australia and Harvey Norman stores in New Zealand, Slovenia, Singapore, Malaysia and Ireland where land and buildings are either owned or leased.

	Owned	Leased	Total
Australia	66	108	174
New Zealand	13	7	20
Slovenia	1	0	1
Ireland	0	9	9
Asia	0	12	12
<b>TOTAL</b>	<b>80</b>	<b>136</b>	<b>216</b>

Information in table is as at 29 September 2006

Composition of Property Portfolio (\$M)



## Future Prospects

In Australia, the roll-out program for Harvey Norman, Domayne and Joyce Mayne complexes will continue. There are nine new stores planned to open and three relocations of existing stores to larger premises, in the 2007 financial year.

There are currently twenty Harvey Norman stores in New Zealand with four stores planned to open in the 2007 financial year.

There are eleven Harvey Norman stores in Singapore and one Harvey Norman store in Malaysia. Two new stores are planned to open in Singapore and three new stores are planned to open in Malaysia in the 2007 financial year.

In Ireland, two stores are planned to open in the 2007 financial year with additional key sites being investigated.

In Slovenia, a new store will open in October 2006 at Koper, joining the flagship Harvey Norman complex in Ljubljana. It is proposed to open additional Harvey Norman stores in Slovenia and continue to investigate neighbouring European countries.

## Equity

Consolidated equity as at 30 June 2006 was \$1.44 billion compared to \$1.27 billion at 30 June 2005 - an increase of \$176.49 million or 13.94%. Of the total equity of \$1.44 billion, an amount of \$89.86 million (2005: \$74.96 million) is attributable to minority interests in the controlled entities including Pertamina Holdings Limited, Singapore and Rebel Sport Limited.

## Dividend

The recommended final dividend is 4.0 cents per share fully franked. This final dividend will be paid on 11 December 2006. No provision is made in the Balance Sheet for this recommended final dividend. The total dividend for the year will be 8.0 cents fully franked.

The Company intends to continue to pursue a strategy of steady expansion both within Australia and overseas.

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



**G. HARVEY**  
Chairman  
Sydney, 29 September 2006



Your directors submit their report for the year ended 30 June 2006.

## Directors

### Names, qualifications, experience and special responsibilities:

The names and details of Harvey Norman Holdings Limited's (the "Company") directors in office during the financial year and until the date of this report are as follows. Unless otherwise indicated, all directors (collectively termed the "Board") held their position as a director throughout the entire financial year and up to the date of this report.

#### Gerald Harvey - Executive Chairman

Mr. G. Harvey, aged 67, was the co-founder of Harvey Norman Holdings Limited in 1982 with Mr. I. Norman. Mr. G. Harvey has overall executive responsibility for the strategic direction of the consolidated entity, and in particular, property investments. During the past three years Mr. G. Harvey has also served as a director of Rebel Sport Limited.

#### Kay Lesley Page - Managing Director

Ms. Page, aged 49, joined Harvey Norman in 1983 and was appointed a director of Harvey Norman Holdings Limited in 1987.

Ms. Page became Managing Director of the Company in February 1999 and has overall executive responsibility for the consolidated entity. During the past three years Ms. Page has also served as a director of the following other listed/public companies:

- Rebel Sport Limited
- National Rugby League Limited

#### Arthur Bayly Brew - Director

Mr. Brew, aged 56, joined the Company in 1983. He is responsible for the security, insurance, planning and design and shopfitting operations of the consolidated entity. Mr. Brew was appointed as a director in September 1994.

#### John Eryn Slack-Smith - Director and Chief Operating Officer

Mr. Slack-Smith, aged 37, was a Harvey Norman computer franchisee between 1993 and 1999. Mr. Slack-Smith became a director of the Company on 5 February 2001. Mr. Slack-Smith has overall executive responsibility for the operations of the consolidated entity.

#### David Matthew Ackery - Director

Mr. Ackery, aged 46, was appointed as a director of Harvey Norman Holdings Limited on 20 December 2005. Mr. Ackery has overall executive responsibility for the relationship between the Company, Harvey Norman electrical franchisees and strategic relationships.

#### Ian John Norman - Non-Executive Director

Mr. Norman, aged 67, was co-founder of Harvey Norman with Mr. G. Harvey in 1982.

#### Michael John Harvey - Non-Executive Director

Mr. M. Harvey, aged 41, 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 and ceased being a member of the Audit, Remuneration and Nomination committees on 30 June 2005.

## **Christopher Herbert Brown - Non-Executive Director**

Mr. Brown, aged 56, 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, the successors of Gillis Delaney Brown, has acted as lawyers for the consolidated entity since 1982. Mr. Brown was appointed as a director of the Company in 1987, when it became a listed public company. Mr. Brown is Chairman of the Remuneration and Nomination Committees and a member of the Audit Committee. During the past three years Mr. Brown has also served as a director of Rebel Sport Limited.

## **Kenneth William Gunderson-Briggs - Non-Executive Director**

Mr. Gunderson-Briggs, aged 44, was appointed as a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. He has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. His qualifications include a Bachelor of Business and he is a fellow of the Institute of Chartered Accountants. Mr. Gunderson-Briggs is a member of the Audit, Remuneration and Nomination Committees.

## **Graham Charles Paton AM - Non-Executive Director**

Mr. Paton, aged 61, holds a Bachelor of Economics degree from the University of Sydney. During his twenty-three years as a partner of Arthur Andersen, Chartered Accountants, he was involved in the provision of professional services to several retailers. He retired from public practice in July 2001. Mr. Paton is a Fellow and Life Member of CPA Australia and was the National President of that professional accounting body in 1993/1994. In 2001 he was awarded membership of the General Division of the Order of Australia for his services to the accounting profession and for his services to the deaf community through his chairmanship of the Shepherd Centre for Deaf Children for the decade to 2001.

Mr. Paton was appointed as a director of Harvey Norman Holdings Limited on 20 June 2005. Mr. Paton was also appointed as a member of the Audit, Remuneration and Nomination Committees on 30 June 2005 and was appointed Chairman of the Audit Committee on 9 March 2006.

On 1 August 2006, Mr Paton was appointed as an independent non-executive director of Gazal Corporation Limited, a company listed on the Australian Stock Exchange.

## **Stephen Patrick Hauville - Director (resigned 31 August 2005)**

Mr. Hauville, aged 49, has extensive experience as a Harvey Norman franchisee and retailer, and became a director of the Company on 5 February 2001. Mr. Hauville resigned his position as a director of the Company on 31 August 2005.

## **Raymond John Skippen - Finance Director and Company Secretary (retired 20 April 2006)**

Mr. Skippen, aged 58, became a director of the Company in September 1994. Mr. Skippen has over 30 years experience as a chartered accountant, and had overall executive responsibility for the financial, commercial and secretarial management of the consolidated entity.

Mr. Skippen retired as Director, Secretary and Chief Financial Officer of Harvey Norman Holdings Limited on 20 April 2006. Mr. Skippen remains an executive employee of the Company and Yoogalu Pty Limited, with areas of responsibility involving mergers and acquisitions and international expansion. Mr Chris Mentis was appointed Chief Financial Officer and Company Secretary on 20 April 2006.

During the past three years Mr. Skippen has also served as a director of the following other listed companies:

- Rebel Sport Limited
- Orion Telecommunications Limited
- Briscoe Group Limited

## Committee Membership

As at the date of this report, the Company had an Audit Committee, a Remuneration Committee and a Nomination Committee.

Members acting on the committees of the board during the year were:

### Audit Committee

- G.C. Paton AM (Chairman)
- C.H. Brown
- K.W. Gunderson-Briggs

### Remuneration Committee

- C.H. Brown (Chairman)
- K.W. Gunderson-Briggs
- G.C. Paton AM

### Nomination Committee

- C.H. Brown (Chairman)
- K.W. Gunderson-Briggs
- G.C. Paton AM

## Directors' Meetings

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

Board / Committee	Number of Meetings
Full Board	11
Audit	6
Remuneration	3
Nomination	2

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

The attendance of directors at meetings of the Board and its committees were:

Director	Board of Directors	Audit Committee
G. Harvey	11 [11]	n/a
K.L. Page	11 [11]	n/a
R.J. Skippen	9 [9]	n/a
A.B. Brew	11 [11]	n/a
J.E. Slack-Smith	11 [11]	n/a
S.P. Hauville	2 [2]	n/a
D.M. Ackery	5 [5]	n/a
M.J. Harvey	10 [11]	n/a
C.H. Brown	11 [11]	6 [6]
I.J. Norman	11 [11]	n/a
K.W. Gunderson-Briggs	11 [11]	6 [6]
G.C. Paton	11 [11]	6 [6]

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

In addition, the executive directors held regular meetings for the purpose of signing various documentation. A total of one hundred and fifty-seven (157) such meetings were held during the year.

The details of the functions and memberships of the Audit Committee of the Board are presented in the Statement of Corporate Governance Practices.

## Directors' Interests

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

HARVEY NORMAN HOLDINGS LIMITED		
Director	Ordinary Shares	Options
G. Harvey	311,519,532	3,000,000
I.J. Norman	175,249,660	-
K.L. Page	19,345,133	3,000,000
M.J. Harvey	3,445,553	-
A.B. Brew	1,169,871	240,000
C.H. Brown	173,467	-
J.E. Slack-Smith	199,999	1,600,000
D.M. Ackery	133,334	533,333
K. W. Gunderson-Briggs	3,000	-
G.C. Paton	-	-

## Beneficial Interest

Included in the Directors' Interests table on page 11 are the following shareholdings indirectly held by each of the directors:

Director	Beneficial Interest in Shares
G. Harvey	has a beneficial interest in 142,629,301 shares held by G Harvey Nominees Pty Limited, and 333,333 shares held by HVN Share Plan Pty Limited.
I.J. Norman	has a beneficial interest in 175,249,660 shares held by Dimbulu Pty Limited.
K.L. Page	has a beneficial interest in 1,932,000 shares held by Page Option Trust and 2,204,000 shares held by K. Page Pty Limited in Pertama Holdings Limited. She also has a beneficial interest in 31,210 Harvey Norman Holdings Limited shares held by K. Page Pty Limited, and 333,333 Harvey Norman Holdings Limited shares held by HVN Share Plan Pty Limited.
A.B. Brew	has a beneficial interest in 627,408 shares held by ANZ nominees, and 40,000 shares held by HVN Share Plan Pty Limited.
J.E. Slack-Smith	has a beneficial interest in 199,999 shares held by HVN Share Plan Pty Limited.
D.M. Ackery	has a beneficial interest in 133,334 shares held by HVN Share Plan Pty Limited.
M.J. Harvey	has a beneficial interest in 1,248,735 shares held by M.J. Harvey Option Trust.
C.H. Brown	has a beneficial interest in 173,467 shares held by PWSD Pty Limited and Starmoro Pty Limited.
K.W. Gunderson-Briggs	has a beneficial interest in 3,000 shares held by Nosrednug Superannuation Fund Pty Limited.
G.C. Paton	nil

## Share Options

Details of share options are set out in Note 30 and Note 32 to the financial statements and form part of this report

## Principal Activities

The principal activities of the consolidated entity continue to be that of an integrated retail and property entity including:

- Franchisor
- Sale of homewares and electrical goods in New Zealand, Slovenia and Ireland
- Provision of consumer finance
- Property investment
- Lessor of premises to Harvey Norman franchisees and other third parties
- Media placement

The consolidated entity holds a controlling interest in Pertama Holdings Limited ("Pertama"). Shares in Pertama are listed on the Stock Exchange of Singapore. The principal activities of Pertama are retail, wholesale and export sales of homewares and electrical goods.

The consolidated entity holds a controlling interest in Rebel Sport Limited ("Rebel"). Shares in Rebel are listed on the Australian Stock Exchange. The principal activity of Rebel is the sale of sporting and leisure goods.

## Results

The profit after tax from continuing operations attributable to members for the year ended 30 June 2006 was \$229.56 million. This represents an increase of 19.8% on the profit after tax from continuing operations attributable to members for the year ended 30 June 2005.

## Dividends

The directors recommend a fully franked dividend of 4.0 cents per share be paid on 11 December 2006 (total dividend, fully franked - \$42,311,338). The following fully franked dividends of the parent entity have also been paid, declared or recommended since the end of the preceding financial year:

Dividend	Payment Date	\$
2005 final fully franked dividend	12 December 2005	37,022,434
2006 interim fully franked dividend	8 May 2006	42,311,338

## Review of Group Operations

The total equity of the consolidated entity for the year ended 30 June 2006 increased over the previous financial year due to the following:

- Increased franchise fee revenue from franchisees
- Increased rental income from franchisees and external tenants
- Revaluation of the investment property portfolio in Australia
- Revaluation of the owner-occupied property portfolio in New Zealand
- Increased profit from Harvey Norman New Zealand owned stores
- Increased profit from Rebel Sport Limited

## 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 financial year.

## Likely Developments and Future Results

The directors have excluded from this report any further information on the likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years, as the directors believe that it would be likely to result in unreasonable prejudice to one or more entities in the consolidated entity.

## Significant Events After Balance Date

There have been no circumstances arising since the end of the year 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

## Environmental Regulation Performance

The consolidated entity's environmental obligations are regulated under both State and Federal Law. All environmental performance obligations are monitored by the Board. The consolidated entity has a policy of at least complying, but in most cases exceeding its environmental performance obligations. No environmental breaches have been notified to the consolidated entity by any Government agency during the year ended 30 June 2006 and up to the date of this report.

## Company Secretary

Mr Chris Mentis, aged 40, became Company Secretary on 20 April 2006. Mr. Mentis has over 19 years experience as a chartered accountant and has been with the consolidated entity since 1997. Mr. Mentis is a member of the Institute of Chartered Secretaries.

## Remuneration Report

### Remuneration Policy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives. The Company intends to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined.

The Company's philosophy is that executive rewards must be "fair and responsible" in the context of both external and internal relativities. Accordingly, all executive remuneration has been benchmarked against comparable executive rewards in comparable companies (by size). Consistent with current best practice, executive rewards must have a balance between fixed components (base salary and benefits) and variable components (short-term and long-term incentives) and that any variable components, particularly when offered in the form of shares or options, must be subject to performance conditions and service conditions.

Since 30 June 2005, the remuneration committee has consisted of three members, comprising three non-executive directors, two of whom are independent.

### Responsibilities of the Remuneration Committee

The Board confirmed the role and responsibilities of the remuneration committee in a written charter, which was formally adopted at a meeting of directors of the Company, held 18 August 2003.

The responsibilities of the remuneration committee include the review and making of recommendations to the board on:

- i) executive remuneration and incentive policies;
- ii) remuneration packages of senior management;
- iii) the recruitment, retention and termination policies of the Company and procedures for senior management;
- iv) incentive schemes;
- v) superannuation arrangements;
- (vi) the remuneration framework for directors.

The remuneration policy has been designed so that the policy:

- i) motivates directors and management to pursue long-term growth and success of the Company within an appropriate control framework; and
- ii) demonstrates a clear relationship between key executive performance and remuneration.

The Company believes that the members of the remuneration committee can make, and do make, quality and independent judgements in the best interests of the Company on remuneration issues, notwithstanding that the members of the remuneration committee are not all independent.

### Components of Executive Remuneration

The remuneration committee reviews and makes recommendations to the Board about the performance, and remuneration of all executive directors. The remuneration committee reviews recommendations of the managing director and the chief financial officer in relation to key senior executives of the Company, other than the executive directors. No individual is directly involved in deciding his or her remuneration. The remuneration committee intends that remuneration packages of executives of the Company should involve a balance between fixed and incentive remuneration, reflecting short and long-term performance objectives, appropriate to the circumstances and goals of the Company. A proportion of the remuneration of executive directors is structured in a manner designed to link rewards to corporate and individual performance.

It is the policy of the Company that service contracts for senior management, including executive directors, have no fixed term, but should be capable of termination on a maximum of 3 months notice to the executive, but upon the basis that the Company should have the right to terminate the relevant service contract summarily, by making a payment to the terminated executive equal to not more than 3 months pay in lieu of notice.

Each of the executive directors named in Table 1 of the Remuneration Report has a pre-existing service contract that is partly written and partly oral and does not contain a specific notice period ("Executive Director Contract"). Each Executive Director Contract can be terminated by a reasonable period of notice, subject to statute. Each of the executives named in Table 2 of this report has a pre-existing service contract that is partly written and partly oral ("Executive Contract"). With the exception of the Executive Contract between Rebel Sport Limited and Stephen Heath ("Heath Contract"), each Executive Contract can be terminated by a reasonable period of notice, subject to statute. The Heath Contract can be terminated upon 5 weeks notice, subject to statute. The remuneration committee has determined that all future contracts for executives will be in writing and contain notice periods not exceeding 3 months.

The remuneration of executives of the Company is comprised of the following:

- Base salary;
- Other remuneration;
- Superannuation;
- Shares; and
- Options.

## Base Salary

The base salaries of executives are determined with reference to the executive's duties and responsibilities, taking into account current market levels. Base salaries are not at risk for executives and are not dependent on the satisfaction of a performance condition.

## Other Remuneration

Other remuneration includes the provision of fully-maintained motor vehicles, motor vehicle allowances, and payment of education, medical and other similar items as nominated by the executive, by way of salary sacrifice, and statutory leave entitlements.

## Superannuation

The consolidated entity makes contributions to complying superannuation funds for the purpose of provision of superannuation benefits for eligible employees. 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. This component also includes any voluntary superannuation contributions as elected by the eligible employee.

## Shares and Options

The Board has engaged the services of CRA Plan Managers Pty Limited, an independent firm of consultants specialising in executive remuneration and the design and implementation of employee ownership and incentive schemes, in order to assist the Board to implement remuneration plans for senior executives which comply with best practice corporate governance guidelines.

The remuneration of non-executive directors is different to that of executive directors. Executive directors are remunerated by means of a salary, and in certain cases, by equity based remuneration. All equity based remuneration is made in accordance with plans approved by shareholders. Non-executive directors are not entitled to any retiring allowance, payable upon their retirement as a director of the Company.

At the annual general meeting of the Company held on 25 November 2003:

- the Deferred Executive Incentive Share Plan ("DEIP"), a summary of which was set out in the Explanatory Notes accompanying the notice of that meeting, was approved by members for all purposes;
- the Harvey Norman Executive Option Plan ("EOP"), a summary of which was set out in the Explanatory Notes accompanying the notice of that meeting, was approved by members for all purposes;
- the Board of Directors of the Company was authorised, pursuant to the DEIP, to issue up to 2,576,666 fully paid ordinary shares in the Company to executive directors (as set out in the DEIP table below) in accordance with the DEIP rules and subject to the conditions set out in the Explanatory Notes which accompanied the notice of meeting;
- the Board of Directors of the Company was authorised, pursuant to the EOP, to issue up to 11,840,000 options to subscribe for up to 11,840,000 fully paid ordinary shares in the Company and to issue 11,840,000 fully paid ordinary shares following the valid exercise of any such options in the Company to executive directors (as set out in the EOP table below) in accordance with the EOP rules and subject to the conditions set out in the Explanatory Notes which accompanied the notice of meeting.



## Directors' Report

(continued)

The Board of Directors of the Company was authorised, pursuant to the DEIP and EOP to invite executives, who are key executives, to participate in both the DEIP and the EOP as long as, when aggregated with the shares previously issued under the DEIP or EOP, the number of ordinary shares in the capital of the Company acquired or subscribed for or issued upon exercise of an option under the DEIP or EOP, does not exceed the Plan Limit of five percent of the number of ordinary shares in the capital of the Company.

DEIP TABLE				
	2003	2004	2005	TOTAL
Gerald Harvey	166,667	166,667	166,666	500,000
Kay Lesley Page	166,667	166,667	166,666	500,000
Raymond John Skippen	250,000	200,000	200,000	650,000
Stephen Patrick Hauville	166,666	133,334	133,333	433,333
John Evyn Slack-Smith	166,666	133,334	133,333	433,333
Arthur Bayly Brew	20,000	20,000	20,000	60,000
	936,666	820,002	819,998	2,576,666

EOP TABLE				
	2003	2004	2005	TOTAL
Gerald Harvey	1,000,000	1,000,000	1,000,000	3,000,000
Kay Lesley Page	1,000,000	1,000,000	1,000,000	3,000,000
Raymond John Skippen	800,000	800,000	800,000	2,400,000
Stephen Patrick Hauville	534,000	533,000	533,000	1,600,000
John Evyn Slack-Smith	534,000	533,000	533,000	1,600,000
Arthur Bayly Brew	80,000	80,000	80,000	240,000
	3,948,000	3,946,000	3,946,000	11,840,000

### Performance Conditions for DEIP Shares

Performance conditions and service conditions are an essential component of all variable reward elements. The allocation of shares under DEIP is subject to performance and service conditions. Shares under DEIP become an asset of the Participant, assuming the Performance Conditions are met, and may grow in value. The Board believes this creates an alignment between Executive Director rewards and shareholder benefits and greater overall reward for Executives, assuming success.

The Performance Conditions that apply to all DEIP share issues are set out in the table below.

Year of Allocation	2003	2004	2005
Share price	Market price at the date of issue. Must be issued before 30/11/2003	Market price at the date of issue. Must be issued after 31/08/2004 but before 30/11/2004	Market price at the date of issue. Must be issued after 31/08/2005 but before 30/11/2005
Financial year measured (Qualifying Period)	30/06/2004	30/06/2005	30/06/2006
Earnings per share increase	% of shares issued that will vest on 31/08/2004	% of shares issued that will vest on 31/08/2005	% of shares issued that will vest on 31/08/2006
< 5%	0	0	0
5%	50	50	50
6%	60	60	60
7%	70	70	70
8%	80	80	80
9%	90	90	90
10%	100	100	100
> 10%	100	100	100



# Directors' Report

(continued)

If the performance condition for the relevant year is not met, or only a portion of the Performance Condition is met then those shares issued, but not vested, will be forfeited by the Participant by no later than 31 August in the relevant year.

## Performance Conditions for EOP Options

The issue of options to senior executives under EOP is designed to provide both motivation to perform and retention incentive. Options issued under EOP are subject to two performance conditions and the conditions that apply to all EOP option issues are set out in the table below.

Performance Condition 1 - Earnings per share increase must be 10% per annum, cumulative.

Year of Allocation	2003	2004	2005
<b>Option price</b>	Market price at the date of issue. Must be issued before 30/11/2003	Market price at the date of issue. Must be issued after 31/08/2004 but before 30/11/2004	Market price at the date of issue. Must be issued after 31/08/2005 but before 30/11/2005
<b>Financial year measured (Qualifying Period)</b>	30/06/2004	30/06/2005	30/06/2006
<b>Earnings per share increase (cumulative) FYE 2003 is the base year</b>	<b>% of options that will vest on 31/08/2005, subject to satisfying Performance Condition 2</b>	<b>% of options that will vest on 31/08/2006, subject to satisfying Performance Condition 2</b>	<b>% of options that will vest on 31/08/2007, subject to satisfying Performance Condition 2</b>
10.0%	100	-	-
21.0%	-	100	-
33.1%	-	-	100
<b>First Exercise Date</b>	01/09/2005	01/09/2006	01/09/2007
<b>Last Exercise Date</b>	30/11/2008	30/11/2008	30/11/2008

Performance Condition 2 - HVN Accumulated Total Shareholder Return ("TSR") greater than the ASX 300 Industrials Accumulation Index for two periods of 30 continuous days.

Year of Allocation	2003	2004	2005
<b>Option price</b>	Market price at the date of issue. Must be issued before 30/11/2003	Market price at the date of issue. Must be issued after 31/08/2004 but before 30/11/2004	Market price at the date of issue. Must be issued after 31/08/2005 but before 30/11/2005
<b>Financial year measured (Qualifying Period)</b>	30/06/2004	30/06/2005	30/06/2006
<b>HVN TSR <math>\geq</math> ASX 300 Industrials Accumulation Index for two periods of 30 consecutive days during the option term</b>	<b>% of options that will vest on 31/08/2005, subject to satisfying Performance Condition 1</b>	<b>% of options that will vest on 31/08/2006, subject to satisfying Performance Condition 1</b>	<b>% of options that will vest on 31/08/2006, subject to satisfying Performance Condition 1</b>
<b>Achieved</b>	100	100	100
<b>Not Achieved</b>	-	-	-
<b>First Exercise Date</b>	01/09/2005	01/09/2006	01/09/2007
<b>Last Exercise Date</b>	30/11/2008	30/11/2008	30/11/2008

Growth in TSR is the aggregate of share price growth, dividends paid, and dividends reinvested on the ex-dividend date (adjusted for rights, bonus issues and any capital reconstructions) measured from the time of issue to the time of vesting or last exercise date. The relative TSR performance hurdle for the long term incentive is arguably current market best practice and ensures an alignment between comparative total shareholder return and reward for executives.

Both Performance Conditions under EOP are cumulative and all options are available up to the Last Exercise Date (30 November 2008).

## Non-Executive Remuneration

The Remuneration Committee reviews and makes recommendations to the Board in respect of the remuneration paid to non-executive directors. Non-executive directors are not entitled to any retiring allowance. Fees currently paid to non-executive directors are within the aggregate limit of \$500,000 approved by shareholders at the annual general meeting held on 25 November 2003.

## Employment Contracts

There is a formal employment contract for each of the Executive Chairman, Managing Director, Chief Operating Officer and each of the Executive Directors ("Executive Director Employment Contract"). Each Executive Director Employment Contract has an open-ended term, and can be terminated by the Company upon a minimum of four weeks notice if the executive director is convicted of a criminal offence, becomes of an unsound mind, is guilty of any gross misconduct or negligence or refusal to comply with any lawful direction, default, or serious breach of non-observance of any of the conditions of the Executive Director Employment Contract. The Executive Director Employment Contract may be terminated by the relevant executive director by giving a minimum of four weeks notice. Upon termination of employment for any cause whatsoever, the executive director must immediately deliver to the Company all records, not retain possession or control any copies or records and repay any loans advanced by the Company together with any accrued interest up to the date of termination. Changes to the employment arrangements with an executive director are subject to the review and approval of the Remuneration Committee, and ultimately the Board.

## Interests in Contracts or Proposed Contracts with the Company

No director has any interest in any contract or proposed contract with the Company other than as disclosed elsewhere in this report.

## Directors' Report

(continued)

TABLE 1: Compensation of Key Management Personnel for the Year Ended 30 June 2006 - *Directors of Harvey Norman Holdings Limited:*

		Short Term Benefits			Post-Employment	Share-Based Payments					
		Salary & fees \$	Other Short-Term \$	Non monetary benefits \$	Superannuation \$	Shares Granted (number)	Value of Shares \$	Options Granted (number)	Value of Options \$	TOTAL \$	% of options
G. Harvey <i>Chairman</i>	2006	389,088	8,667	-	12,140	166,666	370,847	1,000,000	563,443	1,344,185	41.9%
	2005	419,695	9,533	-	11,585	166,667	112,903	1,000,000	301,862	855,578	35.3%
K.L. Page <i>Managing Director</i>	2006	454,441	-	33,521	12,140	166,666	370,847	1,000,000	563,443	1,434,392	39.3%
	2005	488,415	-	30,487	11,585	166,667	112,903	1,000,000	301,862	945,252	31.9%
R.J. Skippen <i>Executive</i>	2006	487,860	-	-	12,140	200,000	445,018	800,000	450,754	1,395,772	32.3%
	2005	488,000	-	18,502	12,000	250,000	169,355	800,000	241,489	929,346	26.0%
A.B. Brew <i>Executive</i>	2006	239,769	-	25,995	12,140	20,000	44,502	80,000	45,075	367,481	12.3%
	2005	239,769	-	15,238	11,585	20,000	13,548	80,000	24,149	304,289	7.9%
J.E. Slack-Smith <i>Executive</i>	2006	419,732	-	39,805	40,560	133,333	296,678	533,000	300,367	1,097,142	27.4%
	2005	430,298	-	33,291	38,702	166,666	112,903	534,000	161,194	776,388	20.8%
D.M. Ackery <i>Executive</i>	2006	487,860	-	-	12,140	-	297,303	-	70,843	868,146	8.2%
	2005	-	-	-	-	-	-	-	-	-	-
S.P. Hauville <i>Executive</i>	2006	77,143	4,167	-	2,023	-	-	-	27,823	111,156	25.0%
	2005	420,757	29,315	-	22,576	166,666	112,903	534,000	161,194	746,745	21.6%
M.J. Harvey <i>Non-Executive</i>	2006	1,000	-	-	19,000	-	-	-	-	20,000	-
	2005	18,349	-	-	1,651	-	-	-	-	20,000	-
C.H. Brown <i>Non-Executive</i>	2006	18,349	-	-	1,651	-	-	-	-	20,000	-
	2005	18,349	-	-	3,520	-	-	-	-	21,869	-
I.J. Norman <i>Non-Executive</i>	2006	18,349	-	-	1,651	-	-	-	-	20,000	-
	2005	18,349	-	-	3,520	-	-	-	-	21,869	-
K.W. Gunderson-Briggs <i>Non-Executive</i>	2006	20,000	-	-	40,000	-	-	-	-	60,000	-
	2005	55,046	-	-	4,954	-	-	-	-	60,000	-
G.C.Paton <i>Non-Executive</i>	2006	-	-	-	60,000	-	-	-	-	60,000	-
	2005	-	-	-	-	-	-	-	-	-	-
TOTAL	2006	2,613,591	12,834	99,321	225,585	686,665	1,825,195	3,413,000	2,021,748	6,798,274	
TOTAL	2005	2,597,027	38,848	97,518	121,678	936,666	634,515	3,948,000	1,191,750	4,681,336	

The listed parent entity, Harvey Norman Holdings Limited, does not have any employees. Mr D.M. Ackery was appointed as a director of the Company on 20 December 2005. Mr S.P. Hauville resigned as a director of the Company on 31 August 2005. Mr R.J. Skippen retired as director, secretary and chief financial officer on 20 April 2006. Mr R.J. Skippen remains an executive employee of the Company and Yoogalu Pty Limited trading as Harvey Norman, with areas of responsibility involving mergers and acquisitions and international expansion.

## Shares Issued Pursuant to DEIP

HVN Share Plan Pty Limited ACN 106 762 761 ("Plan Trustee") administers the DEIP. Refer to Note 32 to the financial statements for details of shareholdings of key management personnel and to the detailed disclosures set out below in relation to shares issued pursuant to DEIP.

### *Shares Issued on 25 November 2003:*

On 25 November 2003, the Plan Trustee subscribed for, and was issued 936,666 new shares in the Company at an issue price of \$3.004 per share ("2003 DEIP Allocation"). The 2003 DEIP Allocation fully vested on 31 August 2004 upon satisfaction of the performance conditions assessed in respect of the year ended 30 June 2004. No expense in relation to the 2003 DEIP Allocation was recognised in the previous year as the consolidated entity has applied the exemption available under AASB 1 "First-time Adoption of Australian Equivalents to International Financial Reporting Standards" to not apply AASB 2 "Share-based Payment" to equity based instruments granted after 7 November 2002 and vesting before 1 January 2005.

### *Shares Issued on 28 September 2004:*

On 28 September 2004, the Plan Trustee subscribed for, and was issued 820,002 new shares in the Company at an issue price of \$2.9263 per share as equity compensation benefits for the benefit of certain executive directors ("2004 DEIP Allocation"). The conditions for vesting of the 2004 DEIP Allocation have not been satisfied and accordingly the value of shares, the subject of the 2004 DEIP Allocation, has not been disclosed as part of remuneration for certain executive directors and has not been recognised as a share-based payment expense under AASB 2 for the current or prior periods.

### *Shares Issued on 29 June 2005:*

On 29 June 2005, the Plan Trustee subscribed for, and was issued, 133,334 new shares in the Company at an issue price of \$2.6193 per share ("2005 DEIP Ackery Shares"). The 2005 DEIP Ackery Shares have been registered in the name of the Plan Trustee, to be held for the benefit of the executive director, Mr D.M. Ackery, subject to the terms and conditions of the DEIP. The 2005 DEIP Ackery Shares fully vested on 31 August 2006 upon satisfaction of the performance conditions assessed in respect of the year ended 30 June 2006.

### *Reallocation of 2004 DEIP Allocation on 4 November 2005:*

As the conditions for vesting of the 2004 DEIP Allocation were not satisfied, 686,665 of the shares, the subject of the 2004 DEIP Allocation, were appropriated, reallocated and utilised in the provision of equity compensation benefits on 4 November 2005 ("2005 DEIP Allocation"), for certain executive directors, as disclosed in Table 2 on page 21 of this report. The 2005 DEIP Allocation is to be assessed in respect of the year ended 30 June 2006 pursuant to the DEIP rules. The value of the 2005 DEIP Allocation was the volume weighted average share price for the 5-day period ending on 4 November 2005, which was \$2.79 per share. The residue of the 2004 DEIP Allocation, namely 133,337 shares, was sold on market.

## Options Issued Pursuant to EOP

Refer to Note 32 to the financial statements for details of option holdings of key management personnel and to the detailed disclosures set out below in relation to options issued pursuant to EOP.

### *Options Issued on 25 November 2003:*

On 25 November 2003, 3,948,000 options to subscribe for 3,948,000 fully paid ordinary shares were issued, free of charge, to the respective trustees of trusts for the benefit of certain executive directors at an exercise price of \$3.00 per option ("2003 EOP Allocation"). The qualifying period for the 2003 EOP Allocation is the year ended 30 June 2004. The 2003 EOP Options were valued at grant date using the recognised Black-Scholes-Merton valuation methodology which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Using the Black-Scholes-Merton valuation methodology, the value of the 2003 EOP Allocation was \$0.5326 per option or \$2,102,705 in total.

Mr S. P. Hauville resigned his position as a director of the Company on 31 August 2005 and was deemed to leave the DEIP and EOP on that same date. The 534,000 options issued to the respective trustee of trust for the benefit of Mr S. P. Hauville were exercisable from 1 September 2005. The options held by the trustee of a trust for the benefit of Mr S.P. Hauville under EOP were not exercised and can longer be exercised.

### *Options Issued on 28 September 2004:*

On 28 September 2004, 3,946,000 options to subscribe for 3,946,000 fully paid ordinary shares were issued, free of charge, to the respective trustees of trusts for the benefit of certain executive directors at an exercise price of \$2.93 per option ("2004 EOP Allocation"). The qualifying period for the 2004 EOP Allocation is the year ended 30 June 2005.

The 2004 EOP Allocation has been valued at grant date using the recognised Black Scholes-Merton valuation methodology which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. Using the Black Scholes-Merton valuation methodology, the value of each option in the 2004 EOP Allocation was \$0.4258 per option or \$1,680,207 in total.

The fair value of the 2004 EOP Allocation has not been disclosed as part of remuneration for executive directors or as a share-based expense in the income statement for the previous financial year as the relevant performance conditions in respect of the year ended 30 June 2005 were not satisfied. Performance Condition 1 "Earnings Per Share of the Company must increase by 10% per annum cumulative, over the qualifying period" was not satisfied as the basic earnings per share as reported under the previous accounting regime ("AGAAP") decreased by 2.65% relative to the previous financial year.

The performance conditions under EOP are cumulative and all options are available up to the last exercise date (30 November 2008). During the current period, a reassessment was performed for the 2004 EOP Allocation in respect of the year ended 30 June 2006 to ascertain whether the relevant performance conditions were achieved. Based on the financial performance of the consolidated entity for the year ended 30 June 2006, the performance conditions for the 2004 EOP Allocation have been satisfied. The fair value of the 2004 EOP Allocation has been disclosed as part of remuneration for executive directors and recognised as a share-based payment expense in the income statement for the year ended 30 June 2006.

Upon resignation of Mr S.P. Hauville as a director of the Company on 31 August 2005, the 533,000 options previously issued to the trustee of a trust for the benefit of Mr S.P. Hauville on 28 September 2004 lapsed as the service conditions in respect of those options were not met.

### *Options Issued on 29 June 2005:*

On 29 June 2005, 533,333 options to subscribe for 533,333 fully paid ordinary shares were issued, free of charge, to the respective trustee of a trust for the benefit of Mr. D. Ackery at an exercise price of \$2.62 per option (the "2005 EOP Ackery Options"). The 2005 EOP Ackery Options are not capable of exercise prior to 1 September 2007 and will lapse, if not exercised, no later than 30 November 2010. The qualifying period for the 2005 EOP Ackery Options is the year ended 30 June 2006. The 2005 EOP Ackery Options have been valued at grant date using the recognised binomial valuation methodology which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option.

Using the binomial valuation methodology, the value of the 2005 EOP Ackery Options was \$0.434 per option or \$231,467 in total. The value of the 2005 EOP Ackery Options determined at grant date is disclosed as part of remuneration of Mr D. Ackery and recognised as a share-based payment expense in the income statement evenly over the vesting period of the 2005 EOP Ackery Options.

### *Options Issued on 4 November 2005:*

On 4 November 2005, 3,413,000 options to subscribe for 3,413,000 fully paid ordinary shares were issued, free of charge, to the respective trustees of trusts for the benefit of certain executive directors at an exercise price of \$2.79 per option ("2005 EOP Allocation"). The qualifying period for the 2005 EOP Allocation is the year ended 30 June 2006.

The options, the subject of the 2005 EOP Allocation, have been valued at grant date, using the Black Scholes-Merton valuation methodology. Under this valuation methodology, the value of each option in the 2005 EOP Allocation was \$0.5147 per option or \$1,756,671 in total. The number of options issued to each of the trustees of the trusts has been discounted based on the likelihood of the performance and service conditions being met, to reflect the actual number of options expected to vest. The value of the options has been apportioned over the vesting period. The remuneration disclosed in Table 1 on page 19 of this report and the share-based payment expense recognised in the income statement represents the current year amortisation amount for the year ending 30 June 2006, calculated as the number of days in that financial year over the total number of days in that option vesting period multiplied by the number of options granted at the Black Scholes-Merton value of \$0.5147 per option.

TABLE 2: Options Granted as Part of Remuneration:

	Options Granted as Remuneration During the Year							Options Lapsed During the Year		
	Grant Date	Grant Number	Value per option at Grant Date \$	Total Value of Options Granted During Year \$	First Exercise Date	Last Exercise Date		Number of Options Vested During Year	Value of Options Exercised During Year	Total Value of Options Granted, Exercised & Lapsed During Year
G. Harvey	04/11/2005	1,000,000	\$0.5147	\$514,700	01/09/07	30/11/08		1,000,000	-	\$514,700
K.L. Page	04/11/2005	1,000,000	\$0.5147	\$514,700	01/09/07	30/11/08		1,000,000	-	\$514,700
R.J. Skippen	04/11/2005	800,000	\$0.5147	\$411,760	01/09/07	30/11/08		800,000	-	\$411,760
J.E. Slack-Smith	04/11/2005	533,000	\$0.5147	\$274,335	01/09/07	30/11/08		534,000	-	\$274,335
A.B. Brew	04/11/2005	80,000	\$0.5147	\$41,176	01/09/07	30/11/08		80,000	-	\$41,176
S.P. Hauville	-	-	-	-	-	-		534,000	-	\$393,358
								1,067,000	\$393,358	
<b>TOTAL</b>		<b>3,413,000</b>		<b>\$1,756,671</b>				<b>3,948,000</b>	<b>-</b>	<b>\$2,150,029</b>

TABLE 3: Compensation of Key Management Personnel for the Year Ended 30 June 2006 - *Executives of Harvey Norman Holdings Limited:*

		Short-Term Benefits		Post-Employment	Share-Based Payments				TOTAL \$	% of options
		Salary & fees \$	Non monetary benefits \$	Super - annuation \$	Shares Granted (number)	Value of Shares \$	Options Granted (number)	Value of Options \$		
<b>R. Orrock</b> (a)	<b>2006</b>	<b>187,500</b>	<b>16,144</b>	<b>9,105</b>	-	-	-	-	<b>212,749</b>	-
<i>General Manager: Domayne</i>	<b>2005</b>	-	-	-	-	-	-	-	-	-
<b>M.L. Anderson</b>	<b>2006</b>	<b>248,033</b>	<b>27,624</b>	<b>16,240</b>	-	-	-	-	<b>291,897</b>	-
<i>General Manager: Advertising</i>	<b>2005</b>	<b>214,793</b>	<b>20,442</b>	<b>16,240</b>	-	-	-	-	<b>251,475</b>	-
<b>C. Mentis</b> (b)	<b>2006</b>	<b>195,839</b>	<b>39,363</b>	<b>12,140</b>	-	-	-	-	<b>247,342</b>	-
<i>Chief Financial Officer</i>	<b>2005</b>	<b>151,682</b>	<b>32,356</b>	<b>11,585</b>	-	-	-	-	<b>195,623</b>	-
<b>K. Escott</b> (c)	<b>2006</b>	<b>199,781</b>	-	<b>7,081</b>	-	-	-	-	<b>206,862</b>	-
<i>Chief Information Officer</i>	<b>2005</b>	-	-	-	-	-	-	-	-	-
<b>J. Scott</b> (d)	<b>2006</b>	<b>74,541</b>	-	<b>3,035</b>	-	-	-	-	<b>77,576</b>	-
<i>General Manager: Property</i>	<b>2005</b>	-	-	-	-	-	-	-	-	-
<b>D.M. Ackery</b> (e)	<b>2006</b>	-	-	-	-	-	-	-	-	-
<i>Executive</i>	<b>2005</b>	<b>162,805</b>	-	<b>3,862</b>	<b>133,334</b>	<b>651</b>	<b>533,333</b>	<b>292</b>	<b>167,610</b>	<b>0.2%</b>
<b>R.C.D. Champion</b>	<b>2006</b>	<b>202,476</b>	<b>28,690</b>	<b>7,082</b>	-	-	-	-	<b>238,248</b>	-
<i>[Resigned 30 December 2005]</i>	<b>2005</b>	<b>298,561</b>	<b>46,301</b>	<b>11,585</b>	-	-	-	-	<b>356,447</b>	-
<b>S. Lindsay</b>	<b>2006</b>	<b>65,567</b>	-	<b>5,153</b>	-	-	-	-	<b>70,720</b>	-
<i>[Resigned 30 September 2005]</i>	<b>2005</b>	<b>214,000</b>	<b>13,000</b>	<b>11,925</b>	-	-	-	-	<b>238,925</b>	-
<b>TOTAL KEY MANAGEMENT PERSONNEL 2006</b>		<b>1,173,737</b>	<b>111,821</b>	<b>59,836</b>	-	-	-	-	<b>1,345,394</b>	
<b>TOTAL KEY MANAGEMENT PERSONNEL 2006</b>		<b>1,041,841</b>	<b>112,099</b>	<b>55,197</b>	<b>133,334</b>	<b>651</b>	<b>533,333</b>	<b>292</b>	<b>1,210,080</b>	

- (a) Mr R. Orrock was appointed as General Manager: Domayne on 30 September 2005 upon resignation of S. Lindsay on the same date.
- (b) Mr C. Mentis was appointed as Chief Financial Officer on 20 April 2006 upon retirement of Mr. R.J. Skippen as Director, Secretary and Chief Financial Officer on the same date. Prior to this appointment, Mr C. Mentis held the position of Financial Controller of the consolidated entity.
- (c) Mr K. Escott was appointed as Chief Information Officer on 1 November 2005.
- (d) Mr J. Scott was appointed as General Manager: Property on 3 April 2006 upon resignation of Mr. R.C.D Champion on 30 December 2005.
- (e) Mr D.M. Ackery was appointed to the Board of Directors of Harvey Norman Holdings Limited on 20 December 2005.



TABLE 4: Compensation of the Five Named Executives Who Receive the Highest Remuneration in the Consolidated Entity for the Year Ended 30 June 2006

	Short Term Benefits				Post-Employment	Share-Based Payments					
	Salary & fees \$	Cash STI \$	Other Short-Term	Non monetary benefits \$	Super \$	Shares Granted (number)	Value of Shares \$	Options Granted (number)	Value of Options \$	TOTAL \$	% of options
<b>S. M. Heath</b> <i>Managing Director: Rebel Sport Limited</i>	402,861	-	-	10,000	12,139	150,000	157,723	-	-	582,723	-
<b>P. Hearn</b> <i>General Manager - Electrical: Harvey Norman Holdings Ireland Limited</i>	424,060	-	-	-	-	-	-	-	-	424,060	-
<b>A. A. Augustus</b> <i>Managing Director: Pertama Holdings Limited, Singapore</i>	328,624	-	14,592	-	-	-	-	4,000,000	45,167	388,383	11.6%
<b>G. Norman</b> <i>Resigned 1 June 2006</i>	307,731	-	-	44,388	-	-	-	-	-	352,119	-
<b>M. J. Dunkerley</b> <i>Resigned 1 October 2005</i>	105,212	227,550	13,301	-	-	-	-	-	-	346,063	-
<b>TOTAL</b>	<b>1,568,488</b>	<b>227,550</b>	<b>27,893</b>	<b>54,388</b>	<b>12,139</b>	<b>150,000</b>	<b>157,723</b>	<b>4,000,000</b>	<b>45,167</b>	<b>2,093,348</b>	

(a) Mr M.J. Dunkerley resigned as Managing Director of Pertama Holdings Limited, Singapore on 1 October 2005.

(b) Mr G. Norman resigned as Director of Harvey Norman Europe d.o.o on 1 June 2006.

Mr S. M. Heath was issued 150,000 performance rights on 22 November 2005, after approval at a general meeting of Rebel shareholders, under the Rebel Options and Performance Rights Plan and in accordance with the Rebel Options and Performance Rights Plan Rules. The value of these performance rights for inclusion within the remuneration disclosed above has been determined using the Black-Scholes-Merton Pricing Model. Under the Black-Scholes-Merton Option Pricing Model, the performance rights issued to Mr S. M. Heath (150,000 performance rights over ordinary shares with a \$nil exercise price), were valued at \$2.38 per performance right. Refer to note 30 to the financial statements for further information.

Mr A. A. Augustus was issued 4,000,000 options on 25 October 2005 to subscribe for 4,000,000 ordinary shares in Pertama Holdings Limited, Singapore. Options have been valued at grant date, using the Black-Scholes option pricing model which takes account of factors such as the option exercise price, the current level and volatility of the underlying share price and the time to maturity of the option. The value of the options has been apportioned over the vesting period. The amortisation amount disclosed in the above table represents the current year amortisation amount for the year ended 30 June 2006, calculated as the number of days in that financial year over the total number of days in that option vesting period multiplied by the number of options granted at the Black-Scholes value. Refer to Note 30 to the financial statements for further details of these options.

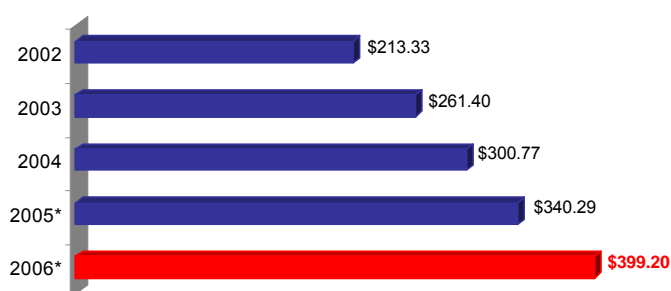


## Relationship between Remuneration and the Performance of the Company

The Remuneration Committee is responsible for ensuring that the remuneration policies of the Company motivates directors and employees to pursue short-term goals, long-term growth and success of the Company. The different remuneration components disclosed in Table 1 and Table 3 in the Remuneration Report reflect the link between *at risk* remuneration of executives and the performance of the Company. The amount of *at risk* remuneration of an executive is wholly dependant upon satisfaction of the respective service conditions and performance conditions under each of DEIP and EOP.

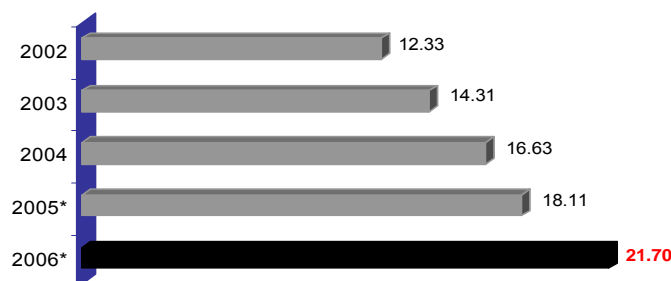
To demonstrate, the graphs below illustrate the Company's performance for the past five financial periods.

### EARNINGS BEFORE INTEREST & TAX (\$ million)



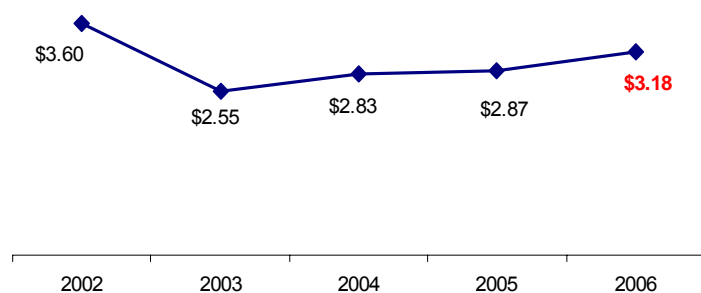
*Earnings Before Interest & Tax (\$ million) for the past five years*

### EARNINGS PER SHARE (cents)



*Earnings Per Share (cents) for the past five years*

### HVN AVERAGE SHARE PRICE (\$)



*Average Share Price (\$) for the past five years*

\* Balances for 2006 and 2005 are under AIFRS. Balances for 2004, 2003, and 2002 have not been restated for AIFRS.

## Indemnification of Officers

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

An indemnity agreement was entered into between 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. This indemnity is limited to \$10,000,000.

Harvey Norman Holdings Limited paid an insurance premium of \$57,750 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 the Australian group entities, against all liabilities and expenses arising as result of work performed in their respective capacities, to the extent permitted by law.

## Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Harvey Norman Holdings Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement follows the Directors' Report.

## Tax Consolidation

Effective 1 July 2002, for the purposes of income taxation, Harvey Norman Holdings Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the wholly owned subsidiaries on a pro-rata basis. In addition the agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations.

## Rounding of Amounts

The parent entity is a company of the kind specified in Australian Securities and Investments Commission class order 98/0100. In accordance with the class order, amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

## Auditor Independence and Non-Audit Services

During the year, Harvey Norman Holdings Limited's auditors, Ernst & Young, provided non-audit services to Harvey Norman Group entities. In accordance with advice from the Company's Audit Committee, 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. Also, in accordance with advice from the Audit Committee, the directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of the amounts paid or payable to the auditor, Ernst & Young, for the provision of non-audit services during the year ended 30 June 2006 are as follows:

- Tax compliance services \$308,433
- Accounting advice \$25,930
- Other services \$70,503

## Auditor Independence and Non-Audit Services

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



■ Ernst & Young Centre  
680 George Street  
Sydney NSW 2000  
Australia

GPO Box 2646  
Sydney NSW 2001

■ Tel 61 2 9248 5555  
Fax 61 2 9248 5959  
DX Sydney Stock  
Exchange 10172

## Auditors' Independence Declaration to the Directors of Harvey Norman Holdings Limited

In relation to our audit of the financial report of Harvey Norman Holdings Limited for the financial year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Craig M. Jackson  
Partner  
Sydney  
29 September 2006

Signed in accordance with a resolution of directors.

G. HARVEY  
Chairman  
Sydney  
29 September 2006

J. SLACK-SMITH  
Director / Chief Operating Officer  
Sydney  
29 September 2006

The Company is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" for the entire financial period, unless otherwise stated. Where the ASX Corporate Governance Council's recommendations have not been adopted by the Company, this is identified and explained below.

## 1. Lay solid foundations for management and oversight

### 1.1 Recognise and publish the respective roles and responsibilities of the board and management

The directors of the Company are accountable to shareholders for the proper management of the business and affairs of the Company. The managing director is a member of the board but does not hold the position of chairperson.

The key responsibilities of the board are to:

- establish, monitor and modify the corporate strategies of the Company;
- ensure proper corporate governance;
- monitor the performance of management of the Company;
- ensure that appropriate risk management systems, internal control and reporting systems and compliance frameworks are in place and are operating effectively;
- monitor financial results;
- approve decisions concerning the capital (including capital restructures) and dividend policies of the Company; and
- comply with reporting and other requirements of the law.

The board confirmed the role and responsibilities of the board in a written board charter, which was formally adopted at a meeting of directors of the Company held 18 August 2003. A copy of the board's charter is available on the company's website.

## 2. Structure the board to add value

### 2.1 Composition of the board

The constitution of the Company provides that the number of directors must be not less than three. There are presently ten (10) directors. The executive directors are the Chairman (Mr G. Harvey), Managing Director (Ms K.L. Page), Chief Operating Officer (Mr J.E. Slack-Smith) together with Mr A. Brew and Mr D. Ackery, who was appointed to the board on 20 December 2005. Mr R.J. Skippen retired as Director, Secretary and Chief Financial Officer on 20 April 2006. Mr R.J. Skippen remains an executive employee of the Company and Yoogalu Pty Limited trading as Harvey Norman, with areas of responsibility involving mergers and acquisitions and international expansion. All other directors are non-executive directors. Two of the non-executive directors, Mr K.W. Gunderson-Briggs, and Mr G.C. Paton AM (appointed 20 June 2005) are independent directors. Mr S.P. Hauville resigned as a director of the Company on 31 August 2005.

A majority of the members of the board are not independent directors. The board believes that the individuals on the board can make, and do make, quality and independent judgements in the best interests of the Company on all relevant issues, notwithstanding that the chairperson is not an independent director and a majority of the board are not independent directors. The directors are able to obtain independent advice at the expense of the Company.

The board considers a director to be an independent director if that director is a non-executive director (i.e. is not a member of management) and:

- (i) is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- (ii) within the last three (3) years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- (iii) within the last three (3) years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided;
- (iv) is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

- (v) has no material contractual relationship with the Company or another group member other than as a director of the Company;
- (vi) has not served on the board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- (vii) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

## Chairperson of the board

The chairperson is an executive director, and therefore not an independent director. The roles of chairperson and managing director are not exercised by the same individual. The board believes that the chairperson is able, and does bring quality and independent judgement to all relevant issues falling within the scope of the role of a chairperson.

## Management of the business of the Company

The business of the Company is conducted by or under the supervision of the managing director and by employees to whom management functions have been delegated by the managing director. The board has delegated responsibility for the day-to-day management of the Company to the managing director. The managing director must consult the board on matters that are sensitive, extraordinary or of a strategic nature.

## 2.2 Nomination committee

The nomination committee consists of three non-executive directors, two of whom are independent. The responsibilities of the nomination committee include the identification of individuals qualified to become members of the board and to recommend those individuals to the board for nomination as members of the board and committees of the board.

The board confirmed the role and responsibilities of the nomination committee in a written charter adopted by the board. A copy of the nomination committee's charter is available on the Company's web-site.

The board has assessed the performance of individual directors and the board as a whole, and determined, apart from the appointment of Mr. D. Ackery as a director on 20 December 2005, there was no need during the reporting period, and there is no present need, for the appointment of any additional directors. The nomination committee recommended to the board that an additional director be appointed with experience in the retail industry. Mr D.M Ackery has substantial previous retail industry experience.

## 3. Promote ethical & responsible decision-making

The Company has:

- (i) clarified the standards of ethical behaviour required of directors and key executives (that is, officers and employees who have the opportunity to materially influence the integrity, strategy and operation of the business and its financial performance) and encourages the observance of those standards; and
- (ii) published the position of the Company concerning the issue of board and employee trading in Company securities.

### 3.1 Code of conduct

The Company has established a code of conduct to guide the non-executive directors, the managing director and other key executives as to:

- (i) the practices and ethical standards necessary to maintain confidence in the integrity of the Company; and
- (ii) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The code of conduct deals with the following matters:

- (i) conflicts of interest - managing situations where the interest of a private individual interferes or appears to interfere with the interests of the Company as a whole;
- (ii) corporate opportunities - preventing directors and key executives from taking advantage of property, information or position, or opportunities arising from these, for personal gain or to compete with the Company;
- (iii) confidentiality - restricting the use of non-public information except where disclosure is authorised or legally mandated;
- (iv) fair dealing - by all employees with the customers, suppliers, competitors and employees of the Company;
- (v) protection and proper use of the assets of the Company - protecting and ensuring efficient use of assets for legitimate business purposes;
- (vi) compliance with laws and regulations - active promotion of compliance; and
- (vii) encouraging the reporting of unlawful or unethical behaviour - active promotion of ethical behaviour and protection for those who report violations in good faith.

## 3.2 Trading in Company securities by directors, officers and employees

The Company has a share trading policy. Directors and senior management (and their associates) are prohibited from engaging in short-term trading of Company securities. The policy also restricts the buying or selling of Company securities to three "window" periods (between 24 hours and 30 working days following the release of the annual results, the release of the half-yearly results and the close of the annual general meeting) and such other times as the board permits. In addition, directors and senior management must notify the chairperson before they or their close relatives buy or sell Company securities.

## 4. Safeguard integrity in financial reporting

The Company has put in place a structure of review and authorisation designed to ensure the truthful and factual presentation of the financial position of the Company. The structure includes:

- (i) review and consideration of the accounts by the audit committee; and
- (ii) a process to ensure the independence and competence of the external auditors of the Company.

### 4.1 Statement to the board by the managing director and chief financial officer

The board requires the managing director and the chief financial officer to state in writing to the board that the financial reports of the Company present a true and fair view, in all material respects, of the financial condition and operational results of the Company and are in accordance with relevant accounting standards.

### 4.2 Audit committee - structure and purpose

The board has established an audit committee. The audit committee provides assistance to the board in fulfilling the corporate governance and oversight responsibilities of the board to verify and safeguard the integrity of the financial reporting of the Company. The audit committee maintains free and open communication between the audit committee, the auditors and management of the Company. The audit committee must consist of not less than three members and the majority of the members of the audit committee must be independent directors. Since 20 June 2005, the audit committee has consisted of three members, comprising three non-executive directors (two of whom were and remain independent).

The chairperson of the audit committee must not be the chairperson of the board of directors, and must be independent.

At least one member of the audit committee must have financial expertise (i.e. is a qualified accountant or other financial professional with experience in financial and accounting matters), and some members who have an understanding of the industry in which the Company operates.

# Corporate Governance

## Statement (continued)

The board confirmed the role and responsibilities of the audit committee in a written charter, which was formally adopted at a meeting of directors of the Company held 18 August 2003. A copy of the audit committee's charter is available on the company's website. The audit committee meets not less than four times each year.

The purpose of the audit committee is to:

- (i) review and approve audit plans;
- (ii) review and approve the half-year financial report;
- (iii) update the internal and external audit plans;
- (iv) review and approve the annual financial report; and
- (v) meet in private session at least annually to assess the effectiveness of management.

The audit committee makes a report to the board in relation to matters relevant to the role and responsibilities of the committee, including:

- (i) assessment of whether external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs;
- (ii) assessment of the management processes supporting external reporting;
- (iii) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
- (iv) recommendations for the appointment or removal of an auditor;
- (v) assessment of the performance and independence of the external auditors and whether the audit committee is satisfied that the independence of this function has been maintained having regard to the provision of any non-audit services;
- (vi) assessment of the performance and objectivity of the internal audit function; and
- (vii) the results of its review of risk management and internal compliance and control systems.

The audit committee is empowered to investigate any matter brought to the attention of the audit committee with full access to all books, records, facilities, and personnel of the Company and the authority to engage independent counsel and other advisers as the audit committee determines necessary to carry out the duties of the audit committee.

During the reporting period, the audit committee met with the external auditor to review the independence of the external auditor and discuss the need for rotation of external audit engagement partners. The audit committee determined that there was no need for any change in the external auditor.

## 5. Timely and balanced disclosure

The Company has established policies and procedures designed to ensure compliance with the ASX Listing Rule requirements such that:

- (i) all investors have equal and timely access to material information concerning the Company, including its financial situation, performance, ownership and governance; and
- (ii) Company announcements are factual and presented in a clear and balanced way.

The Company has established policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The board authorises all disclosures necessary to ensure compliance with ASX Listing Rule disclosure requirements.

## 6. Respect the rights of shareholders

The Company has a communications strategy to promote effective communication with shareholders, subject to privacy laws and the need to act in the best interests of the Company by protecting confidential commercial information, and encourage effective participation at general meetings.

All relevant disclosures made in accordance with ASX Listing Rule disclosure requirements are placed on the website of the Company after they have been released to, and acknowledged by the ASX.

The Company requests the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## 7. Recognise and manage risk

The board or appropriate board committees have established policies on risk oversight and management. In order to carry out this function, the audit committee:

- (i) reviews the financial reporting process of the Company on behalf of the board and reports the results of its activities to the board;
- (ii) discusses with management and the external and internal auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk, and any legal and ethical compliance programmes;
- (iii) reviews with the external and internal auditor any audit problems or difficulties and the response of management;
- (iv) receives reports from the external and internal auditor on the critical policies and practices of the Company;
- (v) makes recommendations to the board on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors;
- (vi) reviews and assesses the independence of the external auditor;
- (vii) reviews and discusses with the board any ASX press releases, the half-year financial report, Appendix 4E and other reports required to be lodged with the ASX, prior to the filing of these documents with the ASX;
- (viii) establishes procedures for the receipt, retention and treatment of complaints received by the Company (if any) regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding accounting or auditing matters.

The managing director and the chief financial officer state to the board in writing that:

- (i) that the accounts are true and fair and comply with accounting standards, are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board; and
- (ii) the Company's risk management and internal compliance is operating efficiently and effectively in all material respects.

The systems of internal financial control have been determined by senior management of the Company and are designed to provide reasonable, but not absolute protection against fraud, material misstatement or loss. These controls are intended to identify, in a timely manner, control issues that require attention of the board or audit committee.

## 8. Encourage enhanced performance

The performance of committees, individual directors and key executives is evaluated regularly by the board. The board regularly evaluates the performance of the board.

There has been no formal performance evaluation for the board, the members of the board, committees or individual directors undertaken in the reporting period. The board informally evaluates the performance of the board, the members of the board, committees and individual directors during each meeting of the board. The board believes that the individuals on the board have made quality and independent judgments in the best interests of the Company on all relevant issues during the reporting period. There has been a formal performance evaluation of all key executives (other than the executive directors) during the reporting period.



## 9. Remunerate fairly & equally

The Company intends to ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined. On 30 June 2003, the Company established a remuneration committee, consisting of three non-executive directors, one of whom was and remains an independent director. Since 20 June 2005, the remuneration committee has consisted of three members, comprising three non-executive directors, two of whom are independent.

The board confirmed the role and responsibilities of the remuneration committee in a written charter, which was formally adopted at a meeting of directors of the Company, held 18 August 2003

The responsibilities of the remuneration committee include the review and making of recommendations to the board on:

- (i) executive remuneration and incentive policies;
- (ii) remuneration packages of senior management;
- (iii) the recruitment, retention and termination policies of the Company and procedures for senior management;
- (iv) incentive schemes;
- (v) superannuation arrangements;
- (vi) the remuneration framework for directors.

The remuneration policy of the Company has been designed so that the policy:

- (i) motivates directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
- (ii) demonstrates a clear relationship between key executive performance and remuneration.

The remuneration committee reviews the performance, and negotiates the remuneration of all executive directors. The remuneration committee reviews recommendations of the managing director and the chief financial officer in relation to all employees of the Company, other than the executive directors. No individual is directly involved in deciding his/her remuneration. The remuneration committee believes that remuneration packages of executives of the Company involve a balance between fixed and incentive pay, reflecting short and long-term performance objectives, appropriate to the circumstances and goals of the Company. A proportion of the remuneration of executive directors is structured in a manner designed to link rewards to corporate and individual performance.

The Company believes that the members of the remuneration committee can make, and do make, quality and independent judgements in the best interests of the Company on remuneration issues, notwithstanding that the members of the remuneration committee are not all independent.

The remuneration of non-executive directors is different from that of executives. Executive directors are remunerated by means of a salary, and in certain cases, by equity based remuneration. All equity based remuneration is made in accordance with plans approved by shareholders. Non-executive directors are not entitled to any retiring allowance, payable upon their retirement as a director of the Company.

## 10. Recognise the legitimate interests of stakeholders

The Company has established a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders in the Company. The code of conduct gives guidance to the directors and other key executives about:

- (i) the practices necessary to maintain confidence in the integrity of the Company; and
- (ii) the right of employees to alert management and the board in good faith to potential misconduct without fear of retribution, and, where necessary, recording and investigation of such alerts.

# Balance Sheet as at 30 June 2006

		CONSOLIDATED		PARENT	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Current Assets</b>					
Cash and cash equivalents	27(a)	122,776	149,396	-	-
Trade and other receivables	6	1,004,515	863,870	-	-
Other financial assets	7	2,742	35,360	-	-
Inventories	8	259,384	238,450	-	-
Other assets	9	20,026	11,308	-	-
Intangible assets	10	2,302	1,012	-	-
Total current assets		1,411,745	1,299,396	-	-
<b>Non-Current Assets</b>					
Trade and other receivables	11	48,947	65,070	844,489	764,311
Investments accounted for using equity method	38	96,065	88,548	-	-
Other financial assets	12	15,149	8,184	63,132	63,122
Inventories	13	32,093	31,475	-	-
Property, plant and equipment	14	474,734	433,727	-	-
Investment properties	15	891,901	778,617	-	-
Intangible assets	16	34,839	41,003	-	-
Deferred income tax assets	4	24,891	13,152	5,364	2,012
Total non-current assets		1,618,619	1,459,776	912,985	829,445
Total Assets		3,030,364	2,759,172	912,985	829,445
<b>Current Liabilities</b>					
Trade and other payables	17	552,001	590,962	272	309
Interest-bearing loans and borrowings	18	118,841	87,824	-	-
Income tax payable		20,148	12,778	13,311	9,155
Provisions	20	14,575	11,225	-	-
Other liabilities	19	7,813	4,440	-	-
Total current liabilities		713,378	707,229	13,583	9,464
<b>Non-Current Liabilities</b>					
Interest-bearing loans and borrowings	21	733,473	687,353	-	-
Provisions	20	7,179	7,652	-	-
Deferred income tax liabilities	4	114,149	82,728	3,209	92
Other liabilities	22	19,260	7,773	-	-
Total non-current liabilities		874,061	785,506	3,209	92
Total Liabilities		1,587,439	1,492,735	16,792	9,556
<b>NET ASSETS</b>		<b>1,442,925</b>	<b>1,266,437</b>	<b>896,193</b>	<b>819,889</b>
<b>Equity</b>					
Contributed equity	23	246,591	246,591	246,591	246,591
Other reserves	24	31,815	15,000	-	-
Retained profits	25	1,074,661	929,888	649,602	573,298
Parent entity interest		1,353,067	1,191,479	896,193	819,889
Minority interest	26	89,858	74,958	-	-
<b>TOTAL EQUITY</b>		<b>1,442,925</b>	<b>1,266,437</b>	<b>896,193</b>	<b>819,889</b>

## Balance Sheet as at 30 June 2006 (continued)

		MEMBERS OF THE PARENT		MINORITY INTERESTS		CONSOLIDATED	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Interest in the equity of the consolidated entity</b>							
Contributed equity	23	246,591	246,591	52,728	50,932	299,319	297,523
Reserves	24	31,815	15,000	(1,775)	(6,048)	30,040	8,952
Retained profits	25	1,074,661	929,888	38,905	30,074	1,113,566	959,962
<b>TOTAL INTEREST IN EQUITY</b>		<b>1,353,067</b>	<b>1,191,479</b>	<b>89,858</b>	<b>74,958</b>	<b>1,442,925</b>	<b>1,266,437</b>

# Income Statement

## for the year ended 30 June 2006

		CONSOLIDATED		PARENT	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Continuing Operations</b>					
Sales revenue	2	1,475,127	1,284,946	-	-
Cost of sales		(1,036,254)	(902,757)	-	-
<b>Gross profit</b>		<b>438,873</b>	<b>382,189</b>	<b>-</b>	<b>-</b>
Revenues and other income items	2	791,036	673,708	167,270	173,768
Distribution expenses		(5,511)	(5,701)	-	-
Marketing expenses		(255,725)	(232,636)	-	-
Occupancy expenses		(148,057)	(128,548)	-	-
Administrative expenses		(361,110)	(307,472)	-	-
Other expenses from ordinary activities		(64,872)	(45,023)	(405)	(402)
Finance costs	3	(47,526)	(41,944)	-	-
Share of net profit of associates, joint venture entities and partnerships accounted for using the equity method	38	4,569	3,768	-	-
<b>Profit before income tax</b>		<b>351,677</b>	<b>298,341</b>	<b>166,865</b>	<b>173,366</b>
Income tax expense	4	(107,392)	(89,954)	(11,227)	(11,937)
<b>Profit after tax from continuing operations</b>		<b>244,285</b>	<b>208,387</b>	<b>155,638</b>	<b>161,429</b>
Profit attributable to minority interests		(14,727)	(16,754)	-	-
<b>Profit attributable to members of the parent</b>	25	<b>229,558</b>	<b>191,633</b>	<b>155,638</b>	<b>161,429</b>
<b>Basic earnings per share (cents per share)</b>	5	<b>21.70</b>	<b>18.11</b>	<b>-</b>	<b>-</b>
<b>Diluted earnings per share (cents per share)</b>	5	<b>21.68</b>	<b>18.11</b>	<b>-</b>	<b>-</b>
<b>Dividends per share (cents per share)</b>		<b>8.0 cents</b>	<b>6.5 cents</b>		

# Statement of Changes in Equity for the year ended 30 June 2006

CONSOLIDATED	Attributable to Equity Holders of the Parent				TOTAL EQUITY
	Contributed Equity	Retained Profits	Other Reserves	Minority Interest	
	\$000	\$000	\$000	\$000	
AT 1 JULY 2004 Under AGAAP	246,591	667,493	243,845	70,346	1,228,275
AIFRS Transition Adjustments	-	150,086	(230,451)	(2,399)	(82,764)
<b>Restated at 1 July 2004 Under AIFRS</b>	<b>246,591</b>	<b>817,579</b>	<b>13,394</b>	<b>67,947</b>	<b>1,145,511</b>
Currency translation differences	-	-	(4,095)	(3,961)	(8,056)
Revaluation of land and buildings	-	-	4,278	-	4,278
<b>Net income/(expense) recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>183</b>	<b>(3,961)</b>	<b>(3,778)</b>
Profit attributable to members	-	191,633	-	16,754	208,387
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>191,633</b>	<b>183</b>	<b>12,793</b>	<b>204,609</b>
Cost of share based payments	-	-	1,423	-	1,423
Dividends paid	-	(79,324)	-	(5,782)	(85,106)
<b>AT 30 JUNE 2005</b>	<b>246,591</b>	<b>929,888</b>	<b>15,000</b>	<b>74,958</b>	<b>1,266,437</b>
<b>AT 1 JULY 2005</b>	<b>246,591</b>	<b>929,888</b>	<b>15,000</b>	<b>74,958</b>	<b>1,266,437</b>
Impact of adopting AASB 132 and 139	-	(5,557)	(2,991)	-	(8,548)
<b>Restated at 1 July 2005 on adoption of AASB 132 and 139</b>	<b>246,591</b>	<b>924,331</b>	<b>12,009</b>	<b>74,958</b>	<b>1,257,889</b>
Revaluation of land and buildings	-	-	16,353	-	16,353
Currency translation differences	-	-	(10,292)	5,754	(4,538)
Fair value of interest rate swaps	-	-	7,246	-	7,246
Fair value of available for sale financial assets	-	-	1,446	-	1,446
<b>Net income recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>14,753</b>	<b>5,754</b>	<b>20,507</b>
Profit attributable to members	-	229,558	-	14,727	244,285
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>229,558</b>	<b>14,753</b>	<b>20,481</b>	<b>264,792</b>
Other adjustments	-	106	921	-	1,027
Deconsolidation of controlled entity	-	-	-	1,159	1,159
Cost of share based payments	-	-	4,132	-	4,132
Dividends paid	-	(79,334)	-	(6,740)	(86,074)
<b>AT 30 JUNE 2006</b>	<b>246,591</b>	<b>1,074,661</b>	<b>31,815</b>	<b>89,858</b>	<b>1,442,925</b>

# Statement of Changes in Equity

## for the year ended 30 June 2006

(continued)

PARENT		
Contributed Equity	Retained Profits	TOTAL EQUITY
\$000	\$000	\$000

<b>AT 1 JULY 2004</b>	<b>246,591</b>	<b>491,193</b>	<b>737,784</b>
Net income/(expense) recognised directly in equity	-	-	-
Profit attributable to members	-	161,429	161,429
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>161,429</b>	<b>161,429</b>
Dividends paid	-	(79,324)	(79,324)
<b>AT 30 JUNE 2005</b>	<b>246,591</b>	<b>573,298</b>	<b>819,889</b>

<b>AT 1 JULY 2005</b>	<b>246,591</b>	<b>573,298</b>	<b>819,889</b>
Net income recognised directly in equity	-	-	-
Profit attributable to members	-	155,638	155,638
<b>Total recognised income and expense for the period</b>	<b>-</b>	<b>155,638</b>	<b>155,638</b>
Dividends paid	-	(79,334)	(79,334)
<b>AT 30 JUNE 2006</b>	<b>246,591</b>	<b>649,602</b>	<b>896,193</b>

# Cash Flow Statement

## for the year ended 30 June 2006

		CONSOLIDATED		PARENT	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Cash Flows from Operating Activities</b>			Inflows/(Outflows)		
Net receipts from franchisees	A	587,724	578,542	-	-
Receipts from customers	B	1,460,079	1,299,962	-	-
Payments to suppliers and employees	C	(1,746,812)	(1,556,363)	(441)	(228)
Distributions received from joint ventures		12,502	8,545	-	-
GST paid		(23,910)	(19,498)	-	-
Interest received		7,302	5,070	-	-
Interest and other costs of finance paid	D	(43,122)	(38,149)	-	-
Income taxes paid		(92,743)	(94,234)	(64,212)	(11,533)
Dividends received		619	620	-	-
Trust distributions received		-	-	37,823	40,321
		161,639	184,495	(26,830)	28,560
<b>Consumer finance related cash flows:</b>					
Consumer finance loans granted by consolidated entity	E	(26,929)	(61,301)	-	-
Proceeds of sale of FAST No. 1 Trust consumer finance loans	E	27,669	65,306	-	-
Accommodation fees paid	E	(3,206)	(2,129)	-	-
Trust distribution received	E	-	14	-	-
Repayments received from consumers on FAST No. 1 Trust consumer finance loans granted by consolidated entity and not sold to commercial investors	E	587	(1,466)	-	-
		(1,879)	424	-	-
<b>Net Cash Flows from Operating Activities</b>	27(b)	159,760	184,919	(26,830)	28,560

# Cash Flow Statement

(continued)

		CONSOLIDATED		PARENT	
	NOTE	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Cash Flows from Investing Activities</b>			Inflows/(Outflows)		
Payment for purchases of property, plant and equipment, investment properties and intangible assets	F	(182,077)	(185,051)	-	-
Proceeds from sale of property, plant and equipment		3,722	3,849	-	-
Payment for purchase of units in unit trusts	G	-	(12,856)	-	-
Proceeds from sale of units in unit trusts	G	2,836	-	-	-
Payments for purchase of equity investments	H	(14,252)	(39,484)	(10)	(1)
Proceeds from sale of listed securities		489	2,044	-	-
Loans granted		(1,648)	(3,664)	-	-
Loans repaid from other entities		-	-	106,174	50,765
<b>Net Cash Flows (Used In)/From Investing Activities</b>		<b>(190,930)</b>	<b>(235,162)</b>	<b>106,164</b>	<b>50,764</b>
<b>Cash Flows from Financing Activities</b>					
Proceeds from borrowings	I	58,946	189,358	-	-
Dividends paid		(79,334)	(79,324)	(79,334)	(79,324)
Repayment of loans to directors and other persons		(3,742)	-	-	-
Repayment of borrowings		(979)	(2,588)	-	-
<b>Net Cash Flows (Used In)/From Financing Activities</b>		<b>(25,109)</b>	<b>107,446</b>	<b>(79,334)</b>	<b>(79,324)</b>
Net increase/(decrease) in cash and cash equivalents		(56,279)	57,203	-	-
Cash and Cash Equivalents at Beginning of Year		111,543	54,340	-	-
<b>Cash and Cash Equivalents at End of Year</b>	27(a)	<b>55,264</b>	<b>111,543</b>	<b>-</b>	<b>-</b>



## Commentary to the Cash Flow Statement:

- <A> The increase in net receipts from franchisees is due to increased revenue from franchisees in respect of franchise fees, rent received from franchisees and interest received from franchisees. Receipts from franchisees increased as a result of the opening of nine new Harvey Norman complexes, one new Domayne complex and two new Joyce Mayne complexes during the current year.
- <B> The increase in receipts from customers is attributable to an increase in sales revenue from company owned stores in New Zealand, Ireland and Rebel Sport. There was a significant increase in sales from company-owned stores in Ireland, due to the opening of the Cork and Limerick stores, and four smaller format computer and electrical stores.
- <C> The increase in payments to suppliers and employees is due to increased inventory payments and operating expenses by company owned stores and other controlled entities driven by a rise in the number of stores opened across the consolidated entity and a rise in sales revenue earned by those entities.
- <D> The increase in interest and other costs of finance paid is mainly due to the holding of bank bills (aligned to interest-rate swaps) to full maturity date. In previous years, bank bills were retired early, utilising available cash reserves.
- <E> There has been a decrease in the number of consumer finance loans granted by Network Consumer Finance ("NCF"), a wholly-owned subsidiary, primarily due to significantly less interest-free promotions generated by NCF throughout the franchised system. During the current year, there was increased emphasis on the in-store promotions of external financiers, including the venture with GE Capital Finance Limited and the launch of the co-branded "GO Mastercard" in November 2005.
- <F> For the year ended 30 June 2006, payment for the purchase of land and buildings held as either owner-occupied properties or investment properties totalled \$72.70 million (2005: \$96.59 million) and payments for plant, equipment and intangible assets amounted to \$109.38 million (2005: \$88.46 million). The higher payments for plant and equipment during the current financial period is due to the costs incurred in the refurbishment of the six former Megamart stores to the Harvey Norman standard as well as the fit-out costs of the three Harvey Norman stores, one new Domayne complex and two new Joyce Mayne complexes. Rebel Sport also incurred considerable fit-out costs during the year due to the opening of six new Rebel Sport stores and two new Glue stores.
- <G> There has been a reduction in investment units held in the Financial Assets Specialised Trust ("FAST") due to a decrease in the number of consumer loans written by NCF. The operations and financial results of FAST are consolidated into the results of the consolidated entity under AIFRS. The investment in FAST is eliminated on consolidation. This does not impact the underlying cash flows received from or paid to FAST.
- <H> The reduction in payments for purchase of equity accounted investments is mainly attributable to reduced net capital investment in joint venture equity accounted investments.
- <I> There has been a decrease in proceeds from borrowings during the year ended 30 June 2006 as expansion in Australia (twelve new stores) and Ireland (six new stores) has been funded out of available working capital.

## PRIMARY SEGMENT – Business Segments – 30 June 2006

SEGMENT REVENUE				
Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Inter-segment Revenue	Share of Net Profit/(Loss) of Equity Accounted Investments	Segment Revenue
2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000

FRANCHISING OPERATIONS	30,947	653,862	-	-	684,809
Retail - New Zealand	504,514	2,678	-	-	507,192
Retail - Rebel Sport	371,225	2,686	-	-	373,911
Retail - Asia	331,207	2,615	-	-	333,822
Retail - Slovenia	31,032	751	-	-	31,783
Other Non-Franchised Retail	206,202	9,045	1,320	-	216,567
<b>TOTAL RETAIL</b>	<b>1,444,180</b>	<b>17,775</b>	<b>1,320</b>	<b>-</b>	<b>1,463,275</b>
Retail Property	-	143,537	-	2,449	145,986
Property Under Construction for Retail	-	327	-	1,142	1,469
Property Development for Resale	-	2,379	-	978	3,357
<b>TOTAL PROPERTY</b>	<b>-</b>	<b>146,243</b>	<b>-</b>	<b>4,569</b>	<b>150,812</b>
Financial Services	-	10,174	-	-	10,174
Share Trading	-	875	-	-	875
<b>TOTAL OTHER</b>	<b>-</b>	<b>11,049</b>	<b>-</b>	<b>-</b>	<b>11,049</b>
Eliminations	-	(37,893)	(1,320)	-	(39,213)
<b>TOTAL REVENUE</b>	<b>1,475,127</b>	<b>791,036</b>	<b>-</b>	<b>4,569</b>	<b>2,270,732</b>

# Segment Information

(continued)

Business Segments - 30 June 2006 (continued)

SEGMENT RESULT					
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	Segment Result Before Tax
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
<b>FRANCHISING OPERATIONS</b>	<b>250,391</b>	<b>(19,584)</b>	<b>(52,360)</b>	<b>(9,145)</b>	<b>169,302</b>
Retail - New Zealand	52,832	(2,813)	(5,284)	(180)	44,555
Retail - Rebel Sport	42,364	(46)	(9,045)	(1,503)	31,770
Retail - Asia	13,284	(126)	(2,365)	(8)	10,785
Retail - Slovenia	1,154	(122)	(356)	(67)	609
Other Non-Franchised Retail	5,368	(3,199)	(4,223)	(118)	(2,172)
<b>TOTAL RETAIL</b>	<b>115,002</b>	<b>(6,306)</b>	<b>(21,273)</b>	<b>(1,876)</b>	<b>85,547</b>
Retail Property	122,003	(16,907)	(5,507)	-	99,589
Property Under Construction for Retail	821	(1,346)	-	-	(525)
Property Development for Resale	2,642	(678)	(136)	-	1,828
<b>TOTAL PROPERTY</b>	<b>125,466</b>	<b>(18,931)</b>	<b>(5,643)</b>	<b>-</b>	<b>100,892</b>
Financial Services	6,613	(5,812)	(237)	-	564
Share Trading	874	(203)	-	-	671
<b>TOTAL OTHER</b>	<b>7,487</b>	<b>(6,015)</b>	<b>(237)</b>	<b>-</b>	<b>1,235</b>
Eliminations	(8,609)	3,310	-	-	(5,299)
<b>CONSOLIDATED</b>	<b>489,737</b>	<b>(47,526)</b>	<b>(79,513)</b>	<b>(11,021)</b>	<b>351,677</b>
Income tax expense					(107,392)
<b>Consolidated Profit After Tax From Continuing Operations</b>					<b>244,285</b>

## Segment Information

(continued)

Business Segments - 30 June 2006 (continued)

	SEGMENT ASSETS			SEGMENT LIABILITIES		
	Segment Assets	Eliminations	Segment Assets After Eliminations	Segment Liabilities	Eliminations	Segment Liabilities After Eliminations
	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000	2006 \$000
FRANCHISING OPERATIONS	2,093,291	(1,036,653)	1,056,638	892,224	(202,448)	689,776
Retail - New Zealand	126,116	-	126,116	75,483	-	75,483
Retail - Rebel Sport	146,198	(23,500)	122,698	47,692	-	47,692
Retail - Asia	115,176	-	115,176	39,533	-	39,533
Retail - Slovenia	16,258	-	16,258	39,688	-	39,688
Other Non-Franchised Retail	130,033	(1,830)	128,203	158,865	(1,830)	157,035
TOTAL RETAIL	533,781	(25,330)	508,451	361,261	(1,830)	359,431
Retail Property	1,147,574	(26,225)	1,121,349	1,025,039	(709,723)	315,316
Property Under Construction for Retail	89,623	(3,054)	86,569	93,451	(69,166)	24,285
Property Development for Resale	59,181	(12,873)	46,308	56,709	(43,558)	13,151
TOTAL PROPERTY	1,296,378	(42,152)	1,254,226	1,175,199	(822,447)	352,752
Financial Services	249,475	(74,880)	174,595	203,473	(152,290)	51,183
Share Trading	11,563	-	11,563	-	-	-
TOTAL OTHER	261,038	(74,880)	186,158	203,473	(152,290)	51,183
CONSOLIDATED	4,184,488	(1,179,015)	3,005,473	2,632,157	(1,179,015)	1,453,142
Unallocated			24,891			134,297
TOTAL			3,030,364			1,587,439

Refer Note 31. Other Segment Information.

## Segment Information

(continued)

Business Segments Comparative - 30 June 2005

### PRIMARY SEGMENT – Comparative 30 June 2005

SEGMENT REVENUE				
Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Inter-segment Revenue	Share of Net Profit/(Loss) of Equity Accounted Investments	Segment Revenue
2005 \$000	2005 \$000	2005 \$000	2005 \$000	2005 \$000

FRANCHISING OPERATIONS	-	562,470	-	-	562,470
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Retail - New Zealand	436,308	4,208	-	-	440,516
Retail - Rebel Sport	316,897	6,664	-	-	323,561
Retail - Asia	321,535	1,438	-	-	322,973
Retail - Slovenia	30,633	195	-	-	30,828
Other Non-Franchised Retail	179,573	6,279	857	-	186,709

<b>TOTAL RETAIL</b>	<b>1,284,946</b>	<b>18,784</b>	<b>857</b>	<b>-</b>	<b>1,304,587</b>
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Retail Property	-	110,364	-	2,384	112,748
Property Under Construction for Retail	-	530	-	(71)	459
Property Development for Resale	-	328	-	1,455	1,783

<b>TOTAL PROPERTY</b>	<b>-</b>	<b>111,222</b>	<b>-</b>	<b>3,768</b>	<b>114,990</b>
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Financial Services	-	10,215	-	-	10,215
Share Trading	-	1,741	-	-	1,741

<b>TOTAL OTHER</b>	<b>-</b>	<b>11,956</b>	<b>-</b>	<b>-</b>	<b>11,956</b>
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Eliminations	-	(30,724)	(857)	-	(31,581)
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<b>TOTAL REVENUE</b>	<b>1,284,946</b>	<b>673,708</b>	<b>-</b>	<b>3,768</b>	<b>1,962,422</b>
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## Segment Information

(continued)

### Business Segments Comparative - 30 June 2005 (continued)

SEGMENT RESULT					
	Segment Result Before Interest, Taxation, Depreciation & Amortisation	Interest Expense	Depreciation Expense	Amortisation Expense	Segment Result Before Tax
	2005 \$000	2005 \$000	2005 \$000	2005 \$000	2005 \$000
<b>FRANCHISING OPERATIONS</b>	<b>233,119</b>	<b>(17,832)</b>	<b>(42,738)</b>	<b>(5,831)</b>	<b>166,718</b>
Retail - New Zealand	43,498	(3,348)	(5,082)	-	35,068
Retail - Rebel Sport	34,048	(221)	(8,624)	(2,199)	23,004
Retail - Asia	12,240	(102)	(2,277)	-	9,861
Retail - Slovenia	(55)	(14)	(513)	-	(582)
Other Non-Franchised Retail	798	(3,118)	(3,462)	-	(5,782)
<b>TOTAL RETAIL</b>	<b>90,529</b>	<b>(6,803)</b>	<b>(19,958)</b>	<b>(2,199)</b>	<b>61,569</b>
Retail Property	89,575	(14,559)	(5,074)	-	69,942
Property Under Construction for Retail	(262)	(1,158)	(8)	-	(1,428)
Property Development for Resale	1,459	(633)	-	-	826
<b>TOTAL PROPERTY</b>	<b>90,772</b>	<b>(16,350)</b>	<b>(5,082)</b>	<b>-</b>	<b>69,340</b>
Financial Services	6,938	(3,512)	(145)	-	3,281
Share Trading	1,741	(69)	-	-	1,672
<b>TOTAL OTHER</b>	<b>8,679</b>	<b>(3,581)</b>	<b>(145)</b>	<b>-</b>	<b>4,953</b>
Eliminations	(6,861)	2,622	-	-	(4,239)
<b>CONSOLIDATED</b>	<b>416,238</b>	<b>(41,944)</b>	<b>(67,923)</b>	<b>(8,030)</b>	<b>298,341</b>
Income tax expense					(89,954)
<b>Consolidated Profit After Tax From Continuing Operations</b>					<b>208,387</b>

# Segment Information

(continued)

## Business Segments Comparative - 30 June 2005 (continued)

SEGMENT ASSETS			SEGMENT LIABILITIES		
Segment Assets	Eliminations	Segment Assets After Eliminations	Segment Liabilities	Eliminations	Segment Liabilities After Eliminations
2005 \$000	2005 \$000	2005 \$000	2005 \$000	2005 \$000	2005 \$000

<b>FRANCHISING OPERATIONS</b>	<b>3,129,151</b>	<b>(2,090,152)</b>	<b>1,038,999</b>	<b>2,147,152</b>	<b>(2,090,152)</b>	<b>57,000</b>
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Retail - New Zealand	122,094	-	122,094	84,359	-	84,359
Retail - Rebel Sport	118,483	(16,500)	101,983	37,949	(16,500)	21,449
Retail - Asia	105,085	-	105,085	41,748	-	41,748
Retail - Slovenia	19,506	-	19,506	26,279	-	26,279
Other Non-Franchised Retail	133,732	(1,889)	131,843	155,658	(1,889)	153,769

<b>TOTAL RETAIL</b>	<b>498,900</b>	<b>(18,389)</b>	<b>480,511</b>	<b>345,993</b>	<b>(18,389)</b>	<b>327,604</b>
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Retail Property	1,015,214	(35,753)	979,461	818,426	(35,753)	782,673
Property Under Construction for Retail	83,620	(5,376)	78,244	100,208	(5,376)	94,832
Property Development for Resale	45,283	(774)	44,509	56,557	(774)	55,783

<b>TOTAL PROPERTY</b>	<b>1,144,117</b>	<b>(41,903)</b>	<b>1,102,214</b>	<b>975,191</b>	<b>(41,903)</b>	<b>933,288</b>
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Financial Services	166,888	(52,236)	114,652	131,573	(52,236)	79,337
Share Trading	9,644	-	9,644	-	-	-

<b>TOTAL OTHER</b>	<b>176,532</b>	<b>(52,236)</b>	<b>124,296</b>	<b>131,573</b>	<b>(52,236)</b>	<b>79,337</b>
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<b>CONSOLIDATED</b>	<b>4,948,700</b>	<b>(2,202,680)</b>	<b>2,746,020</b>	<b>3,599,909</b>	<b>(2,202,680)</b>	<b>1,397,229</b>
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Unallocated			13,152			95,506
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<b>TOTAL</b>			<b>2,759,172</b>			<b>1,492,735</b>
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## Segment Information

(continued)

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

Segment	Description of Segment
<b>Franchising Operations</b>	Consists of the franchising operations of the consolidated entity (other than retailing, property and financial services).
<b>Retail - New Zealand</b>	Consists of the wholly-owned operations of the consolidated entity in New Zealand.
<b>Retail - Rebel Sport</b>	Consists of the controlling interest of the consolidated entity in the retail trading operations in Australia trading under the Rebel Sport brand name.
<b>Retail - Asia</b>	Consists of the controlling interest of the consolidated entity in the Singapore retail trading operations under the Harvey Norman and Space brand names.
<b>Retail - Slovenia</b>	Consists of the controlling interest of the consolidated entity in the retail trading operations in Slovenia under the Harvey Norman brand name.
<b>Non-Franchised Retail</b>	Consists of retail trading operations in Australia and Ireland which are controlled by the consolidated entity and does not include any operations of Harvey Norman franchisees.
<b>Retail Property</b>	Consists of land and buildings for each retail site that is fully operational or is ready and able to be tenanted. The revenue and results of this segment consists of rental income and outgoings recovered for each retail site that is owned by the consolidated entity which is fully operational (or ready for operations) as at year-end. The property is held for the purpose of facilitating the expansion and operation of the franchising network.
<b>Property Under Construction for Retail</b>	Consists of sites that are currently undergoing construction at year-end intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income and facilitating the expansion and operation of the franchising network.
<b>Property Developments for Resale</b>	Consists of land and buildings acquired by the consolidated entity, to be developed, or currently under development, for the sole purpose of resale at a profit. Such assets are treated as trading stock in the Balance Sheet.
<b>Financial Services</b>	This segment primarily refers to credit facilities provided to third parties.
<b>Share Trading</b>	This segment refers to the trading of listed securities.



## Property Segment Analysis

The following table is a detailed analysis of the three different property segments. This analysis calculates the following two ratios which are integral in assessing the performance of the property segments.

	RETAIL PROPERTY		PROPERTY UNDER CONSTRUCTION FOR RETAIL		PROPERTY DEVELOPMENT FOR RESALE	
	2006	2005	2006	2005	2006	2005
% of Consolidated Revenue	6.4%	5.7%	0.1%	-	0.1%	0.1%
% of Consolidated Result	28.3%	23.4%	(0.1%)	(0.5%)	0.5%	0.3%
<b>Yield %</b>						
[Revenue/Segment Assets After Eliminations]	13.0%	11.5%	1.7%	0.6%	7.2%	4.0%
<b>Return on Assets %</b>						
[Result/Segment Assets After Eliminations]	8.9%	7.1%	(0.6%)	(1.8%)	3.9%	1.9%
	2006	2005	2006	2005	2006	2005
	\$000	\$000	\$000	\$000	\$000	\$000
Segment Assets After Eliminations	1,121,349	979,461	86,569	78,244	46,308	44,509
Less: Accumulated Asset Revaluation	(341,205)	(270,287)	(1,610)	(1,610)	-	-
Segment Assets After Eliminations Less Revaluation	780,144	709,174	84,959	76,634	46,308	44,509
<b>Yield %</b>						
[Revenue/Segment Assets After Eliminations & Revaluations]	18.7%	15.9%	1.7%	0.6%	7.2%	4.0%
<b>Return on Assets %</b>						
[Result/Segment Assets After Eliminations & Revaluations]	12.8%	9.9%	(0.6%)	(1.9%)	3.9%	1.9%

## SECONDARY SEGMENT – Geographic Segments

	Segment Revenue		Segment Assets		Acquisition of Property, Plant and Equipment, Intangible Assets and other Non-current Assets	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Australia	1,299,311	1,080,616	3,570,674	4,449,549	200,344	296,320
New Zealand	515,243	448,703	255,854	226,289	15,752	9,058
Asia	333,885	323,036	118,951	108,567	2,736	1,558
Slovenia	31,814	30,866	59,679	43,473	18,045	4,036
United Kingdom	-	13,131	-	2,189	-	61
Ireland	91,799	66,927	56,862	26,001	12,349	354
	<b>2,272,052</b>	<b>1,963,279</b>	<b>4,062,020</b>	<b>4,856,068</b>	<b>249,226</b>	<b>311,387</b>
Eliminations	(1,320)	(857)	(1,056,547)	(2,110,048)	-	-
<b>CONSOLIDATED</b>	<b>2,270,732</b>	<b>1,962,422</b>	<b>3,005,473</b>	<b>2,746,020</b>	<b>249,226</b>	<b>311,387</b>
Unallocated	-	-	24,891	13,152	-	-
<b>TOTAL</b>	<b>2,270,732</b>	<b>1,962,422</b>	<b>3,030,364</b>	<b>2,759,172</b>	<b>249,226</b>	<b>311,387</b>

## 1. Statement of Significant Accounting Policies

### (a) Corporate Information

Harvey Norman Holdings Limited (the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

The financial report of the consolidated entity for the year ended 30 June 2006 was authorised for issue in accordance with a resolution of the directors on 29 September 2006.

### (b) Basis of Preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards. The financial report also has been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

### (c) Statement of Compliance

The financial report complies with Australian Accounting Standards, which include Australian Equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ("IFRS").

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly except for the adoption of AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement. The Company has adopted the exemption under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards from having to apply AASB 132 and AASB 139 to the comparative period. Reconciliations of AIFRS equity and profit for 30 June 2005 to the balances reported in the 30 June 2005 financial report and at transition to AIFRS are detailed in Note 29.

### (d) Summary of Significant Accounting Policies

#### (i) Significant accounting judgements, estimates and assumptions

##### Significant Accounting Judgements

In the process of applying the consolidated entity's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

##### *Operating Lease Commitments - Consolidated Entity as Lessor*

The entity has entered into commercial property leases on its investment property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases. Refer to Note 15 to the financial statements.

# Statement of Significant Accounting Policies (continued)

## Significant Accounting Estimates and Assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of certain assets and liabilities within the next annual reporting period are:

### *Impairment of goodwill and intangibles with indefinite useful lives*

The consolidated entity determines whether goodwill and intangibles are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated. Refer to Note 16 to the financial statements.

### *Share-based payment transactions*

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

## **(ii) Basis of consolidation**

The consolidated financial statements comprise the financial statements of Harvey Norman Holdings Limited and its controlled entities (the "consolidated entity").

The financial statements of controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies. Investments in wholly-owned subsidiaries are carried at cost less accumulated impairment losses in the separate financial statements of the parent.

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. Franchisees are not controlled by the consolidated entity and have not been consolidated. Subsidiaries are consolidated from the date on which control is transferred to the consolidated entity and cease to be consolidated from the date on which control is transferred out of the consolidated entity.

Financial statements of foreign controlled entities presented in accordance with overseas accounting principles are, for consolidation purposes, adjusted to comply with group policy and generally accepted accounting principles in Australia.

Minority interests in the equity and results of entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

## **(iii) Investments accounted for using equity method**

Interests in associated and joint venture entities are brought to account using the equity method. Under this method, the investment in associates and joint ventures is initially recognised at its cost of acquisition and its carrying value is subsequently adjusted for increases or decreases in the investor's share of post-acquisition results and reserves of the associated and joint venture entities. The investment in associated and joint venture entities is decreased by the amount of dividends received or receivable.

## **(iv) Foreign currency translation**

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

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

All differences in the consolidated financial report are taken to the income statement in the period they arise.

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.

# Statement of Significant Accounting Policies (continued)

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 Harvey Norman Holdings Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on the retranslation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

## (v) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Land and buildings are measured at fair value less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Buildings - 20 to 40 years

Owned plant and equipment - 3 to 20 years

Plant and equipment under finance lease - 1 to 10 years

### Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For plant and equipment, impairment losses are recognised in the income statement. However, because land and buildings are measured at revalued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

### Revaluations

Following initial recognition at cost, land and buildings are carried at a revalued amount which is the fair value at the date of the revaluation less any subsequent accumulated depreciation on buildings and accumulated impairment losses.

Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Property in New Zealand owned by the consolidated entity is valued at fair value, determined by an independent licensed valuer, in accordance with New Zealand statutory requirements.

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the balance sheet unless it reverses a revaluation decrease of the same asset previously recognised in the income statement. Any revaluation deficit is recognised in the income statement unless it directly offsets a previous surplus of the same asset in the asset revaluation reserve. An annual transfer from the asset revaluation reserve is made to retained earnings for the depreciation relating to the revaluation surplus.

In addition, 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 revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

### Derecognition and Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. 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 in the period the item is derecognised.

# Statement of Significant Accounting Policies (continued)

## (vi) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

## (vii) Investment properties

Initially, investment properties are measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in the income statement in the period in which they arise.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal. Any gains or losses on the derecognition of an investment property are recognised in the income statement in the period of derecognition.

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

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

Each investment property is valued at fair value. The fair value in respect of each investment property has been calculated using the capitalisation method of valuation, against current rental value, and having regard to, in respect of each property:

- the highest and best use
- quality of construction
- age and condition of improvements
- recent market sales data in respect of comparable properties
- strength and tenure of Harvey Norman franchisees and external tenants
- adaptive reuse of buildings
- the specific circumstances of the property not included in any of the above points

## (viii) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. As at acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates.

Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

Impairment losses recognised for goodwill are not subsequently reversed.

## (ix) Intangible assets

Intangible assets, consisting of capitalised computer software assets and licence property, are initially recorded at cost and are amortised on a straight line basis over their estimated useful lives but not greater than a period of six and a half (6.5) years.

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

# Statement of Significant Accounting Policies (continued)

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

## (x) Recoverable amount of assets

At each reporting date, the consolidated entity assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the consolidated entity makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it 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 cash-generating unit to which the asset belongs.

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

## (xi) Other financial assets

The consolidated entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for other financial assets applicable for the year ended 30 June 2006 and the year ended 30 June 2005.

### Accounting policies applicable for the year ended 30 June 2006

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either held for trading investments, loans and receivables or available-for-sale investments, as appropriate.

Held for trading investments are measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the consolidated entity commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

Available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the consolidated entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held-to-maturity, such as bonds, are subsequently measured at amortised cost.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

### Accounting policies applicable for the year ended 30 June 2005

Listed shares held for trading are carried at net market value and any changes in net market value are recognised as revenue or expenses in the income statement for the period.

## (xii) Inventories

Inventories are valued at the lower of cost and net realisable value and are recorded net of all volume rebates, marketing and business development contributions and settlement discounts.

Costs are on a weighted average basis and includes the acquisition cost, freight, duty and other inward charges.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

# Statement of Significant Accounting Policies (continued)

## (xiii) Trade and other receivables

The consolidated entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other receivables applicable for the year ended 30 June 2006 and the year ended 30 June 2005.

### Accounting policies applicable for the year ended 30 June 2006

Trade receivables are carried at amortised cost. An allowance for doubtful debts is made when there is objective evidence that the consolidated entity will not be able to collect the debts. Bad debts are written off when identified.

Receivables from related parties are recognised and carried at amortised cost.

Interest is taken up as income using the effective interest method.

Under AASB 139, long-term interest free trade receivables are discounted to their present value at balance sheet date, less an allowance for any uncollectible amounts. The discounting is recognised as an expense in the income statement as a period cost. Accretion of the discounted long-term interest free trade receivables balance is recognised as income. The short-term portion of the discounted long-term interest free trade receivables is recognised in current assets.

### Accounting policies applicable for the year ended 30 June 2005

Trade receivables were recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate of the provision for doubtful debts was made when collection of the full amount was no longer probable. Bad debts were written off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due.

Interest is taken up as income on an accrual basis.

## (xiv) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

## (xv) Interest-bearing loans and borrowings

The consolidated entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for interest bearing loans and borrowings applicable for the year ending 30 June 2006 and the year ended 30 June 2005.

### Accounting policies applicable for the year ended 30 June 2006

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

### Accounting policies applicable for the year ended 30 June 2005

Bills payable are recognised when issued at the amount of the net proceeds received, with the discount on issue amortised over the period to maturity. Interest is recognised as an expense on an effective yield basis.

Interest rate swaps are not recognised as a liability. Net receipts and payments are recognised as an adjustment to interest expense.

All loans are measured at the principal amount. Interest is recognised as an expense as it accrues.



# Statement of Significant Accounting Policies (continued)

## (xvi) Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows, at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost, in the Income Statement.

A provision for dividends is not recognised as liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

## (xvii) Trade and other payables

The consolidated entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for trade and other payables applicable for the year ended 30 June 2006 and the year ended 30 June 2005.

### Accounting policies applicable for the year ended 30 June 2006

Trade payables and other accounts payable are carried at amortised cost.

Liabilities for trade creditors and other amounts are recognised at cost, which is the fair value of the consideration to be paid in the future for inventories and other goods or services received, whether or not billed to the consolidated entity at balance date. Trade accounts payable are non-interest bearing and are normally settled within sixty days of statement date. Payables to related parties are recognised at cost.

### Accounting policies applicable for the year ended 30 June 2005

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

## (xviii) Employee benefits

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

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

### Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

## (xix) Share-based payment transactions

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

# Statement of Significant Accounting Policies (continued)

There are currently two plans in place to provide these benefits:

- (i) The Executive Option Plan (EOP), which provides benefits to directors and senior executives, and
- (ii) The Deferred Executive Incentive Share Plan (DEIP), which provides benefits to directors and senior executives.

The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer either using a binomial valuation methodology or Black Scholes-Merton valuation methodology.

In valuing equity-settled transactions, there are two performance conditions need to be met, they are:

- Earnings Per Share ("EPS") of the group must increase by 10% per annum, cumulative, over the qualifying period, and
- Harvey Norman Accumulated Total Shareholder Return ("TSR") of the group must be greater than or equal to the ASX 300 Industries Accumulation Index for two periods of 30 consecutive days during the qualifying period.

For equity-settled share-based payments granted after 7 November 2002, the cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors of the consolidated entity, will ultimately vest. This opinion is formed based on the best available information at balance date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share

## (xx) Leases

### Consolidated entity as lessor

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

Rental income from operating leases is recognised on a straight line basis over the term of the relevant lease.

### Consolidated entity as lessee

Finance leases, which transfer to the consolidated entity substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the 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 bases as the lease income. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

### Lease Incentives

Financial incentive contributions received from lessors of certain stores are recognised at their fair value on receipt as a liability in the financial statements.

The liability is reduced and recognised as income, by offsetting against occupancy expenses in the Income Statement over the period the consolidated entity expects to derive a benefit from the incentive contribution. Lease incentives are normally amortised to the income statement on a straight-line basis over the term of the lease.

# Statement of Significant Accounting Policies (continued)

## (xxi) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

### Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred, or to be incurred, in respect of the transaction can be measured reliably. Risks and rewards are considered passed to the buyer at the time of delivery of the goods to the customer. Lay-by sales are recognised after the final payment is received from the customer.

### Interest

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

### Dividends

Revenue is recognised when the shareholders' right to receive the payment is established.

### Rental income

Rental income arising on investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the periods in which it is earned.

### Franchisee income

Revenue attributable to franchise fees is brought to account only when the franchise fees have been earned, or where franchise fees are unpaid but recovery is certain.

## (xxii) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided on all temporary differences at balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets 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 assets and unused tax losses can be utilised:

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

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilised.

# Statement of Significant Accounting Policies (continued)

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

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each balance 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 income tax asset to be utilised.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to 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 balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

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.

## (xxiii) Other taxes

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

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- 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 balance sheet.

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

## (xxiv) Derecognition of financial instruments

The derecognition of a financial instrument takes place when the consolidated entity no longer controls the contractual rights that comprise the financial instrument, which is normally the case when the instrument is sold, or all the cash flows attributable to the instrument are passed through to an independent third party.

## (xxv) Derivative financial instruments

The consolidated entity has elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the relevant accounting policies for derivative financial instruments applicable for the year ended 30 June 2006 and the year ended 30 June 2005.

### *Accounting policies applicable for the year ended 30 June 2006*

The consolidated entity uses derivative financial instruments such as foreign currency contracts to hedge its risks associated with foreign currency fluctuations and interest rate swaps to hedge its risks associated with interest rate fluctuations. Such derivative financial instruments are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swaps is calculated with reference to current interest rates for contracts with similar maturity profiles.

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

# Statement of Significant Accounting Policies (continued)

Foreign currency contracts and interest rate swaps are generally considered to be cash flow hedges. In relation to cash flow hedges to hedge firm commitments which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the income statement. When the hedged firm commitment results in the recognition of an asset (being the inventory purchase), at the time the asset is recognised, the associated gains or losses that had previously been recognised in equity are included in the initial measurement of the acquisition cost of the inventory. For interest rate swaps that are designated as cash flow hedges under AASB 139, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

## Accounting policies applicable for the year ended 30 June 2005

### *Forward exchange contracts*

The consolidated entity enters into forward exchange contracts whereby it agrees to buy specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from purchases in foreign currencies to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations.

Forward exchange contracts were recognised at the date the contract was entered into. Except for specific hedges commitments, all resulting exchange differences on settlement or restatement are recognised as revenues or expenses in the income statement in the current year.

### *Interest rate swaps*

Interest rate swaps were not recognised on balance sheet. Net receipts and payments were recognised as an adjustment to interest expense in the period in which they were incurred.

## **(xxvi) Earnings Per Share (EPS)**

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

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

- Costs of servicing equity (other than dividends);
- The after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- Other non-discretionary changes in revenues or expenses during the period 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.

## **(xxvii) Rounding of amounts**

The consolidated entity is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

# Statement of Significant Accounting Policies (continued)

## (e) Future Accounting Standards

Certain Australian Accounting Standards and UIG Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the annual period ended 30 June 2006. The directors have assessed the impact of these new or amended standards (to the extent relevant to the consolidated entity) and do not expect any significant impact to the amounts recognised in this report.

The following recently released amendments to accounting standards are not applicable to the consolidated entity and therefore have no impact:

AASB Amendment	Affected Standard(s)
2005-2	AASB 1023: General Insurance Contracts
2005-4	AASB 139: Financial Instruments: Recognition and Measurement, AASB 132: Financial Instruments: Disclosure and Presentation, AASB 1: First-time adoption of AIFRS, AASB 1023: General Insurance Contracts and AASB 1028: Life Insurance Contracts
2005-9	AASB 4: Insurance Contracts, AASB 1023: General Insurance Contracts, AASB 139: Financial Instruments: Recognition and Measurement and AASB 132: Financial Instruments: Disclosure and Presentation
2005-12	AASB 1038: Life Insurance Contracts and AASB 1023: General Insurance Contracts
2005-13	AAS 25: Financial Reporting by Superannuation Plans

Except for the revised AASB 119 *Employee Benefits* (issued December 2005), Australian Accounting Standards that have recently been issued or amended but are not yet effective, have not been adopted for the year ended 30 June 2006:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Group
2005-1	AASB 139: Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-5	AASB 1: First-time adoption of AIFRS, AASB 139: Financial Instruments: Recognition and Measurement	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006
2005-6	AASB 3: Business Combinations	No change to accounting policy required. Therefore no impact	1 January 2006	1 July 2006

# Notes to the Financial Statements

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	\$000	\$000	\$000	\$000

## 2. Revenues from Continuing Operations

### Revenues from continuing operations:

Revenue from the sale of products	1,475,127	1,284,946	-	-
Gross revenue from:				
- Franchisees (excluding rent and interest received)	528,252	471,453	-	-
- Rent received from franchisees	143,563	123,121	-	-
- Interest received from franchisees	25,412	22,967	-	-
<b>Total revenue received from franchisees</b>	<b>697,227</b>	<b>617,541</b>	<b>-</b>	<b>-</b>
Rent received from other third parties	17,368	14,017		
Interest received from other unrelated parties	7,302	5,070	-	-
Dividends from:				
- Other unrelated parties	619	620	-	-
- Related parties (wholly owned group)	-	-	129,447	133,447
<b>Total other revenues from continuing operations</b>	<b>25,289</b>	<b>19,707</b>	<b>129,447</b>	<b>133,447</b>
Share of net profit of associates, joint venture entities and partnerships	38	4,569	3,768	-
<b>Total revenues from continuing operations</b>	<b>2,202,212</b>	<b>1,925,962</b>	<b>129,447</b>	<b>133,447</b>

### Other Income Items:

Increase in fair value of investment properties	46,511	22,278	-	-
Trust distribution received from:				
- Controlled entities	-	-	37,823	40,321
- Other unrelated parties	441	165	-	-
Net foreign exchange gains	1,169	1,094	-	-
Net profit from the disposal of listed securities	489	766	-	-
Other revenue	19,910	12,157	-	-
<b>Total other income items</b>	<b>68,520</b>	<b>36,460</b>	<b>37,823</b>	<b>40,321</b>
<b>Total revenues from continuing operations</b>	<b>2,270,732</b>	<b>1,962,422</b>	<b>167,270</b>	<b>173,768</b>

### Total revenues from continuing operations is disclosed on the Income Statement as follows:

Sales revenue	1,475,127	1,284,946	-	-
Other revenues from continuing operations	722,516	637,248	129,447	133,447
Other income items	68,520	36,460	37,823	40,321
<b>Total other revenues and income items</b>	<b>791,036</b>	<b>673,708</b>	<b>167,270</b>	<b>173,768</b>
Share of net profit of associates, joint venture entities and partnerships	4,569	3,768	-	-
<b>Total revenues and other income items from continuing operations</b>	<b>2,270,732</b>	<b>1,962,422</b>	<b>167,270</b>	<b>173,768</b>

# Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 3. Expenses and Losses/(Gains):

In arriving at profit before tax, the following items were taken into account:

### Depreciation and amortisation:

Depreciation of:

- Buildings	1,796	1,936	-	-
- Plant and equipment	68,760	65,987	-	-

Amortisation of:

- Leased plant and equipment	304	1,149	-	-
- Computer software	9,578	6,147	-	-
- Other	8	-	-	-

Impairment of (included in administrative expenses line on Income Statement):

- Capitalised IT projects	9,145	-	-	-
- Fixed assets	943	734	-	-

Total depreciation and amortisation	90,534	75,953	-	-
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### Finance costs:

Interest paid or payable:

- Finance leases	46	232	-	-
- Loans from directors and director related entities	1,811	1,260	-	-
- Bank interest paid to financial institutions	25,763	20,759	-	-
- Interest paid on non-trade amounts owing to Commercial Mortgage Backed Securities	15,969	16,058	-	-
- Other	3,937	3,635	-	-

Total finance costs	47,526	41,944	-	-
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### Employee benefits expense:

- Wages and salaries	163,640	140,598	-	-
- Workers' compensation costs	1,244	815	-	-
- Superannuation contributions expense	9,632	8,532	-	-
- Share-based payment expense	4,116	1,421	-	-

Total employee benefits expense	178,632	151,366	-	-
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### Other expense items:

Net bad debts - written off	2,174	2,495	-	-
Net charge to provision for doubtful debts	336	1,693	-	-
Net loss on disposal of plant and equipment	500	752	-	-
Minimum lease payments	111,969	98,424	-	-
Provision for obsolescence of inventories	445	291	-	-
Provision for employee benefits	1,830	1,536	-	-
Included in cost of sales is the cost of inventories recognised as an expense	1,153,077	1,015,061	-	-



	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 4. Income Tax

### (a) Income tax recognised in the Income Statement:

The major components of income tax expense are:

#### *Current income tax*

Current income tax charge	94,896	82,297	11,433	11,937
Adjustments in respect of current income tax of previous years	1,263	(1,195)	29	-

#### *Deferred income tax*

Relating to the origination and reversal of temporary differences	11,684	8,852	(235)	-
Write-downs (reversals of previous write-downs) of deferred tax assets	(451)	-	-	-

<b>Total income tax expense reported in the income statement</b>	<b>107,392</b>	<b>89,954</b>	<b>11,227</b>	<b>11,937</b>
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### (b) Income tax recognised in the Statement of Changes in Equity

The following deferred amounts were charged directly to equity during the period:

#### *Deferred income tax*

Net gain on revaluation of cash flow hedges	1,844	-	-	-
Net gain on revaluation of land and buildings	8,054	1,887	-	-
Net gain on revaluation of available for sale financial assets	712	-	-	-

<b>Total income tax expense reported in equity</b>	<b>10,610</b>	<b>1,887</b>	<b>-</b>	<b>-</b>
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# Notes to the Financial Statements (continued)

## 4. Income Tax (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
(c) Reconciliation between income tax expense and prima facie income tax:				
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the consolidated entity's applicable income tax rate is as follows:				
Accounting profit before tax from continuing operations	351,677	298,341	166,865	173,366
At the consolidated entity's statutory income tax rate of 30% (2005: 30%)	105,503	89,502	50,060	52,010
Adjustments in respect of current income tax of previous years	(469)	(1,244)	-	(28)
Share-based payment expenses	1,221	383	-	-
Expenditure not allowable for income tax purposes	364	153	(11)	-
Income not assessable for income tax purposes	68	(569)	-	-
Unrecognised tax losses	1,166	890	-	-
Reversal of deferred tax balances raised in previous periods due to the sale of assets	(451)	15	-	-
Non deductible provisions relating to overseas entities	-	482	-	-
Impact of adopting tax consolidation during the prior period	-	-	-	-
Non-allowable building and motor vehicle depreciation	84	-	-	48
Receipt of fully franked dividends	(196)	(84)	-	(84)
Sundry items	-	-	12	17
Effect of different rates of tax on overseas income and exchange rate differences	170	603	-	-
Differences between accounting profits and capital gains on sale of assets	(68)	(7)	-	8
Utilisation of tax losses	-	(170)	-	-
Dividends received	-	-	(38,834)	(40,034)
	1,889	452	(38,833)	(40,073)
Total income tax expense reported in the income statement	107,392	89,954	11,227	11,937

# Notes to the Financial Statements (continued)

## 4. Income Tax (continued)

	BALANCE SHEET		INCOME STATEMENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
(d) <b>Deferred income tax:</b>				
Deferred income tax at 30 June relates to the following:				
<b>CONSOLIDATED</b>				
<i><b>Deferred tax liabilities</b></i>				
Accelerated depreciation for tax purposes	(720)	-	(608)	-
Revaluations of investment properties to fair value	(88,411)	(74,457)	13,953	6,683
Revaluations of owner-occupied land and buildings to fair value	(15,902)	(8,091)	-	-
Reversal of building depreciation expense for investment properties	(2,985)	-	2,985	2,635
Differences between accounting carrying amount and tax cost base of investment properties	(1,655)	(180)	-	-
Unrealised profits on investments	(77)	-	244	-
Adjustments in respect of deferred tax liabilities of previous years	231	-	-	-
Reversal of deferred tax balances raised in previous periods due to the sale of assets	-	-	(451)	-
Application of AASB 132 and AASB 139	(3,886)	-	807	-
Other items	(744)	-	127	-
	(114,149)	(82,728)		
<b>CONSOLIDATED</b>				
<i><b>Deferred tax assets</b></i>				
Employee provisions	3,829	3,424	(339)	-
Other provisions	1,998	1,641	(76)	-
Provision for lease makegood	344	412	29	(133)
Provision for deferred lease expenses	885	774	(91)	(11)
Inventory valuation adjustments	5,533	3,606	(1,445)	(322)
Unearned income for accounting purposes	4,912	2,007	(2,905)	-
Lease incentive income	1,595	1,319	(276)	-
Differences between accounting carrying amount and tax cost base of investment properties	1,475	-	-	-
Differences between book to tax depreciation rates	(225)	(1,722)	-	-
Unrealised profits on investments	106	106	-	-
Losses available for offset against future taxable income	-	1,099	-	-
Finance leases	(29)	(751)	(715)	-
Application of AASB 132 and AASB 139	3,037	-	-	-
Adjustments in respect of deferred tax liabilities of previous years	681	1,170	-	-
Other items	750	67	(6)	-
	24,891	13,152		
			11,233	8,852

# Notes to the Financial Statements (continued)

## 4. Income Tax (continued)

	BALANCE SHEET		INCOME STATEMENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>PARENT</b>				
<i>Deferred tax liabilities</i>				
Building depreciation allowable for tax purposes	(2,983)	-	2,983	-
Unrealised profits on investment	(77)	-	77	-
Other items	(149)	(92)	57	-
	<u>(3,209)</u>	<u>(92)</u>		
<i>Deferred tax assets</i>				
Unearned income for accounting purposes	2,988	-	(2,988)	-
Employee provisions	1,399	1,200	(199)	-
Other provisions	602	464	(138)	-
Unrealised profit on investments	106	106	-	-
Other items	269	242	(27)	-
	<u>5,364</u>	<u>2,012</u>		
			<u>(235)</u>	-

The consolidated entity has not recognised deferred tax assets relating to tax losses of \$19.50 million (2005: \$13.38 million) and that are available for offset against taxable profits of the companies in which the losses arose.

At 30 June 2006, there is no recognised or unrecognised deferred income tax liability (2005: \$nil) for taxes that would be payable on the unremitted earnings of certain of the consolidated entity's subsidiaries, associates or joint ventures, as the consolidated entity has no liability for additional taxation should such amounts be remitted.

### Tax consolidation

Harvey Norman Holdings Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group with effect from 1 July 2002. Harvey Norman Holdings Limited is the head entity of the tax consolidated group. Members of the group have entered into a tax sharing agreement which provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote.

Wholly owned companies of the tax consolidated group have entered into a tax funding agreement. The funding agreement provides for the allocation of current and deferred taxes on a modified stand alone basis in accordance with the principals as outlined in UIG 1052 Tax Consolidation Accounting.

The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the subsidiaries' inter-company accounts with the tax consolidated group head company Harvey Norman Holdings Limited.

# Notes to the Financial Statements (continued)

## CONSOLIDATED

2006	2005
\$000	\$000

## 5. Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Profit after tax from continuing operations	244,285	208,387
Profit attributable to minority interests	(14,727)	(16,754)
Earnings used in calculating basic and diluted earnings per share	229,558	191,633

## Number of Shares

2006	2005
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Weighted average number of ordinary shares used in calculating basic earnings per share (a)	1,057,783,451	1,058,400,615
Effect of dilutive securities (b):		
- Share Options	1,042,067	47,079
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,058,825,518	1,058,447,694

### (a) Weighted Average Number of Ordinary Shares:

The weighted average number of ordinary shares used for the Earnings Per Share calculation has decreased from the previous corresponding period because the prior year calculation included an adjustment for the proportionate change in the number of ordinary shares outstanding as if the issue of 820,002 shares on 28 September 2004 pursuant to DEIP had occurred at the beginning of the earliest reporting period for which basic earnings per share is presented.

### (b) Effect of Dilutive Securities:

During the financial year ended 30 June 2006, options issued on:

- 26 November 2003;
- 28 September 2004;
- 29 June 2005; and
- 4 November 2005,

pursuant to EOP, have been included in the calculation of diluted earnings per share as the exercise price of each of the options granted was less than the average market price of an ordinary share in the Company for the year ended 30 June 2006.

Pursuant to EOP, shareholders of the Company approved the allocation of the following sets of options:

- 3,948,000 options were granted on 26 November 2003 to the respective trustees of certain trusts for the benefit of certain directors of the Company at an exercise price of \$3.00 per option ("2003 EOP Allocation");
- 3,946,000 options were granted on 28 September 2004 to the respective trustees of certain trusts for the benefit of certain directors of the Company on at an exercise price of \$2.93 per option ("2004 EOP Allocation");
- 533,333 options were granted on 29 June 2005 to the respective trustee of certain trust for the benefit of Mr D.M. Ackery at an exercise price of \$2.62 per option ("2005 EOP Ackery Options"); and
- 3,413,000 options were issued on 4 November 2005 to the respective trustees of certain trusts for the benefit of certain directors of the Company at an exercise price of \$ 2.79 per option ("2005 EOP Allocation").

All sets of options are considered to be dilutive as their conversion to ordinary shares would decrease the net profit from continuing operations per share. There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

# Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>6. Trade and Other Receivables (Current)</b>				
Trade debtors	925,750	789,256	-	-
Provision for doubtful debts	(4,954)	(4,255)	-	-
Trade debtors, net	920,796	785,001	-	-
Consumer finance loans	33,491	29,420	-	-
Amounts receivable in respect of finance leases (a)	10,202	10,741	-	-
Non-trade debts receivable from:				
- Related parties	1,708	1,500	-	-
- Other unrelated persons	39,333	38,178	-	-
- Provision for doubtful debts	(1,015)	(970)	-	-
Non-trade debts receivable, net	40,026	38,708	-	-
<b>Total trade and other receivables (current)</b>	<b>1,004,515</b>	<b>863,870</b>	<b>-</b>	<b>-</b>

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

Aggregate of minimum lease payments and guaranteed residual values:

Not later than one year	12,168	12,643	-	-
Later than one year but not later than five years	19,388	19,259	-	-
	31,556	31,902	-	-
Future finance revenue:				
Not later than one year	(1,966)	(1,902)	-	-
Later than one year but not later than five years	(1,550)	(1,221)	-	-
Net finance lease receivables	28,040	28,779	-	-
Reconciled to:				
Trade and other receivables (Current)	10,202	10,741	-	-
Trade and other receivables (Non-current - Note 11)	17,838	18,038	-	-
	28,040	28,779	-	-

The consolidated entity offers finance lease arrangements as part of its consumer finance business. Finance leases are offered in respect of motor vehicles, livestock and fixtures and fittings, with lease terms not exceeding 4 years. All finance leases are at fixed rates for the term of the lease.

## Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>7. Other Financial Assets (Current)</b>				
Listed shares held for trading at fair value	2,706	1,881	-	-
Other investments	36	29	-	-
Hedge receivable	-	33,450	-	-
<b>Total other financial assets (current)</b>	<b>2,742</b>	<b>35,360</b>	<b>-</b>	<b>-</b>
<b>8. Inventories (Current)</b>				
Finished goods at cost	264,239	242,860	-	-
Provision for obsolescence	(4,855)	(4,410)	-	-
<b>Total current inventories, net</b>	<b>259,384</b>	<b>238,450</b>	<b>-</b>	<b>-</b>
<b>9. Other Assets (Current)</b>				
Prepayments	18,333	10,581	-	-
Other current assets	1,693	727	-	-
<b>Total other assets (current)</b>	<b>20,026</b>	<b>11,308</b>	<b>-</b>	<b>-</b>
<b>10. Intangible Assets (Current)</b>				
Net Licence Property	2,302	1,012	-	-
<b>11. Trade and Other Receivables (Non-Current)</b>				
Consumer finance loans	32,119	48,450	-	-
Provision for doubtful debts	(1,010)	(1,418)	-	-
	<b>31,109</b>	<b>47,032</b>	<b>-</b>	<b>-</b>
Amounts receivable in respect of finance leases	17,838	18,038	-	-
Non-trade debts receivable from wholly owned entities	-	-	762,021	746,859
Tax related balances with controlled entities	-	-	82,468	17,452
<b>Total trade and other receivables (non-current)</b>	<b>48,947</b>	<b>65,070</b>	<b>844,489</b>	<b>764,311</b>

# Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Securities not quoted on prescribed Stock Exchanges - at cost (in wholly owned controlled entities - Note 39)	-	-	54,326	54,326
Units in unit trusts not quoted on prescribed Stock Exchanges - at cost (a)	-	-	8,806	8,796
Listed shares held as available for trading	2,380	2,950	-	-
Listed shares held as available for sale	6,477	4,813	-	-
Units in unit trusts held as available for sale	197	421	-	-
Derivatives	6,095	-	-	-
<b>Total other financial assets (non-current)</b>	<b>15,149</b>	<b>8,184</b>	<b>63,132</b>	<b>63,122</b>

## (a) Units in Unit Trusts

Certain consumer finance receivables are sold, in accordance with an agreement, to a special purpose trust, "The Financial Assets Specialised Trust No. 1" (FAST). The consolidated entity may, but is not obliged to, sell receivables to FAST and FAST may, but is not obliged to, purchase some or all of consumer finance receivables. The receivables that have been sold to FAST, and which at balance date remain outstanding, total \$62.02 million (2005: \$67.10 million). The consolidated entity also holds monies on behalf of FAST relating to these receivables of \$1.46 million (2005: \$2.42 million) at balance date.

In these financial statements, the consolidated entity's interest in FAST is 26.98% (2005: 28.82%) of all issued equity units in FAST. Consumer finance receivables that have not been sold pursuant to this agreement are included in consumer finance loans.

The consolidated 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 consolidated entity.

The consolidated entity is exposed to interest rate risk through its investment in FAST. Under the Receivables Facility Agreement between the consolidated entity and the Manager and Trustee of FAST, the consolidated entity bears the cost of all interest paid in relation to commercial paper issued by FAST. Interest paid by FAST on commercial paper proceeds for the year ended 30 June 2006 was \$3.21 million (2005: \$2.13 million). The weighted average interest rate applicable to commercial paper issued by FAST for the year ended 30 June 2006 was 6.10% (2005: 5.62%).

On adoption of AIFRS, the consolidated entity has implemented the requirements of AASB 127 "Consolidated and Separate Financial Statements" and the Urgent Issues Group Interpretation UIG 112 "Consolidation - Special Purpose Entities", and has consolidated FAST. The substance of the relationship between the consolidated entity and FAST indicates that FAST is controlled by the consolidated entity. This has the impact of increasing receivables by consolidating the receivables sold to FAST and increasing payables to reflect the liability that FAST has to its commercial investors for the issue of commercial paper. The consolidated entity's investment in FAST has been eliminated on consolidation. A large portion of the receivables sold to FAST are non-interest bearing. Under AASB 139, long-term interest free trade receivables are discounted to their present value at balance sheet date, less an allowance for any uncollectible amounts.



# Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 13. Inventories (Non-Current)

Land held for resale at cost	31,087	31,087	-	-
Buildings held for resale at cost	1,006	388	-	-
<b>Total non-current inventories</b>	<b>32,093</b>	<b>31,475</b>	<b>-</b>	<b>-</b>

This relates to properties that have been acquired for development and resale which are not expected to be developed and sold within the next twelve month. The aggregate carrying amount of current and non-current inventories at 30 June 2006 is \$291.48 million (2005: \$283.72m).

## 14. Property, Plant and Equipment (Non-Current)

### Summary

#### Land

- At fair value	96,669	72,125	-	-
- Investment properties under construction	37,108	38,875	-	-

<b>Total Land</b>	<b>133,777</b>	<b>111,000</b>	<b>-</b>	<b>-</b>
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#### Buildings

- At fair value	86,694	67,669	-	-
- Investment properties under construction	13,696	24,908	-	-

<b>Total buildings</b>	<b>100,390</b>	<b>92,577</b>	<b>-</b>	<b>-</b>
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<b>Net land and buildings</b>	<b>234,167</b>	<b>203,577</b>	<b>-</b>	<b>-</b>
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#### Plant and equipment

- At cost	578,129	525,801	-	-
- Accumulated depreciation	(338,630)	(298,288)	-	-

<b>Net plant and equipment, at cost</b>	<b>239,499</b>	<b>227,513</b>	<b>-</b>	<b>-</b>
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#### Lease make good asset

- At cost	2,667	2,138	-	-
- Accumulated depreciation	(1,599)	(1,091)	-	-

<b>Net lease make good asset, at cost</b>	<b>1,068</b>	<b>1,047</b>	<b>-</b>	<b>-</b>
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#### Plant and equipment under lease

- At cost	-	3,808	-	-
- Accumulated amortisation	-	(2,218)	-	-

<b>Net plant and equipment, under lease</b>	<b>-</b>	<b>1,590</b>	<b>-</b>	<b>-</b>
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<b>Total plant and equipment</b>	<b>240,567</b>	<b>230,150</b>	<b>-</b>	<b>-</b>
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#### Total property, plant and equipment

- At fair value	234,167	203,577	-	-
- At cost	580,796	531,747	-	-

<b>814,963</b>	<b>735,324</b>	<b>-</b>	<b>-</b>
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<b>Accumulated depreciation and amortisation</b>	<b>(340,229)</b>	<b>(301,597)</b>	<b>-</b>	<b>-</b>
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<b>Total written down amount</b>	<b>474,734</b>	<b>433,727</b>	<b>-</b>	<b>-</b>
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# Notes to the Financial Statements (continued)

## 14. Property, Plant and Equipment (continued)

### Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Land</b>				
<i>Fair value</i>				
Opening balance	72,125	62,208	-	-
Additions	3,730	4,381	-	-
Increase resulting from revaluation	24,407	6,165	-	-
Net foreign currency differences arising from self-sustaining foreign operations	(3,593)	(629)	-	-
Closing balance	96,669	72,125	-	-
<b>Land under construction</b>				
<i>Fair value</i>				
Opening balance	38,875	62,244	-	-
Additions	9,485	14,133	-	-
Increase resulting from revaluation	-	9,203	-	-
Disposals	-	(2,345)	-	-
Transfers to investment properties	(11,252)	(44,360)	-	-
Closing balance	37,108	38,875	-	-
<b>Buildings</b>				
<i>Fair value</i>				
Opening balance	67,669	65,428	-	-
Additions	24,507	5,065	-	-
Disposals	-	(42)	-	-
Reversal of depreciation upon revaluation	(1,692)	(1,819)	-	-
Net foreign currency differences arising from self-sustaining foreign operations	(3,790)	(963)	-	-
Closing balance	86,694	67,669	-	-
<b>Accumulated Depreciation</b>				
Opening balance	-	-	-	-
Depreciation for the year	11,746	10,720	-	-
Disposals	(636)	(100)	-	-
Reversal upon revaluation	(11,005)	(10,603)	-	-
Net foreign currency differences arising from self-sustaining foreign operations	(105)	(17)	-	-
Closing balance	-	-	-	-
Net book value	86,694	67,669	-	-

An independent valuation of land and buildings carried at fair value in New Zealand was performed by Colliers International as at 30 June 2006. Fair value is determined directly by reference to market-based evidence, which is the amounts 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 valuation date. The carrying value of the land and buildings in New Zealand would have been \$53.24 million as at 30 June 2006 if the revaluation to fair value had not taken place (that is, cost less accumulated amortisation and impairment).

# Notes to the Financial Statements (continued)

## 14. Property, Plant and Equipment (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Buildings under construction</b>				
<i>Fair value</i>				
Opening balance	24,908	5,297	-	-
Additions	32,663	41,432	-	-
Disposals	(498)	(353)	-	-
Transfers to investment property	(43,377)	(21,468)	-	-
Closing balance	13,696	24,908	-	-
<b>Total land and buildings</b>	<b>234,167</b>	<b>203,577</b>	<b>-</b>	<b>-</b>
<b>Plant and equipment</b>				
<i>Cost</i>				
Opening balance	525,801	499,493	-	-
Additions	90,469	81,123	-	-
Disposals	(38,132)	(59,415)	-	-
Transfers from capitalised leased plant and equipment	3,600	7,127	-	-
Transfers to computer software	(2,303)	-	-	-
Net foreign currency differences arising from foreign operations	(1,306)	(2,527)	-	-
Closing balance	578,129	525,801	-	-
<b>Accumulated Depreciation</b>				
Opening balance	298,288	273,958	-	-
Depreciation for the year	70,328	66,404	-	-
Disposals	(30,395)	(46,954)	-	-
Transfers from capitalised leased plant and equipment	2,358	4,502	-	-
Transfers to computer software	(1,455)	-	-	-
Net foreign currency differences arising from foreign operations	(494)	378	-	-
Closing balance	338,630	298,288	-	-
Net book value	239,499	227,513	-	-
<b>Lease make good asset</b>				
<i>Cost</i>				
Opening balance	2,138	2,135	-	-
Additions	1,198	3	-	-
Disposals	(669)	-	-	-
Closing balance	2,667	2,138	-	-
<b>Accumulated Depreciation</b>				
Opening balance	1,091	721	-	-
Amortisation for the year	771	370	-	-
Disposals	(263)	-	-	-
Closing balance	1,599	1,091	-	-
Net book value	1,068	1,047	-	-

# Notes to the Financial Statements (continued)

## 14. Property, Plant and Equipment (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>Capitalised Leased Plant and Equipment</b>				
<i>Capitalised cost</i>				
Opening balance	3,808	11,003	-	-
Additions	-	-	-	-
Disposals	(208)	(49)	-	-
Transfers to owned plant and equipment	(3,600)	(7,127)	-	-
Net foreign currency differences arising from foreign operations	-	(19)	-	-
Closing balance	-	3,808	-	-
<b>Accumulated Depreciation</b>				
Opening balance	2,218	5,515	-	-
Amortisation for the period	186	1,235	-	-
Transfers to owned plant and equipment	(2,358)	(4,502)	-	-
Disposals	(46)	(27)	-	-
Net foreign currency differences arising from foreign operations	-	(3)	-	-
Closing balance	-	2,218	-	-
Net book value	-	1,590	-	-
<b>Total plant and equipment</b>	<b>240,567</b>	<b>230,150</b>	<b>-</b>	<b>-</b>
<b>Total property, plant and equipment</b>	<b>474,734</b>	<b>433,727</b>	<b>-</b>	<b>-</b>

All land and buildings recognised as property, plant and equipment or investment properties are pledged as security for the financing facilities as disclosed in Note 21 to the financial statements.

## 15. Investment Properties

Opening balance as at 1 July	778,617	688,587	-	-
Additions	19,728	14,156	-	-
Disposals	(6,465)	(3,029)	-	-
Transfers from property under construction	54,629	65,828	-	-
Increase resulting from revaluation	45,392	13,075	-	-
<b>Closing balance as at 30 June</b>	<b>891,901</b>	<b>778,617</b>	<b>-</b>	<b>-</b>

During the year, the Directors have analysed and revalued the group investment property portfolio at fair value. The fair value in respect of each investment property has been calculated using the capitalisation method of valuation, against current rental value, and having regard to, in respect of each property:

- the highest and best use
- quality of construction
- age and condition of improvements
- recent market sales data in respect of comparable properties
- strength and tenure of Harvey Norman franchisees and external tenants
- adaptive reuse of buildings
- the specific circumstances of the property not included in any of the above points

# Notes to the Financial Statements (continued)

## 15. Investment Properties (continued)

Included in rent received from franchisees and rent received from other third parties as disclosed in Note 2 to the financial statements is rent received from investment properties of \$86.67 million for the year ended 30 June 2006.

Operating expenses recognised in the income statement in relation to investment properties amounted to \$32.31 million for the year ended 30 June 2006.

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 16. Intangible Assets

### Computer Software

#### Summary

Cost (gross carrying amount)	35,180	40,017	-	-
Accumulated amortisation and impairment	(11,777)	(10,766)	-	-
Net carrying amount	23,403	29,251	-	-

### Computer Software

#### Net of accumulated amortisation and impairment

Opening balance	29,251	15,166	-	-
Additions	14,824	20,238	-	-
Disposals	(2,760)	(6)	-	-
Impairment	(9,145)	-	-	-
Amortisation	(9,578)	(6,147)	-	-
Transfers from owned plant and equipment	848	-	-	-
Net foreign currency differences arising from foreign operations	(37)	-	-	-
Net book value	23,403	29,251	-	-

The remaining amortisation period for computer software assets is between 1 to 6.5 years.

### Goodwill

Opening balance	11,208	11,212	-	-
Net foreign currency differences arising from foreign operations	(61)	(4)	-	-
Carrying value	11,147	11,208	-	-

### Licence property

Net book value	289	544	-	-
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Total intangible assets	34,839	41,003	-	-
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## 16. Intangible Assets (continued)

### Computer Software

Computer software costs have been capitalised at cost. The intangible asset has been assessed as having a finite life and is amortised using the straight-line method over a period of no greater than 6.5 years. If an indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount. During the current year, an impairment expense of \$9.15 million was recognised in the income statement before tax attributable to the write down of certain computer software, following a strategic information technology change in direction.

### Goodwill

From 1 July 2005, goodwill is no longer amortised but is now subject to annual impairment testing. Goodwill acquired through business combinations have been allocated to two individual cash generating units, which are reportable segments, for impairment testing as follows:

- Rebel Sport Limited (goodwill of \$11.14 million);
- Pertama Holdings Limited, Singapore (goodwill of \$0.01 million)

#### *Rebel Sport Limited*

The recoverable amount of the Rebel Sport cash generating unit has been determined based on a fair value less costs to sell calculation as the asset, being the shares held by the consolidated entity in Rebel Sport Limited, are traded in an active market.

The goodwill attributable to the Rebel acquisition is tested for impairment on an annual basis by comparing its carrying amount with its recoverable amount as at balance date. The carrying amount of Rebel goodwill relates to the excess of the investment made in Rebel (being the cash consideration paid to acquire Rebel shares at acquisition date) and the fair value of Rebel's net assets acquired at the date of acquisition. The fair value of the Rebel cash generating unit is calculated as the number of shares held in Rebel Sport Limited multiplied by the current share price at balance date. From the testing performed, there is no indicator that the goodwill recognised on the acquisition of Rebel Sport Limited may be impaired.

#### *Pertama Holdings Limited, Singapore*

The recoverable amount of the Pertama Holdings Limited, Singapore cash generating unit has been determined based on a fair value less costs to sell calculation as the asset, being the shares held by the consolidated in Pertama Holdings Limited, Singapore are traded in an active market.

From the testing performance, there is no indicator that goodwill recognised in Pertama Holdings Limited, Singapore may be impaired.

# Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 17. Trade and Other Payables (Current)

Unsecured:				
- Trade creditors and accruals	552,001	557,512	272	309
- Hedge payable	-	33,450	-	-
<b>Total trade and other payables (current)</b>	<b>552,001</b>	<b>590,962</b>	<b>272</b>	<b>309</b>

## 18. Interest-Bearing Loans and Borrowings (Current)

Secured:				
Non trade amounts owing to:				
- Other related parties (a)	1,464	2,422	-	-
- Commercial investors F.A.S.T	22,159	15,192	-	-
Unsecured:				
Bank overdraft	67,512	37,853	-	-
Lease liabilities (b) Note 34(b)(i)	385	1,293	-	-
Non trade amounts owing to:				
- Directors (c)	24,697	25,872	-	-
- Other related parties (c)	1,944	4,486	-	-
- Other unrelated persons	680	706	-	-
<b>Total interest-bearing loans and borrowings (current)</b>	<b>118,841</b>	<b>87,824</b>	<b>-</b>	<b>-</b>

(a) These loans are secured over consumer finance receivables.

(b) The implicit interest rate on lease liabilities is 9% over a term of 3 years.

(c) Interest is payable at normal commercial bank bill rates. The loans are unsecured and repayable at call.

## 19. Other Liabilities (Current)

Lease incentives	2,418	1,377	-	-
Unearned revenue	5,395	2,855	-	-
Other	-	208	-	-
<b>Total other liabilities (current)</b>	<b>7,813</b>	<b>4,440</b>	<b>-</b>	<b>-</b>

Unearned revenue mainly refers to unearned interest on NCF lease receivables.

## Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

### 20. Provisions

Current				
- Employee benefits (note 30)	12,416	10,691	-	-
- Make good provision	1,040	-	-	-
- Deferred lease expenses	335	-	-	-
- Other	784	534	-	-
<b>Total provisions (current)</b>	<b>14,575</b>	<b>11,225</b>	<b>-</b>	<b>-</b>
Non - Current				
- Employee benefits (note 30)	1,814	1,709	-	-
- Make good provision	1,836	2,422	-	-
- Deferred lease expenses	2,615	2,607	-	-
- Other	914	914	-	-
<b>Total provisions (non- current)</b>	<b>7,179</b>	<b>7,652</b>	<b>-</b>	<b>-</b>

Movements in the provisions for the year are as follows:

	Make Good Provision	Deferred Lease Expenses	Other	Total
	\$000	\$000	\$000	\$000
<b>Consolidated</b>				
At 1 July 2005	2,422	2,607	1,448	6,477
Arising during the year	1,163	568	440	2,171
Utilised / unused amounts reversed	(770)	(225)	(190)	(1,185)
Discount rate adjustment	61	-	-	61
<b>At 30 June 2006</b>	<b>2,876</b>	<b>2,950</b>	<b>1,698</b>	<b>7,524</b>
Current 2006	1,040	335	784	2,159
Non-current 2006	1,836	2,615	914	5,365
<b>Total provisions 2006</b>	<b>2,876</b>	<b>2,950</b>	<b>1,698</b>	<b>7,524</b>
Current 2005	-	-	534	534
Non-current 2005	2,422	2,607	914	5,943
<b>Total provisions 2005</b>	<b>2,422</b>	<b>2,607</b>	<b>1,448</b>	<b>6,477</b>



# Notes to the Financial Statements (continued)

## 20. Provision (Continued)

### Make good provision

In accordance with the lease agreements, the consolidated entity must restore certain leased premises.

The balance of the make good provision as at 30 June 2006 was \$2,876,000 in respect of the consolidated entities' obligation to restore leased premises.

Because of the long-term nature of the liability, the greatest uncertainty in estimating the provisions is the costs that will ultimately be incurred. The provision has been calculated using a discount rate of 3 per cent.

### Deferred lease expenses

The provision for deferred lease expenses represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements, less revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from 3 to 5 years.

### Other

The majority of other provisions relates to a provision for the minority interest share of losses incurred by a controlled entity within the consolidated entity.

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 21. Interest-Bearing Loans and Borrowings (Non-current)

Secured:

Non trade amounts owing to:

Commercial Mortgage Backed Securities (a)	250,369	253,676	-	-
Commercial investors F.A.S.T	23,122	32,569	-	-
Secured bills payable (b)	459,624	400,678	-	-
Lease liabilities - Note 34(b)(i)	358	430	-	-
<b>Total interest-bearing liabilities (non-current)</b>	<b>733,473</b>	<b>687,353</b>	<b>-</b>	<b>-</b>

### (a) Commercial Mortgage Backed Securities (CMBS)

The CMBS facility is secured by a first registered mortgage over fifty-four (54) separate Harvey Norman complexes in Australia and New Zealand. In Australia, the term of the facility is 5 years, expiring on 19 May 2009, with a fixed interest rate of 5.87%. Interest is payable on a quarterly basis, in arrears. In New Zealand, the loan was originally subject to a floating interest rate but was subsequently fixed on 1 July 2004 under a 5-year facility expiring on 19 August 2009.

### (b) Bills Payable

Bills payable are secured by a first mortgage over certain freehold land and buildings and by deeds of charge and mortgage debentures over inventories, trade debtors, consumer finance loans and lease receivables. The bills have an average maturity of 30 days with an effective average interest rate of 2.28% to 7.84% (2005: 2.4% to 6.99%).

Bills payable have been classified as non-current interest-bearing liabilities on the basis that no net principal reductions are intended to be made prior to 30 June 2007 pursuant to the existing bill facilities. 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 ratios are to be maintained to the satisfaction of the bank.

These facilities are subject to annual review.

# Notes to the Financial Statements (continued)

## 21. Interest-Bearing Loans and Borrowings (Non-Current) (continued)

### (c) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
Total facilities;				
- bank overdraft	75,770	48,425	-	-
- bank bills	537,566	554,434	-	-
- Commercial mortgage backed securities	250,369	253,676	-	-
<b>Total Available Facilities</b>	<b>863,705</b>	<b>856,535</b>	<b>-</b>	<b>-</b>
Facilities used at balance date:				
- bank overdraft	53,352	32,891	-	-
- bank bills	459,624	400,678	-	-
- Commercial mortgage backed securities	250,369	253,676	-	-
<b>Total Used Facilities</b>	<b>763,345</b>	<b>687,245</b>	<b>-</b>	<b>-</b>
Facilities unused at balance date:				
- bank overdraft	22,418	15,534	-	-
- bank loans	77,942	153,576	-	-
- Commercial mortgage backed securities	-	-	-	-
<b>Total facilities</b>	<b>863,705</b>	<b>856,535</b>	<b>-</b>	<b>-</b>
<b>Facilities used at reporting date</b>	<b>763,345</b>	<b>687,245</b>	<b>-</b>	<b>-</b>
<b>Facilities unused at reporting date</b>	<b>100,360</b>	<b>169,290</b>	<b>-</b>	<b>-</b>

### Bank overdrafts

The bank overdrafts are secured by a floating charge over certain of the Group's assets, including its land and buildings.

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

The consolidated entity has \$470 million of the Bank Bill standby arrangement facility on five fixed interest rate swaps as follows:

Interest Swap Principal	Fixed Interest Rate	Expiry Date
150,000,000	5.75%	7 May 2010
100,000,000	5.64%	18 May 2009
150,000,000	6.21%	19 May 2009
40,000,000	6.37%	19 May 2009
30,000,000	6.52%	19 May 2009

The remaining facilities are subject to annual review. 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 operations of the business. The company can cancel the facilities at any review date.

For additional financing facilities not disclosed above, refer to Notes 18 and 32(f)(i) for details in relation to loans by directors to Derni Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited).

# Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 22. Other Liabilities (Non-Current)

Lease incentives	8,050	3,736	-	-
Unearned revenue	11,210	3,959	-	-
Other	-	78	-	-
<b>Total other liabilities (non-current)</b>	<b>19,260</b>	<b>7,773</b>	<b>-</b>	<b>-</b>

## 23. Contributed Equity

Ordinary shares	246,591	246,591	246,591	246,591
<b>Total contributed equity</b>	<b>246,591</b>	<b>246,591</b>	<b>246,591</b>	<b>246,591</b>

Ordinary shares <b>Issued and fully paid</b>	1,057,783,451	1,057,783,451
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Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Parent does not have authorised capital nor par value in respect of its issued shares.

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

	CONSOLIDATED		PARENT	
	No.	\$'000	No.	\$'000
Movements in ordinary shares on issue				
At 1 July 2004	1,056,830,115	246,591	1,056,830,115	246,591
Issue of shares under executive share option plan	953,336	-	953,336	-
At 1 July 2005	1,057,783,451	246,591	1,057,783,451	246,591
Issue of shares under executive share option plan	-	-	-	-
<b>At 30 June 2006</b>	<b>1,057,783,451</b>	<b>246,591</b>	<b>1,057,783,451</b>	<b>246,591</b>

### 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. Refer to Note 32. Director and Executive Disclosures for further information on the shares issued during the year ended 30 June 2006.

## 23. Contributed Equity (continued)

### Share Options

#### Harvey Norman Holdings Limited

There were 10,773,333 (2005: 8,427,333) options to subscribe for 10,773,333 fully paid ordinary shares in the Company, pursuant to the Harvey Norman Executive Option Plan ("EOP"), outstanding as at 30 June 2006.

Details of options issued pursuant to EOP are set out in Note 32 to the financial statements.

#### Rebel Sport Limited

There were 1,050,000 (2005: 4,220,000) options over unissued ordinary shares outstanding at 30 June 2006. Rebel Sport Limited operates an Employee Option Incentive Scheme which was approved by shareholders on 12 October 1993. Under the terms of this scheme, the directors may offer options over unissued ordinary shares in Rebel Sport Limited to certain senior management employees of the entity. Refer to Note 30 to the financial statements for further information.

#### Pertama Holdings Limited, Singapore

There were 4,000,000 (2005: 4,000,000) options over unissued ordinary shares outstanding at 30 June 2006. At an Extraordinary General Meeting of shareholders held on 25 October 2005, shareholders approved the grant of 4,000,000 options to Mr Angelo Augustus. During the current year, the 4,000,000 options granted to Mr Martin Dunkerley lapsed upon his resignation from Pertama Holdings Limited on 1 October 2005.

Refer to Note 30 to the financial statements for further information.

# Notes to the Financial Statements (continued)

## 24. Reserves

	Asset revaluation reserve	Foreign currency translation reserve	CONSOLIDATED Available for sale reserve	Cash flow hedge reserve	Employee equity benefits	Total
<b>At 1 July 2004</b>	12,596	-	-	-	798	13,394
Currency translation differences	-	(4,095)	-	-	-	(4,095)
Revaluation of land and buildings	6,165	-	-	-	-	6,165
Tax effect of revaluation of land and buildings	(1,887)	-	-	-	-	(1,887)
Share based payments	-	-	-	-	1,423	1,423
<b>At 30 June 2005</b>	<b>16,874</b>	<b>(4,095)</b>	<b>-</b>	<b>-</b>	<b>2,221</b>	<b>15,000</b>
Revaluation of land and buildings	24,407	-	-	-	-	24,407
Tax effect of revaluation of land and buildings	(8,054)	-	-	-	-	(8,054)
Unrealised gains on available-for-sale investments	-	-	2,159	-	-	2,159
Tax effect of net gains on available-for-sale investments	-	-	(713)	-	-	(713)
Net gains on cash flow hedges	-	-	-	6,095	-	6,095
Tax effect of net gains on cash flow hedges	-	-	-	(1,840)	-	(1,840)
Currency translation differences	921	(10,292)	-	-	-	(9,371)
Share based payment	-	-	-	-	4,132	4,132
<b>At 30 June 2006</b>	<b>34,148</b>	<b>(14,387)</b>	<b>1,446</b>	<b>4,255</b>	<b>6,353</b>	<b>31,815</b>

### Nature and purpose of reserves

#### Asset revaluation reserve

The asset revaluation reserve is used to record increase in the fair value of "owner occupied" land and buildings and decreases to the extent that such decreases relate to an increase on the same asset previously recognised in equity. The reserve can only be used to pay dividends in limited circumstances.

#### Foreign currency translation reserve

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

#### Available for sale reserve

This reserve records fair value changes on available-for-sale investments.

#### Cash flow hedge reserve

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

#### Employee equity benefits reserve

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

There are no reserves recorded within the parent entity.

# Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 25. Retained Profits and Dividends

Movements in retained earnings were as follows:

Balance 1 July	929,888	817,579	573,298	491,193
Application of AASB 132 and AASB 139	(5,557)	-	-	-
Net gain resulting from change in ownership interest in controlled entity	106	-	-	-
Profit for the year	229,558	191,633	155,638	161,429
Dividends	(79,334)	(79,324)	(79,334)	(79,324)
<b>Balance 30 June</b>	<b>1,074,661</b>	<b>929,888</b>	<b>649,602</b>	<b>573,298</b>

Declared and paid during the year:

Dividends on ordinary shares:

Final franked dividend for 2005: 3.5 cents

(2004: 2.5 cents) 37,022 47,594 37,022 47,594

Interim franked dividend for 2006: 4.0 cents

(2005: 3.0 cents) 42,312 31,730 42,312 31,730

**Total dividends paid 79,334 79,324 79,334 79,324**

The final dividend for the year ended 30 June 2005 was paid on 12 December 2005.

The interim dividend for the year ended 30 June 2006 was paid on 8 May 2006.

Proposed for approval at AGM

(not recognised as a liability as at 30 June):

Dividends on ordinary shares:

Final franked dividend for 2006: 4.0 cents

(2005: 3.5 cents) 42,312 37,022 42,312 37,022

The proposed final dividend for the year ended 30 June 2006 is to be paid on 11 December 2006 to shareholders registered at 5:00pm, 10 November 2006.

### Franking credit balance

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

- franking account balance as at the end of the financial year at 30% (2005: 30%)	371,041	338,444	371,041	338,444
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	13,311	9,155	13,311	9,155
- franking credits that will be utilised in the payment of proposed final dividend	(18,134)	(15,867)	(18,134)	(15,867)

The amount of franking credits available for future reporting periods: 366,218 331,732 366,218 331,732

# Notes to the Financial Statements (continued)

## 25. Retained Profits and Dividends (continued)

As of 1 July 2002, Harvey Norman Holdings Limited and its wholly-owned Australian subsidiaries have formed a tax consolidated group pursuant to the tax consolidation legislation, which requires the tax-consolidated group to keep a single franking account. The amount of franking credits available to shareholders of the parent entity (being the head entity in the tax consolidated group) has been measured under the new legislation as those available from the tax consolidated group.

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 26. Minority Interest

Interest in:				
Ordinary shares	52,728	50,932	-	-
Reserves	(1,775)	(6,048)	-	-
Retained earnings	38,905	30,074	-	-
<b>Total minority interests</b>	<b>89,858</b>	<b>74,958</b>	<b>-</b>	<b>-</b>

## 27. Cash and Cash Equivalents

### (a) Reconciliation to Cash Flow Statement

For the purpose of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June:

Cash at bank and in hand	92,230	136,020	-	-
Short term money market deposits	30,546	13,376	-	-
	122,776	149,396	-	-
Bank overdraft (Note 18)	(67,512)	(37,853)	-	-
<b>Cash and cash equivalents at end of year</b>	<b>55,264</b>	<b>111,543</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements (continued)

## 27. Cash and Cash Equivalents (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000
<b>(b) Reconciliation of profit after income tax to net operating cash flows:</b>				
Profit after tax	244,285	208,387	155,638	161,429
Adjustments for:				
Net foreign exchange (gain)/loss	(1,169)	(1,094)	-	-
Bad and doubtful debts	2,174	2,495	-	-
Provision for inventory obsolescence	445	291	-	-
Share of joint ventures	(7,933)	(4,777)	-	-
Depreciation of property, plant and equipment	70,556	67,923	-	-
Amortisation	9,890	7,296	-	-
Impairment of fixed assets	10,088	734	-	-
Deferred lease expenses	304	37	-	-
Discount on interest-free long term receivables	2,183	-	-	-
Accretion of interest-free long term receivables	(4,799)	-	-	-
Shares and options expense	4,116	1,423	-	-
Gain on deconsolidation of controlled entity	(3,627)	-	-	-
Transfers to provisions:				
- Employee entitlements	1,830	1,536	-	-
- Doubtful debts	336	1,693	-	-
Profit on disposal and revaluation of:				
- Property, plant and equipment, and listed securities	(244)	(368)	-	-
Changes in assets and liabilities net of effects from purchase and sale of controlled entities:				
<b>(Increase)/decrease in assets:</b>				
Receivables	(135,348)	(81,564)	(183,236)	(132,942)
Inventory	(8,207)	(13,041)	-	-
Other current assets	8,172	(37,463)	-	-
Deferred tax assets	(11,408)	(5,589)	(3,352)	(448)
<b>Increase/(decrease) in liabilities:</b>				
Payables and other current liabilities	(28,296)	48,998	(36)	174
Non trade amounts owing to FAST	(958)	339	-	-
Income tax payable	7,370	(12,337)	4,156	347
<b>Net cash from operating activities</b>	<b>159,760</b>	<b>184,919</b>	<b>(26,830)</b>	<b>28,560</b>



## 28. Impact of Adopting Australian Equivalents to IFRS

For all periods up to and including the year ended 30 June 2005, the consolidated entity prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the consolidated entity is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly, the consolidated entity has prepared financial statements that comply with AIFRS applicable for periods beginning on or after 1 January 2005 and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements, the consolidated entity has started from an opening balance sheet as at 1 July 2004, the consolidated entity's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 First-time Adoption of AIFRS.

This note explains the principal adjustments made by the consolidated entity in restating its AGAAP balance sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

### *Exemptions Applied*

AASB 1 allows first-time adopters certain exemptions from the general requirement to apply AIFRS retrospectively.

The consolidated entity has applied the following exemptions:

- Comparative information for financial instruments is prepared in accordance with AGAAP and the Company and consolidated entity have adopted AASB 132 Financial Instruments: Disclosure and Presentation and AASB 139 Financial Instruments: Recognition and Measurement from 1 July 2005.
- AASB 3 Business Combinations has not been applied to acquisitions of subsidiaries or of interests in associates and joint ventures that occurred before 1 July 2004.
- Cumulative currency translation differences for all foreign operations are deemed to be zero as at 1 July 2004.
- AASB 2 Share-based Payment has not been applied to any equity instruments that were granted on or before 7 November 2002, nor has it been applied to equity instruments granted after 7 November 2002 that vested before 1 January 2005.

### *Explanation of Material Adjustments to the Cash Flow Statement*

There are no material differences between the cash flow statement presented under AIFRS and the cash flow statement presented under previous AGAAP.

### *Impact of Adoption of AIFRS by the Parent Entity*

The adoption of AIFRS by the parent entity has had no impact on total equity, profit after tax and the cash flow statement on the financial statements previously reported under AGAAP.

### *Impact of Adoption of AIFRS by the Consolidated Entity*

The impacts of adopting AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (AGAAP) are illustrated below.

# Notes to the Financial Statements (continued)

## 28. Impact of Adopting Australian Equivalents to IFRS (continued):

### (i) Reconciliation of Total Equity Presented Under AGAAP to that Under AIFRS

		30 June 2005 \$000	1 July 2004 \$000
<b>Total equity under AGAAP</b>		<b>1,351,914</b>	<b>1,228,275</b>
<b>Adjustments to retained earnings (net of tax)</b>			
Write-back of goodwill amortisation	(i)	713	-
Recognition of share-based payment expense	(ii)	(2,053)	(756)
Inventory valuation adjustments	(iii)	(6,692)	(6,474)
Increase in fair value of investment properties	(iv)	15,595	-
Reclassification of land and buildings as investment properties	(v)	156,880	156,880
Write-back building depreciation expense on investment properties	(vi)	6,150	-
Reset cumulative exchange difference on transition to AIFRS	(vii)	(10)	391
Recognise deferred tax on temporary difference between the carrying amount and tax base of land and buildings (excluding asset revaluations)		2,456	2,456
Recognition of "make good" and other provisions	(viii)	(922)	(604)
Recognition of lease expenses on a straight-line basis	(ix)	(1,833)	(1,807)
		<b>170,284</b>	<b>150,086</b>
<b>Adjustments to other reserves (net of tax)</b>			
Recognition of share-based payment expense	(ii)	2,221	798
Reclassification of land and buildings as investment properties	(v)	(255,023)	(230,858)
Reset cumulative exchange difference on transition to AIFRS	(vii)	(198)	(391)
		<b>(253,000)</b>	<b>(230,451)</b>
<b>Adjustments to minority interests (net of tax)</b>			
Inventory valuation adjustments	(iii)	(2,553)	(2,310)
Recognition of share-based payment expense	(ii)	(167)	(42)
Recognition of "make-good" and other provisions	(viii)	(41)	(47)
		<b>(2,761)</b>	<b>(2,399)</b>
<b>TOTAL EQUITY UNDER AIFRS</b>		<b>1,266,437</b>	<b>1,145,511</b>

## 28. Impact of Adopting Australian Equivalents to IFRS (continued):

### Notes to the Reconciliation of Equity as Presented under AGAAP to that under AIFRS:

- (i) Under AASB 3 “Business Combinations” goodwill is not permitted to be amortised but instead is subject to impairment testing on an annual basis or upon the occurrence of triggers which may indicate potential impairment. The consolidated entity’s goodwill balance predominantly relates to the goodwill generated on the acquisition of Rebel Sport Limited, with a small amount attributable to an acquisition in Singapore. Previously under AGAAP, the consolidated entity amortised goodwill over its useful life but not exceeding 20 years. The consolidated entity has not elected to apply AASB 3 retrospectively and hence, prior year’s amortisation would not be written-back as at the date of transition.
- (ii) Under AASB 2 “Share Based Payments” the consolidated entity must recognise the fair value of shares and/or options granted to employees as remuneration as an expense in the income statement on a pro-rata basis over the vesting period of those shares and options. A corresponding adjustment will be made to equity. All equity based remuneration is made in accordance with plans approved by shareholders. At the annual general meeting of Harvey Norman Holdings Limited held on 25 November 2003, the shareholders approved the implementation of the Deferred Executive Incentive Share Plan (“DEIP”) and the Executive Option Plan (“EOP”). Previously, the consolidated entity had not recognised the fair value of any shares and options issued under these plans as an expense in the income statement as share-based payments were not recognised under AGAAP.
- (iii) Under AASB 102 “Inventories”, the cost of inventory is to be valued at an amount net of trade discounts, rebates and other similar items. The consolidated entity currently receives supplier incentives such as volume rebates, settlement discounts and funds from suppliers for the general, on-going promotion of their products (collectively termed “brand support contribution”). The previous policy under AGAAP of the consolidated entity was to recognise settlement discounts and brand support contribution directly as other revenue in the income statement. The application of AASB 102 required the consolidated entity to recognise these items as a reduction in the purchase price of inventory on the balance sheet and recognise the contributions as a reduction in cost of goods sold when the item is sold to external customers.
- (iv) Under AASB 140 “Investment Properties”, a gain or loss arising from a change in the fair value of investment properties shall be recognised in profit or loss for the period in which it arises. The consolidated entity has separated its property portfolio into land and buildings held for the purpose of earning rental income and/or capital appreciation and land and buildings held for use in the production or supply of goods or services or for administrative purposes. Whilst the majority of the Australian property portfolio is owned to facilitate the consolidated entity’s franchising structure, it falls under the classification of “investment properties” as the land and buildings are primarily leased to franchisees who are not part of the consolidated group. The consolidated entity has elected to adopt the fair value model and therefore all subsequent fair value movements relating to investment properties are recognised in the income statement.
- (v) Under AASB 1 “First-time Adoption of Australian Equivalents to International Financial Reporting Standards”, an entity may elect to measure an item of property, plant and equipment at the date of transition at its fair value. The consolidated entity has separated its property portfolio between investment properties and owner-occupied properties at the date of transition to AIFRS. The fair value of the land and buildings determined to be investment properties has been taken as the fair value of the items on transition. The consolidated entity has reclassified the cumulative asset revaluation reserve attributable to investment properties to retained earnings as an opening AIFRS adjustment.
- (vi) Under AASB 140 “Investment Properties”, an entity that chooses the fair value model shall measure all of its investment property at fair value and this shall reflect market conditions at reporting date. Land and buildings held as investment properties fall outside the scope of AASB 136 “Impairment of Assets” and are not required to be depreciated in accordance with AASB 116 “Property, Plant & Equipment” where the depreciable amount of owner-occupied property is to be allocated on a systematic basis over its useful life.
- (vii) Under AASB 1 “First-time Adoption of Australian Equivalents to International Financial Reporting Standards”, the consolidated entity has adopted the exemption that permits the cumulative translation differences for all foreign operations to be deemed to be zero at transition date. This had the effect of clearing the cumulative foreign exchange difference on the balance sheet to nil and resetting all historical exchange rates to the prevailing spot rates as at transition date.
- (viii) Under AASB 116 “Property, Plant and Equipment”, the consolidated entity is required to include as part of the cost of its property, plant and equipment, an estimate of the costs to remove leasehold improvements at the end of the lease term where such an obligation exists to the lessor. These costs were not recognised under AGAAP. A corresponding liability would also be recognised under AIFRS in accordance with AASB 137 “Provisions, Contingent Liabilities and Contingent Assets”.

# Notes to the Financial Statements (continued)

## 28. Impact of Adopting Australian Equivalents to IFRS (continued):

### Notes to the Reconciliation of Equity as Presented under AGAAP to that under AIFRS (continued):

- (ix) Under AASB 117 "Leases", lease payments under an operating lease (excluding costs for services such as insurance and maintenance) shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.
- (x) Under AASB 112 "Income Taxes", the consolidated entity would be required to use a balance sheet method, rather than the superseded income statement method, which recognises deferred tax balances where there is a difference between the carrying value of an asset or liability and its tax base. Where applicable, the above adjustments to retained earnings will result in changes to deferred tax balances under AIFRS, increasing both deferred tax liabilities and deferred tax assets.

A significant impact in the application of AASB 112 to the consolidated entity relates to the recognition of a deferred tax liability in relation to revalued assets. A deferred tax liability has been recognised on the full value of revalued assets thereby resulting in a reduction in total equity under AIFRS. Previously under AGAAP, the tax effects of asset revaluations were not recognised.

- (xi) Under AASB 127 "Consolidated and Separate Financial Statements" and the Urgent Issues Group Interpretation UIG 112 "Consolidation - Special Purpose Entities", the entity is required to consolidate the Financial Assets Specialised Trust No. 1 ("F.A.S.T."), as the substance of the relationship between the entity and F.A.S.T. indicates that F.A.S.T. is controlled by the consolidated entity. This has the impact of increasing receivables and payables and eliminating the investment in F.A.S.T. Under AGAAP, the consolidated entity was not required to consolidate F.A.S.T.

The tax effect of the adjustments above (note (i) to (xi)) led to an increase in deferred tax liability. The total change in deferred tax liability is as follows:

	30 June 2005 \$000	1 July 2004 \$000
Tax effect of the above adjustments (note (i) to (xi))	180	-
Tax effect of current period revaluation increment	8,570	-
Tax effect of asset revaluation reserve	73,978	73,978
<b>Increase in deferred tax liability</b>	<b>82,728</b>	<b>73,978</b>

# Notes to the Financial Statements (continued)

## 28. Impact of Adopting Australian Equivalents to IFRS (continued):

### (ii) Reconciliation of Net Profit under AGAAP to that under AIFRS:

		CONSOLIDATED 30 June 2005 \$000
<b>Net profit as reported under AGAAP</b>		<b>171,435</b>
Write-back of goodwill amortisation	(i)	713
Recognition of share-based payment expense	(ii)	(1,421)
Inventory valuation adjustments	(iii)	(783)
Increase in fair value of investment properties	(iv)	22,278
Write-back building depreciation expense on investment properties	(v)	8,785
Recognition of "make-good" and other provisions	(vi)	(445)
Recognition of lease expenses on a straight-line basis	(vii)	(37)
Currency translation differences		(401)
		<b>28,689</b>
Adjustments to income tax expense	(viii)	(8,852)
Adjustments to net profit attributable to minority interests	(ix)	361
<b>Net profit under AIFRS</b>		<b>191,633</b>

### Notes to the Reconciliation of Net Profit under AGAAP to that under AIFRS:

- (i) Under AASB 3 "Business Combinations" goodwill is not permitted to be amortised but instead is subject to impairment testing. Under the previous AGAAP policy, the consolidated entity amortised goodwill over its useful life but not exceeding 20 years. Under the new policy, amortisation would no longer be charged, but goodwill would be written down to the extent it is impaired.
- (ii) Under AASB 2 "Share Based Payments" the consolidated entity recognises the fair value of shares and/or options granted to employees as remuneration as an expense in the income statement on a pro-rata basis over the vesting period of those shares and options. Share-based payment costs were not recognised under AGAAP. This resulted in a decrease in profit from AGAAP to AIFRS.
- (iii) Under AASB 102 "Inventories", the cost of inventory should be valued at an amount net of trade discounts, rebates and other similar items. Under the previous AGAAP policy, the consolidated entity recognised settlement discounts and other incentives from suppliers (collectively termed "brand support contribution") directly as other revenue in the income statement on receipt of the incentive. Under the new policy inventory rebates, settlement discounts and brand support contributions cannot be recognised as other revenue in the income statement but rather as a reduction in the purchase price of inventory in the balance sheet. Such items will only be recognised as a reduction in the cost of goods sold in the income statement when the inventory is sold to external customers. This resulted in a decrease in profit from AGAAP to AIFRS.
- (iv) Under AASB 140 "Investment Properties", a gain or loss arising from a change in the fair value of investment properties shall be recognised in profit or loss for the period in which it arises. Under the previous AGAAP policy, the consolidated entity did not distinguish between properties held for investment purposes or for owner-occupied use and therefore all asset revaluation increments were credited directly to an asset revaluation reserve in equity. Under AIFRS, the asset revaluation increment attributable to investment properties will be recognised as income in the income statement resulting in an increase in profit from AGAAP to AIFRS.

# Notes to the Financial Statements (continued)

## 28. Impact of Adopting Australian Equivalents to IFRS (continued):

- (v) Under AASB 140 "Investment Properties", an entity that chooses the fair value model shall measure all of its investment property at fair value and this shall reflect market conditions at reporting date. Previously the consolidated entity did not distinguish between properties held for investment purposes or for owner-occupied use and therefore had recognised depreciation expense on the building component of its property portfolio. Under the new policy, the building component of properties classified as investment properties will not be required to be depreciated on a systematic basis over its useful life. However the investment property would be required to be written down to the extent that the value falls below what is considered to be fair value. This resulted in an increase in profit from AGAAP to AIFRS.
- (vi) Under AASB 116 "Property, Plant and Equipment", the consolidated entity is required to include as part of the cost of its property, plant and equipment, an estimate of the costs to remove leasehold improvements at the end of the lease term where such an obligation exists to the lessor. These costs were not recognised under AGAAP.
- (vii) Under AASB 117 "Leases", lease payments under an operating lease shall be recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time-pattern of the user's benefit.
- (viii) The adjustment to income tax expense relates to the above AIFRS adjustments.
- (ix) The Reconciliation of Net Profit under AGAAP to that under AIFRS has been prepared on a consolidated basis. As such the adjustments required under AIFRS, namely inventory valuation, share-based payments, and recognition of the make-good provision, also relate to controlled entities that are not wholly-owned.

## 29. Impact of adopting AASB 132 and AASB 139

The consolidated entity elected to apply the option available under AASB 1 of adopting AASB 132 and AASB 139 from 1 July 2005. Outlined below are the areas impacted upon adoption of AASB 132 and AASB 139, including the financial impact to equity and profit.

### ***Interest Rate Swaps:***

#### AIFRS

For interest rate swaps that are designated as cash flow hedges under AASB 139, the effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

#### Previous Accounting Policy Under AGAAP

Interest rate swaps were not recognised on balance sheet. Net receipts and payments were recognised as an adjustment to interest expense in the period in which they were incurred.

#### Impact as at 1 July 2005

Recognition of a derivative payable of \$4.3 million, recognition of a deferred tax asset of \$1.3 million and a decrease to the cash flow hedge reserve of \$3.0 million.

### ***Foreign Forward Exchange Contracts:***

#### AIFRS

Under AASB 139, all foreign forward exchange contracts are marked to market at the reporting date and changes in the fair value are recognised as an asset or liability, with any gains or losses recognised in profit or loss.

#### Previous Accounting Policy Under AGAAP

Foreign forward exchange contract commitments were recognised as a receivable and payable on balance sheet at the date the contract is entered into and derecognised on settlement.

# Notes to the Financial Statements (continued)

## 29. Impact of Adopting AASB 132 and AASB 139 (continued)

### Impact as at 1 July 2005

Hedge receivable and payable are reduced by \$33.45 million.

### **Long-term Interest Free Trade Receivables**

Certain consumer finance receivables are sold in accordance with an agreement, to a special purpose trust, "The Financial Assets Specialised Trust No. 1" (FAST). The consolidated entity may, but is not obliged to, sell receivables to FAST and FAST may, but is not obliged to, purchase some or all of consumer finance receivables

### AIFRS

Under AASB 139, long-term interest free trade receivables are discounted to their present value at balance sheet date, less an allowance for any uncollectible amounts. The discounting is recognised as an expense in the income statement as a period cost. Accretion of the discounted long-term interest free trade receivables balance is recognised as income. The short-term portion of the discounted long-term interest free trade receivables is recognised in current assets.

### Previous Accounting Policy Under AGAAP

Long-term interest free trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. The short-term portion of the long-term interest free receivables is recognised in current assets.

In previous financial periods the consolidated entity was not required to consolidate the interest of the consolidated entity in FAST. As a result of the implementation of AIFRS, the consolidated entity has consolidated the interest of the consolidated entity in FAST.

### Impact as at 1 July 2005

Long-term interest free trade receivables are reduced by \$7.9 million, the deferred tax asset has increased by \$2.4 million and retained earnings decreased by \$5.5 million.

### **Listed Securities Held as Available for Sale**

### AIFRS

Under AASB 139, a gain or loss on available for sale financial assets are recognised directly in equity through the statement of changes in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity shall be recognised in profit or loss.

### Previous Accounting Policy Under AGAAP

The investment in Briscoe Group Limited was carried at cost with the net fair value based on the quoted market bid price less estimated disposal costs, which are expected to be minimal, disclosed in the Financial Instruments note to the financial statements.

### Impact as at 1 July 2005

An increase in other financial assets (non-current) of \$1.15 million, an increase in deferred tax liability of \$0.38 million and an increase in available for sale financial asset reserve of \$0.77 million.

	CONSOLIDATED		PARENT	
	2006 Number	2005 Number	2006 Number	2005 Number

## 30. Employee Benefits

The number of full-time equivalent employees employed as at 30 June are:

	4,383	3,766	-	-
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

The aggregate employee benefit liability is comprised of:

Accrued wages, salaries and on-costs	6,945	5,862	-	-
Provisions (current - Note 20)	12,416	10,691	-	-
Provisions (non-current - Note 20)	1,814	1,709	-	-
<b>Total employee benefit provisions</b>	<b>21,175</b>	<b>18,262</b>	<b>-</b>	<b>-</b>

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

## Share Options

### Harvey Norman Holdings Limited

At balance date, the following options over unissued ordinary shares were outstanding and vested (or able to be exercised) by, or for the benefit of, directors of Harvey Norman Holdings Limited:

Grant Date	Expiry Date	Exercise Price	Number of Options Outstanding		Number of Options Vested	
			2006	2005	2006	2005
26/11/2003	30/11/2008	\$3.00	3,414,000	3,948,000	3,414,000	-
28/09/2004	30/11/2008	\$2.93	3,413,000	3,946,000	-	-
29/06/2005	30/11/2010	\$2.62	533,333	533,333	-	-
04/11/2005	30/11/2008	\$2.79	3,413,000	-	-	-
			<b>10,773,333</b>	<b>8,427,333</b>	<b>3,414,000</b>	<b>-</b>

Refer to Note 32. Director and Executive Disclosures for further information.



# Notes to the Financial Statements (continued)

## 30. Employee Benefits (continued)

### Pertama Holdings Limited, Singapore

At balance date, the following options over unissued ordinary shares were outstanding and vested (or able to be exercised) by directors and employees of Pertama Holdings Limited, Singapore:

Grant Date	Expiry Date	Exercise Price	Number of Options Outstanding		Number of Options Vested	
			2006	2005	2006	2005
25/10/2005	01/10/2010	\$SGD 0.365	4,000,000	-	-	-
09/07/2003	31/01/2008	\$SGD 0.275	-	4,000,000	-	-
			4,000,000	4,000,000	-	-

On 25 October 2005, at an Extraordinary General Meeting of shareholders, options to subscribe for up to 4,000,000 ordinary shares of par value \$0.38 Singapore Dollars each in the capital of Pertama Holdings Limited, were granted to Mr A.A. Augustus at the exercise price of \$0.365 Singapore Dollars per option.

The terms of the option agreement entered into between Pertama Holdings Limited and Mr A.A. Augustus in respect of these 4,000,000 options are:

- The exercise price of these options is subject to annual review by the Board
- The options are exercisable for the period commencing the third anniversary of 1 October 2005 and must be exercised before the fifth anniversary of 1 October 2005

Using the Black-Scholes option-pricing model, the value of these options at grant date is \$0.0598 Singapore Dollars per option or 4.860 cents per option in Australian dollars, translated at an average exchange rate for the year ended 30 June 2006. Thus at grant date, the total value of these options is \$239,276 Singapore Dollars, or \$194,454 Australian dollars.

On 9 July 2003, at an Extraordinary General Meeting of shareholders, options to subscribe for up to 4,000,000 ordinary shares of par value \$0.25 Singapore Dollars each in the capital of Pertama Holdings Limited, were granted to Mr Martin Dunkerley at the exercise price of \$0.275 Singapore Dollars per option.

The terms of the option agreement entered into between Pertama Holdings Limited and Mr M.J. Dunkerley in respect of these 4,000,000 options are:

- The exercise price of these options is subject to annual review by the Board
- The options are exercisable for the period commencing the third anniversary of 31 January 2003 and must be exercised before the fifth anniversary of 31 January 2003

Using the Black-Scholes option-pricing model, the value of these options at grant date is \$0.0613 Singapore Dollars per option or 4.982 cents per option in Australian dollars, translated at an average exchange rate for the year ended 30 June 2006. Thus at grant date, the total value of these options is \$245,200 Singapore Dollars, or \$199,269 Australian dollars.

On 1 October 2005, the 4,000,000 options granted to Mr M.J. Dunkerley lapsed and became null and void upon his resignation from Pertama Holdings Limited.

# Notes to the Financial Statements (continued)

## 30. Employee Benefits (continued)

### Rebel Sport Limited

#### Share Options Employee Option Incentive Scheme

Rebel Sport Limited ("Rebel") has implemented an Employee Option Incentive Scheme. The disclosure below only relates to that Employee Option Incentive Scheme (the "Rebel Scheme").

The Rebel Scheme was approved by shareholders on 12 October 1993. Under the terms of the Rebel Scheme, the directors may offer options over unissued ordinary shares in Rebel to certain senior management employees of Rebel. The exercise price of options issued under the Scheme is equal to the weighted average share price for the previous five days of trading, plus a premium of 10%.

No options were granted during the current or previous financial periods.

Pursuant to the Rebel Scheme, during the previous 2004 financial period on 14 July 2003, Rebel granted unlisted options over 450,000 unissued ordinary shares to three employees of Rebel, at an exercise price of \$2.46 per option. The options were issued free of charge to these employees. Using the Black-Scholes Option Pricing Model, the options issued were valued at \$0.56 per option, or \$252,000 in total.

In the 2003 financial period, Rebel granted unlisted options over 500,000 unissued ordinary shares to Karen Bozic, an executive of Rebel, at an exercise price of \$2.22 per option. The options were issued free of charge to this employee. Karen Bozic later became an executive director of Rebel on 22 May 2003, after the grant of options to her. Using the Black-Scholes Option Pricing Model, the options issued to Karen Bozic were valued at \$0.49 per option, or \$247,000 in total.

Under the Rebel Scheme, each of the outstanding options will lapse after five years from the date of issue and are exercisable as follows:

- In the first year after the issue, no options will be exercisable.
- In the second year after the issue, 20% of the options will become exercisable.
- In each successive year, 20% of the options will become exercisable.
- The right to exercise the options is cumulative.
- All of the unexercised options become exercisable thirty days before the fifth anniversary of the issue of the options.

If the relevant employee leaves the employment of Rebel within one year of commencing employment, all of the options held by the relevant employee will lapse. For employees with greater than one year's service, any unexercised options will lapse thirty days after the employee ceases employment with Rebel.

Options issued under the Rebel Scheme during the 2003 and 2004 financial periods have been recognised in accordance with AASB2 "Share-Based Payments", as the options were granted post 7 November 2002.

The expense recognised in the Income Statement in relation to share-based payments is disclosed in Note 3.

#### Options Issued to Directors in a Previous Financial Period

At a general meeting of shareholders of Rebel held on 26 September 2002, shareholders approved the grant of 3,400,000 options to Stephen Heath, the Managing Director of Rebel. The options entitle the option holder to subscribe for 3,000,000 ordinary shares at an exercise price of \$0.83 per option ('the first tranche') and 400,000 ordinary shares at \$1.75 per option ('the second tranche'). The options cannot be exercised before 1 October 2005 and they expire on 30 September 2007. The options were issued free of charge to the Managing Director. Using the Black-Scholes Option Pricing Model, each of the first tranche options were valued at \$0.86 per option, or \$2,580,000 in total, and each of the second tranche options were valued at \$0.55 per option, or \$220,000 in total.

None of the options issued to employees or directors of Rebel (unless subject to Rebel Board approval) can be transferred and they will not be quoted on the ASX. Once exercised, each outstanding option entitles the holder to subscribe for one fully paid ordinary share in Rebel. There are no cash settlement alternatives to exercising options.

# Notes to the Financial Statements (continued)

## 30. Employee Benefits (continued)

The following table summarises information about the number of options (No.) and weighted average exercise prices (WAEP) of, and movements in, shares issued during the year as a result of options exercised by employees of Rebel during the financial period ended 30 June 2006:

	2006 No.		2006 WAEP (\$)	2005 No.		2005 WAEP (\$)
Outstanding at the beginning of the financial period	4,220,000		1.20	4,244,000		1.20
Granted during the financial period	-		-	-		-
Forfeited/lapsed during the financial period	(90,000)		2.46	-		-
Exercised during the financial period	(3,060,000)	(2)	(2)	(24,000)	(1)	0.82
Expired during the financial period	(20,000)		0.82	-		-
<b>Outstanding at the end of the financial period</b>	<b>1,050,000</b>		<b>2.06</b>	<b>4,220,000</b>		<b>1.20</b>
<b>Exercisable at the end of the financial period</b>	<b>760,000</b>		<b>1.99</b>	<b>280,000</b>		<b>2.17</b>

(1) The weighted average share price at the date of exercise was \$2.49.

(2) The Managing Director of Rebel, Stephen Heath, sold 3,000,000 options in Rebel to a third party. The options were subsequently exercised by the third party resulting in the issue of 3,000,000 ordinary shares. The options were sold in two tranches, one of 1,000,000 options on 17 October 2005 for \$1.62 per option and the other of 2,000,000 options on 22 February 2006 for \$2.42 per option, each with an exercise price of \$0.83 per option. The weighted average share prices at the dates of option sale were \$2.57 and \$3.36 respectively. Mr Ed Fredson, a previous employee, also exercised 60,000 options during the financial period, with an exercise price of \$2.46. The weighted average share price at the date of exercise was \$2.71.

The outstanding balance as at 1 July 2006 is represented by:

- 400,000 options over ordinary shares, issued to Stephen Heath, with an exercise price of \$1.75 each, exercisable upon meeting the above conditions and until 30 September 2007;
- 500,000 options over ordinary shares, issued to Karen Bozic, with an exercise price of \$2.22 each, exercisable upon meeting the above conditions and until 4 April 2008; and
- 150,000 options over ordinary shares, issued to Craig Fisher, with an exercise price of \$2.46 each, exercisable upon meeting the above conditions and until 14 July 2008.

## Performance Rights - Rebel Sport Limited

Under the Rebel Options and Performance Rights Plan ("the Rebel Plan") and the Rebel Options and Performance Rights Plan Rules ("the Rebel Plan Rules") approved by shareholders on 22 November 2005, Rebel can grant invited executives performance rights or options to acquire shares in Rebel at a specified exercise price at the date of offer. A copy of the Rebel Plan Rules is available to Rebel shareholders on request to the Rebel Company Secretary.

The Rebel Remuneration Committee is responsible for administering the Rebel Plan and the Rebel Plan Rules subject to Rebel Board and Shareholder approval as appropriate.

The exercise price of performance rights and options issued under the Rebel Plan and in accordance with the Rebel Plan Rules can range from zero (a performance right) through to a premium (an option), depending on the incentive design and intention at the time of offer.

The number of ordinary shares in Rebel acquired or subscribed for or issued upon exercise of a performance right or option under the Rebel Plan, must not, when aggregated with any other ordinary shares in Rebel held by the participating director or executive exceed 5% of the total ordinary shares in Rebel issued at the time of issue of the performance rights or options.

Such performance rights or options are exercisable on a specified future date, subject to meeting all performance and service conditions set down, and on payment of the exercise price, if any. The terms and conditions attaching to performance rights and options are determined by the Rebel Board, in accordance with the Rebel Plan, the Rebel Plan Rules and Australian Stock Exchange ("ASX") Listing Rules.

Performance rights and options issued in accordance with the Rebel Plan and the Rebel Plan Rules are not listed on the ASX, carry no right to receive dividends or vote and once exercised rank equally with other ordinary shares of Rebel. Though, the Rebel Board may impose restrictions on shares issued on exercise of the rights or options.

# Notes to the Financial Statements (continued)

## 30. Employee Benefits (continued)

Performance rights and options issued in accordance with the Rebel Plan and the Rebel Plan Rules lapse on the tenth anniversary of grant, or such earlier date specified, or in certain other circumstances in accordance with the Rebel Plan and the Rebel Plan Rules.

Performance rights and options may only be exercised before their specified exercise date where there is a change in control of Rebel or where special circumstances exist and are in accordance with the ASX Listing Rules, provided always that the performance condition relevant to those rights or options has been satisfied.

In accordance with the Rebel Plan and the Rebel Plan Rules, and as approved by shareholders on 22 November 2005, Rebel, subject to the approval of the Rebel Board, is eligible to grant up to 450,000 performance rights with a \$NIL exercise price to Mr Stephen Heath, the Managing Director, subject to the satisfaction of a performance condition. The terms and conditions of performance rights eligible to be granted to Mr Stephen Heath are as follows.

### Approval of Multiple Year Allocations

Number of rights to be issued will not exceed the following for the three financial years ended ("FYE") as follows:

FYE 2006 Offer - Up to 150,000 performance rights; and  
 FYE 2007 Offer - Up to 150,000 performance rights; and  
 FYE 2008 Offer - Up to 150,000 performance rights.

### The Date of Grant of Performance Rights

The date by which performance rights can be granted to Mr Stephen Heath each year are as follows:

FYE 2006 Offer - Not before the 2005 AGM and no later than 30th June 2006; and  
 FYE 2007 Offer - Not before 1st July 2006 and no later than 30th June 2007; and  
 FYE 2008 Offer - Not before 1st July 2007 and no later than 30th June 2008.

SERVICE VESTING CONDITIONS		
Performance rights granted to Mr Stephen Heath are subject to the following service vesting conditions:		
	First Exercise Date	Last Exercise Date
FYE 2006 Offer	{ 50% Grant Date + 12 months { 33 $\frac{1}{3}$ Grant Date + 24 months { 16 $\frac{2}{3}$ Grant Date + 36 months	} Grant Date + 60 months
FYE 2007 Offer	{ 50% Grant Date + 12 months { 33 $\frac{1}{3}$ Grant Date + 24 months { 16 $\frac{2}{3}$ Grant Date + 36 months	} Grant Date + 60 months
FYE 2008 Offer	{ 50% Grant Date + 12 months { 33 $\frac{1}{3}$ Grant Date + 24 months { 16 $\frac{2}{3}$ Grant Date + 36 months	} Grant Date + 60 months

PERFORMANCE CONDITIONS	
The performance condition to be applied to Mr Stephen Heath's performance rights is as follows:	
Growth in EPS p.a (*)	% of Performance Rights that Vest
< 1%	Nil
1%	10%
2%	20%
3%	30%
4%	40%
5%	50%
6%	60%
7%	70%
8%	80%
9%	90%
10%	100%

(\*) Growth in EPS is defined as basic earnings per Share (after tax) before any goodwill and/or amortisation, adjusted for:

- Significant items (as noted in Rebel's financial statements) and other items that the Rebel Board deems appropriate to exclude from the calculation of basic earnings per share (after tax); and
- Material capital restructurings that have occurred over the relevant period, as determined by the Rebel Board.

The base years for calculating the EPS growth rates are as follows:

- FYE 2006 - Base year is the 2005 financial year end;
- FYE 2007 - Base year is the 2006 financial year end; and
- FYE 2008 - Base year is the 2007 financial year end.

The performance condition is cumulative and all performance rights are available up to the Last Exercise Date. The last measurement period for assessing whether a performance condition has been satisfied is the last completed full financial year before the Last Exercise Date.

# Notes to the Financial Statements (continued)

## 30. Employee Benefits (continued)

### Performance Rights on Issue

At balance date of this report, performance rights have been granted to Mr Stephen Heath in accordance with the Rebel Plan and the Rebel Plan Rules. On 22 November 2005, in accordance with shareholder approval, Mr Stephen Heath was granted 150,000 performance rights with a \$NIL exercise price in respect of the FYE 2006 Offer. The terms and conditions attaching to these performance rights are as detailed above.

The performance rights issued to Mr Stephen Heath were valued at grant date using the Binomial Approximation Option Pricing model, at \$357,000 in total, or \$2.38 each. Performance rights issued under the Rebel Plan have been recognised in accordance with AASB2 "Share-Based Payments", as the performance rights were granted post 7 November 2002. Accordingly, \$357,000 will be expensed to the Income Statement over the vesting period being three years from grant date. The expiry date of these rights is 21 November 2010.

The Binomial Approximation Option Pricing model takes into account the following factors estimated at grant date:

- Risk-free interest rate 5.33%
- Standard deviation 31.62%
- Weighted average price \$2.52
- Exercise price per share \$NIL
- Annualised dividend rate 3.40%

The estimate of EPS growth is based on historical data and is not necessarily indicative of the actual EPS growth that may occur. Similarly, other valuation inputs are based on history and assume that this is indicative of future trends, which may be different to actual outcomes.

No other features of the performance rights granted were incorporated into the measurement of fair value.

Subsequent to balance date, on 3 July 2006, Mr Stephen Heath was granted a further 150,000 performance rights with a \$NIL exercise price in respect of the FYE 2007 offer. The terms and conditions attaching to these performance rights are as detailed above.

	CONSOLIDATED		PARENT	
	2006	2005	2006	2005
	\$	\$	\$	\$

## 31. Remuneration of Auditors

Amounts received or due and receivable by Ernst & Young for:

- an audit or review of the financial report of the entity and any other entity in the consolidated entity	1,045,777	910,086	-	-
- tax services in relation to the entity and any other entity in the consolidated entity	308,433	55,731	-	-
- other services in relation to the entity and any other entity in the consolidated entity	96,443	67,576	-	-
	<b>1,450,653</b>	<b>1,033,393</b>	<b>-</b>	<b>-</b>

Amounts received or due and receivable by auditors other than Ernst & Young for:

- an audit or review of the financial report of the entity and any other entity in the consolidated entity	74,660	79,268	-	-
- tax services in relation to the entity and any other entity in the consolidated entity	100,300	87,226	-	-
- other services in relation to the entity and any other entity in the consolidated entity	23,598	95,664	-	-
	<b>198,558</b>	<b>262,158</b>	<b>-</b>	<b>-</b>
	<b>1,649,211</b>	<b>1,295,551</b>	<b>-</b>	<b>-</b>

## 32. Director and Executive Disclosures

### (a) Details of Key Management Personnel

<i>(i) DIRECTORS</i>	<i>Title</i>	<i>(ii) EXECUTIVES</i>	<i>Title</i>
Gerald Harvey	Executive Chairman	Martin Anderson	General Manager - Generic Publications Pty Limited
Kay Lesley Page	Managing Director	Rodney Orrock	General Manager - Domayne
Raymond John Skippen	Director, Chief Financial Officer and Company Secretary - retired 20 April 2006	Chris Mentis	Chief Financial Officer and Company Secretary - appointed 20 April 2006 (previously Financial Controller)
John Evyn Slack-Smith	Director	Kaine Escott	Chief Information Officer - appointed 1 November 2005
Stephen Patrick Hauville	Director - resigned 31 August 2005	James Scott	General Manager - Property - appointed 3 April 2006
Arthur Bayly Brew	Director		
David Ackery	Director - appointed 20 December 2005		
Christopher Herbert Brown	Non-Executive Director		
Michael John Harvey	Non-Executive Director		
Ian John Norman	Non-Executive Director		
Kenneth William Gunderson-Briggs	Non-Executive Director		
Graham Charles Paton AM	Non-Executive Director		

### (b) Compensation of Key Management Personnel

The consolidated entity has applied the exemption available under the Corporations Amendments Regulations 2006 (No. 4) which permits listed companies to transfer the remuneration disclosures in relation to their Key Management Personnel required in their annual financial reports by Accounting Standard AASB 124 "Related Party Disclosures" to the annual Directors' Report. The consolidated entity has transferred the disclosures relating to the compensation of key management personnel to the Remuneration Report section of the Directors' Report on pages 14 to 26 designated as audited.

The total remuneration paid or payable to Key Management Personnel of the consolidated entity is as follows:

	CONSOLIDATED		PARENT	
	2006 \$	2005 \$	2006 \$	2005 \$
Short - Term	4,011,304	3,887,333	-	-
Post Employment	285,421	176,875	-	-
Share - based Payment	3,846,943	1,827,208	-	-
	<b>8,143,668</b>	<b>5,891,416</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements (continued)

## 32. Director and Executive Disclosures (continued)

### (c) Option Holdings of Key Management Personnel (Consolidated)

30 June 2006	Balance at Beginning of Period 01/07/2005	Granted as Remuneration	Options Exercised	Net Change Other	Balance at End of Period 30/06/2006	Vested at 30 June 2006		
						Total	Exercisable	Not Exercisable
<b>Directors</b>								
G. Harvey	2,000,000	1,000,000	-	-	3,000,000	1,000,000	1,000,000	-
K.L. Page	2,000,000	1,000,000	-	-	3,000,000	1,000,000	1,000,000	-
R.J. Skippen	1,600,000	800,000	-	-	2,400,000	800,000	800,000	-
A.B. Brew	160,000	80,000	-	-	240,000	80,000	80,000	-
J.E. Slack-Smith	1,067,000	533,000	-	-	1,600,000	534,000	534,000	-
D.M. Ackery	533,333	-	-	-	533,333	-	-	-
S.P. Hauville*	1,067,000	-	-	(1,067,000)	-	-	-	-
M.J. Harvey	-	-	-	-	-	-	-	-
C.H. Brown	-	-	-	-	-	-	-	-
I.J. Norman	-	-	-	-	-	-	-	-
K.W. Gunderson-Briggs	-	-	-	-	-	-	-	-
G.C. Paton	-	-	-	-	-	-	-	-
<b>Executives</b>								
R. Orrock	-	-	-	-	-	-	-	-
M.L. Anderson	-	-	-	-	-	-	-	-
C. Mentis	-	-	-	-	-	-	-	-
K. Escott	-	-	-	-	-	-	-	-
J. Scott	-	-	-	-	-	-	-	-
	8,427,333	3,413,000	-	(1,067,000)	10,773,333	3,414,000	3,414,000	-

\* Mr. S.P. Hauville resigned his position as a director of the Company on 31 August 2005. The 2003 EOP Allocation available to Mr S.P. Hauville lapsed, unexercised on resignation date. The 2004 EOP Allocation granted to Mr S.P. Hauville is deemed to have lapsed on 31 August 2005 as the required service condition for those options to vest, could not be met.

30 June 2005	Balance at Beginning of Period 01/07/2004	Granted as Remuneration	Options Exercised	Net Change Other	Balance at End of Period 30/06/2005	Vested at 30 June 2005		
						Total	Exercisable	Not Exercisable
<b>Directors</b>								
G. Harvey	1,000,000	1,000,000	-	-	2,000,000	-	-	-
K.L. Page	1,000,000	1,000,000	-	-	2,000,000	-	-	-
R.J. Skippen	800,000	800,000	-	-	1,600,000	-	-	-
A.B. Brew	80,000	80,000	-	-	160,000	-	-	-
J.E. Slack-Smith	534,000	533,000	-	-	1,067,000	-	-	-
S.P. Hauville*	534,000	533,000	-	-	1,067,000	-	-	-
M.J. Harvey	-	-	-	-	-	-	-	-
C.H. Brown	-	-	-	-	-	-	-	-
I.J. Norman	-	-	-	-	-	-	-	-
K.W. Gunderson-Briggs	-	-	-	-	-	-	-	-
G.C. Paton	-	-	-	-	-	-	-	-
<b>Executives</b>								
R.C.D. Champion	-	-	-	-	-	-	-	-
M.L. Anderson	-	-	-	-	-	-	-	-
S. Lindsay	-	-	-	-	-	-	-	-
D. Ackery	-	533,333	-	-	533,333	-	-	-
C. Mentis	-	-	-	-	-	-	-	-
	3,948,000	4,479,333	-	-	8,427,333	-	-	-



# Notes to the Financial Statements (continued)

## 32. Director and Executive Disclosures (continued)

### (d) Shareholdings of Key Management Personnel

Shares held in Harvey Norman Holdings Limited (number):

30 June 2006	Balance 1 July 2005	Reallocation of the 2004 DEIP Allocation as 2005 DEIP Allocation	Granted as Remuneration	On Exercise of Options	Net Change Other (a)	Balance 30 June 2006
<b>Directors</b>						
G. Harvey	311,519,533	(166,667)	166,666	-	-	311,519,532
K.L. Page	20,013,924	(166,667)	166,666	-	(668,790)	19,345,133
R.J. Skippen (b)	1,576,297	(200,000)	200,000	-	(100,000)	1,476,297
A.B. Brew	1,169,871	(20,000)	20,000	-	-	1,169,871
J.E. Slack-Smith	300,000	(133,334)	133,333	-	(100,000)	199,999
D. Ackery	133,334	-	-	-	-	133,334
S.P. Hauville (b)	721,241	(133,334)	-	-	(50,000)	537,907
M.J. Harvey	3,445,553	-	-	-	-	3,445,553
C.H. Brown	173,467	-	-	-	-	173,467
I.J. Norman	175,249,660	-	-	-	-	175,249,660
K.W. Gunderson- Briggs	3,000	-	-	-	-	3,000
G.C. Paton	-	-	-	-	-	-
<b>Executives</b>						
R. Orrock	-	-	-	-	-	-
M.L. Anderson	-	-	-	-	-	-
C. Mentis	-	-	-	-	-	-
K. Escott	-	-	-	-	-	-
J. Scott	-	-	-	-	-	-
<b>Total</b>	<b>514,305,880</b>	<b>(820,002)</b>	<b>686,665</b>	<b>-</b>	<b>(918,790)</b>	<b>513,253,753</b>

(a) Net Change Other includes market disposals and market acquisitions of ordinary shares in the Company.

(b) The shareholding disclosed above for Mr S.P. Hauville (resigned 31 August 2005) and Mr R.J. Skippen (retired as a director of the Company on 20 April 2006) are as at the date of resignation or retirement rather than as at 30 June 2006.

30 June 2005	Balance 1 July 2004	Granted as Remuneration	On Exercise of Options	Net Change Other	Balance 30 June 2005
<b>Directors</b>					
G. Harvey	311,352,866	166,667	-	-	311,519,533
K.L. Page	19,847,257	166,667	-	-	20,013,924
R.J. Skippen	1,376,297	200,000	-	-	1,576,297
A.B. Brew	1,149,871	20,000	-	-	1,169,871
J.E. Slack-Smith	166,666	133,334	-	-	300,000
S.P. Hauville	587,907	133,334	-	-	721,241
M.J. Harvey	3,445,553	-	-	-	3,445,553
C.H. Brown	173,467	-	-	-	173,467
I.J. Norman	175,249,660	-	-	-	175,249,660
K.W. Gunderson- Briggs	3,000	-	-	-	3,000
G.C. Paton	-	-	-	-	-
<b>Executives</b>					
R.C.D. Champion	-	-	-	-	-
M.L. Anderson	-	-	-	-	-
S. Lindsay	-	-	-	-	-
D. Ackery	-	133,334	-	-	133,334
C. Mentis	-	-	-	-	-
<b>Total</b>	<b>513,352,544</b>	<b>953,336</b>	<b>-</b>	<b>-</b>	<b>514,305,880</b>



# Notes to the Financial Statements (continued)

## 32. Director and Executive Disclosures (continued)

All equity transactions with key management personnel other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the consolidated entity would have adopted if dealing at arm's length.

### (e) Loans to Key Management Personnel

(i) Details of aggregates of loans to key management personnel are as follows :

	Balance at beginning of period	Interest charged	Interest not charged	Write-off	Balance at End of Period	Number in Group
	\$000	\$000	\$000	\$000	\$000	No.
<b>2006</b>						
Directors	-	-	-	-	-	-
Executives	90	1	-	-	91	1
	90	1	-	-	91	1
<b>2005</b>						
Directors	-	-	-	-	-	-
Executives	2,663	-	-	-	-	-
	2,663	-	-	-	-	-

(ii) Details of individuals with loans above \$100,000 in the reporting period are as follows:

	Balance at beginning of period	Interest charged	Interest not charged	Write-off	Balance at End of Period	Highest Owing in Period
	\$000	\$000	\$000	\$000	\$000	No.
<b>2006</b>						
Directors	-	-	-	-	-	-
Executives	-	-	-	-	-	-
<b>2005</b>						
Directors	-	-	-	-	-	-
Executives:						
- R.C.D. Champion	2,649	-	-	-	-	2,649

### Terms and Conditions of Loans

The consolidated entity has advanced a loan to one key management personnel during the year ended 30 June 2006 and has charged the executive a commercial rate of interest of 9.0%. This loan was a short-term advance for the settlement of a personal liability that was repaid in full in August 2006.

During the year ended 30 June 2004, there were two loans advanced to executives whereby commercial rates of interest were charged, ranging between 6.5% and 8.5%. A secured loan of \$2.77 million was advanced to a joint venture in which R.C.D. Champion, was interested. This loan has been repaid during the year ended 30 June 2005.

# Notes to the Financial Statements (continued)

## 32. Director and Executive Disclosures (continued)

### (f) Other Transactions and Balances with Key Management Personnel

	CONSOLIDATED	
	2006 \$	2005 \$
(i) <i>Loans from directors to subsidiaries of Harvey Norman Holdings Limited:</i>		
Derni Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited) borrowed money from entities associated with I.J. Norman, R.J. Skippen, M.J. Harvey, A.B. Brew and G. Harvey. Interest is payable at commercial rates. These loans are unsecured and repayable at call.		
Net amounts (repaid to)/received from entities associated with the above mentioned directors and their related parties.	(3,726,748)	4,873,000
Interest paid/payable	1,811,466	1,260,000
(ii) <i>Legal fees paid to a director-related entity:</i>		
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.	414,922	580,603
(iii) <i>Lease of business premises from Ruzden Pty Limited:</i>		
The consolidated entity leases business premises at Bundall, Queensland from Ruzden Pty Limited. Mr G. Harvey, Ms K.L. Page, Mr M.J. Harvey, Mr I.J. Norman and Mr A.B. Brew have an equity interest in Ruzden Pty Limited. The lease arrangements were approved by shareholders in the General Meeting held 25 May 1993, and in the General Meeting held 31 August 1999. The lease is subject to normal commercial terms and conditions. Rent paid by the consolidated entity to Ruzden Pty Limited is as disclosed.	3,840,722	3,830,111
(iv) <i>Other income derived by related entities of key management personnel:</i>		
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 is as disclosed.	732,228	559,445
(v) <i>Perth City West Retail Complex</i>		
By a contract for sale dated 31 October 2000, Gerald Harvey, as to a one half share as tenant in common, and a subsidiary of Harvey Norman Holdings Limited, as to a one half share as tenant in common, purchased the Perth City West retail complex for a purchase price of \$26.6 million. In the financial report for the year ended 30 June 2005 this has been accounted for as a joint venture entity as disclosed in Note 38 to the financial statements. This transaction was executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transaction was at arm's length. The property was purchased subject to a lease of part of the property in favour of a subsidiary of Harvey Norman Holdings Limited (the "Lessee"). That lease had been granted by the previous owner of the property on arm's length normal terms and conditions. Gerald Harvey is entitled to one half of the rental paid by the Lessee. The amount of rental and outgoings paid by the Lessee to Gerald Harvey and the subsidiary of Harvey Norman Holdings Limited for the year ended 30 June 2006 was \$1.426 million and for the year ended 30 June 2005 was \$1.413 million.		

# Notes to the Financial Statements (continued)

## 32. Director and Executive Disclosures (continued)

### (f) Other Transactions and Balances with Key Management Personnel (continued)

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

By a contract for sale dated 15 May 2002, Gerald Harvey, as to a one half share as tenant in common, and a subsidiary of Harvey Norman Holdings Limited, as to a one half share as tenant in common, purchased the Byron at Byron Resort, Spa and Conference Centre for a purchase price of \$7.1 million. In the financial report for the year ended 30 June 2006, this has been accounted for as a joint venture entity as disclosed in Note 38. This transaction was executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transaction was at arms' length. There were no distributions of profit made to either joint venture partners and Gerald Harvey and a subsidiary of Harvey Norman Holdings Limited were required to contribute an additional investment of \$6.73 million each.

#### (vii) *National Rugby League Limited*

Ms. K.L. Page is a director of National Rugby League Limited. During the financial year, wholly owned subsidiaries of Harvey Norman Holdings Limited paid for advertising and sponsorships totalling \$2.53 million (2005: \$3.55 million) to National Rugby League Limited. All dealings with that entity are in the ordinary course of business and on normal commercial terms and conditions.

#### (viii) *Briscoe Group Limited (NZ)*

Mr R.J. Skippen is a non-executive director of Briscoe Group Limited, a public company, listed on the New Zealand Stock Exchange. A wholly-owned subsidiary of the consolidated entity, Harvey Norman Stores (NZ) Pty Limited, owns 5.25 million shares in Briscoe Group Limited with a market value of \$6.48 million as at 30 June 2006. The consolidated entity received dividends from Briscoe Group Limited amounting to \$0.35 million for the year ended 30 June 2006.

#### (ix) *Gazal Corporation Limited*

Mr G.C. Paton is a non-executive director of Gazal Corporation Limited, a public company listed on the Australian Stock Exchange. A wholly-owned subsidiary of the consolidated entity owns 1.0 million shares in Gazal Corporation Limited with a market value of \$2.38 million as at 30 June 2006. The consolidated entity received dividends from Gazal Corporation Limited amounting to \$0.26 million for the year ended 30 June 2006.

## 33. 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.

		CONSOLIDATED	
		2006	2005
		\$	\$
<b>(b) Transactions with other Related Parties</b>			
<i>(i) Advertising charges to controlled entities:</i>			
Generic Publications Pty Limited ("Generic") (a wholly owned subsidiary of Harvey Norman Holdings Limited) charged Rebel Sports Limited for advertising, production and related services. The charges incurred by Rebel Sport Limited were reduced by settlement discounts received by Generic in respect of the Rebel advertising payments, were at normal commercial terms and conditions and have been eliminated on consolidation.		15,222,840	11,474,000
Generic charged Pertama Merchandising Pte Ltd (a wholly owned subsidiary of Pertama Holdings Limited) advertising production charges for advertising services. The charges were at normal commercial terms and conditions and have been eliminated on consolidation.		-	15,000

# Notes to the Financial Statements (continued)

## 33. Related Party Transactions (continued)

		CONSOLIDATED	
		2006 \$	2005 \$
(ii)	<i>Other related party transactions</i>		
-	Calardu Loganholme Pty Limited, as trustee for Calardu Loganholme Trust (a wholly owned subsidiary of Harvey Norman Holdings Limited) charged Rebel Sport Limited rent and outgoings for retail premises. The charges were at normal terms and conditions and have been eliminated on consolidation.	169,930	105,000
-	Calardu Silverwater Pty Limited, as trustee for Calardu Silverwater Trust (a wholly owned subsidiary of Harvey Norman Holdings Limited) charged Rebel Sport Limited rent and outgoings for retail premises. The charges were at normal terms and conditions and have been eliminated on consolidation.	463,142	253,000
-	Rebel Sport Limited has deposited funds with Derni Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited). The funds were deposited at normal commercial terms and conditions and have been eliminated on consolidation. The amount of such funds deposited at balance date was:	23,500,000	16,500,000
-	Derni Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited) paid interest to Rebel Sport Limited on funds that Rebel had deposited with Derni. The interest paid was at normal commercial terms and conditions and has been eliminated on consolidation.	1,654,463	1,180,000
-	Several wholly owned subsidiaries of Harvey Norman Holdings Limited operate inter-company loan accounts with controlled entities such as Harvey Norman Stores (NZ) Pty Limited, Pertama Holdings Limited, Singapore, Harvey Norman Holdings Ireland Limited and Harvey Norman Europe d.o.o. The function of these inter-company loans is to facilitate the reimbursement of expenses paid by wholly-owned subsidiaries in Australia including travel expenses, advertising, courier costs and other miscellaneous expenses. These loans are short-term in nature, repaid by controlled entities on a monthly basis and are non-interest bearing. Inter-company loans are at normal terms and conditions and have been eliminated on consolidation. The amount of such inter-company loans on balance date were:	5,121,638	4,452,858
-	Network Consumer Finance Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited) acts as financier to several controlled partnerships and operates inter-company loan accounts with these controlled partnerships to facilitate the transfer and reimbursement of funds. The controlled partnerships request advances from Network Consumer Finance Pty Limited to pay for general working capital expenses including, but not limited to, wages, travel, rental and other operating costs. Inter-company loans are at normal terms and conditions and have been eliminated on consolidation.		
-	The amount of inter-company loans with controlled partnerships at balance date was:	38,246,226	32,341,487
-	The aggregate amount of interest charged by Network Consumer Finance Pty Limited to controlled partnerships was at normal commercial terms and conditions. The aggregate amount of interest charged was:	1,655,066	1,442,078

### RELATED PARTY TRANSACTIONS WITH PARENT ENTITY

The parent entity transacts with only wholly-owned subsidiaries. These transactions include the receipt of dividends and trust profit distributions resulting in the recognition of inter-company loan balances with these wholly-owned subsidiaries. Inter-company loans are unsecured, non-interest bearing and do not carry fixed terms of repayment.

# Notes to the Financial Statements (continued)

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 34. Commitments

### (a) Capital expenditure contracted for but not provided is payable as follows:

Not later than one year	53,230	55,288	-	-
Later than one year but not later than five years	-	4,034	-	-
	<b>53,230</b>	<b>59,322</b>	<b>-</b>	<b>-</b>

### (b) Lease expenditure commitments:

#### (i) Finance lease rentals are payable as follows:

Not later than one year	429	1,382	-	-
Later than one year but not later than five years	412	563	-	-
Minimum finance lease payments	841	1,945	-	-
Deduct future finance charges	(98)	(119)	-	-
Deduct future GST recoverable	-	(103)	-	-
Total finance lease liabilities	<b>743</b>	<b>1,723</b>	<b>-</b>	<b>-</b>
Disclosed as follows:				
Current liabilities (refer Note 18)	385	1,293	-	-
Non-current liabilities (refer Note 21)	358	430	-	-
	<b>743</b>	<b>1,723</b>	<b>-</b>	<b>-</b>

All lease payments are determined at the commencement of the lease and remain fixed for the lease term. The finance lease liabilities are secured by charges over the underlying assets financed (refer to Note 14 for net book value of capitalised lease assets) but rank behind the security held by the bankers of Rebel.

#### (ii) Operating lease expenditure contracted for is payable as follows:

Not later than one year	139,671	110,110	-	-
Later than one year but not later than five years	409,067	319,251	-	-
Later than five years	252,501	169,866	-	-
	<b>801,239</b>	<b>599,227</b>	<b>-</b>	<b>-</b>
Deduct future GST recoverable	(60,426)	(47,900)	-	-
Total operating lease liabilities	<b>740,813</b>	<b>551,327</b>	<b>-</b>	<b>-</b>

# Notes to the Financial Statements (continued)

## 34. Commitments (continued)

Operating leases are entered into as a means of acquiring access to retail property and warehouse facilities. Rental payments are renewed annually in line with rental agreements.

	CONSOLIDATED		PARENT	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000

- (c) Capital expenditure commitments on behalf of joint ventures are payable as follows:

Not later than one year	4,712	5,704	-	-
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## 35. Contingent Liabilities

Contingent liabilities at balance date, not otherwise provided for in these financial statements are categorised as follows:

Bank performance guarantees given to various councils and other third parties on behalf of the consolidated entity

12,931	46,760	-	-
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Other contingent liabilities relating to various line of credit facilities utilised

8,786	5,021	-	-
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The parent entity has guaranteed the performance of a number of controlled entities which have entered into leases with other parties.

-	-	407,071	284,247
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Total contingent liabilities	21,717	51,781	407,071	284,247
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## 36. Financial Instruments

### (a) Objectives for Holding Derivative Financial Instruments

The consolidated 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 rate exposures on certain debt to fixed rates. These swaps entitle the consolidated 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 consolidated entity is exposed to interest rate risk through primary financial assets and liabilities, modified through derivative financial instruments such as interest rate swaps. The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date.

30 June 2006	Principal Subject to Floating interest rate \$000	Fixed interest rate maturing in				Total \$000	Average interest rate	
		1 year or less \$000	Over 1 to 5 years \$000	More than 5 years \$000	Non-interest bearing \$000		Floating	Fixed
<b>Financial assets</b>								
Cash	122,776	-	-	-	-	122,776	0.1% - 7.25%	-
Consumer finance loans	-	806	-	-	64,804	65,610	-	9%
Finance lease receivables	-	10,202	17,838	-	-	28,040	-	8% - 12%
Trade debtors	-	-	-	-	925,750	925,750	-	-
Other financial assets	-	6,095	-	-	11,760	17,855	-	5.64% - 6.52%
Non-trade debtors & loans	29,146	6,826	-	-	5,069	41,041	6.43% - 8.98%	6.5% - 12%
	151,922	23,929	17,838	-	1,007,383	1,201,072		
<b>Financial liabilities</b>								
Bank overdraft	67,512	-	-	-	-	67,512	2.2% - 11.9%	-
Trade creditors	-	-	-	-	552,001	552,001	-	-
Finance lease liabilities	-	385	358	-	-	743	-	8% - 11%
Commercial investors F.A.S.T	45,281	-	-	-	-	45,281	5.57% - 6.1%	-
Other loans	26,641	88	-	-	2,056	28,785	5.68% - 6.35%	5%
Bills payable (a)	459,624	-	-	-	-	459,624	2.28% - 7.84%	-
CMBS	-	-	250,369	-	-	250,369	-	6.21% - 6.8%
	599,058	473	250,727	-	554,057	1,404,315		

(a) The consolidated entity is required to pay interest costs at various floating rates of interest on bank bills. In order to protect part of the loans from exposure to increasing interest rates, the consolidated entity has entered into several interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates.

# Notes to the Financial Statements (continued)

## 36. Financial Instruments (continued)

30 June 2005	Principal Subject to Floating interest rate \$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
<b>Financial assets</b>								
Cash	118,125	13,376	-	-	17,895	149,396	0.5% - 5.75%	0.41% - 3%
Consumer finance loans	-	-	16	-	77,854	77,870	-	9%
Finance lease receivables	-	10,741	18,038	-	-	28,779	-	5% - 11%
Trade debtors	-	-	-	-	789,256	789,256	-	-
Other financial assets	-	-	-	-	43,515	43,515	-	-
Non-trade debtors & loans	38,102	-	-	-	1,576	39,678	6.49% - 12%	-
	156,227	24,117	18,054	-	930,096	1,128,494		
<b>Financial liabilities</b>								
Bank overdraft	35,730	2,123	-	-	-	37,853	0% - 9.35%	5.69% - 5.75%
Payables	-	-	-	-	557,512	557,512	-	-
Finance lease liabilities	-	1,293	430	-	-	1,723	-	8% - 8.19%
Hedge payable	-	-	-	-	33,450	33,450	-	-
Other loans	30,854	-	-	-	2,633	33,487	5% - 10%	-
Commercial investors F.A.S.T	47,761	-	-	-	-	47,761	5.45% - 5.85%	-
Bills payable	400,678	-	-	-	-	400,678	2.37% - 6.99%	-
CMBS	-	-	253,676	-	-	253,676	-	6.21% - 6.8%
	515,023	3,416	254,106	-	593,595	1,366,140		

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



# Notes to the Financial Statements (continued)

## 36. Financial Instruments (continued)

### (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.

	CONSOLIDATED					
	Average Exchange Rate		2006		2005	
	2006	2005	Buy \$000	Sell \$000	Buy \$000	Sell \$000
Currency						
Euro						
6 months or less	61.2	61.79	327	-	7,734	-
US Dollar						
6 months or less	74.51	75.42	19,696	-	8,736	-
12 months or less	-	75.38	-	-	16,980	-
Total			20,023	-	33,450	-

### (d) Net fair value of financial assets and liabilities

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their fair values.

#### Investment securities

Market values have been used to determine the fair value of listed shares held as available for trading and available for sale.

#### Interest rate swap

Under interest rate swap contracts, the consolidated entity agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the consolidated entity to mitigate the risk of changing interest rates applied to debt held. The fair value of interest rate swaps are based on market values of equivalent instruments at the reporting date and are disclosed below.

The following tables detail the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date for consolidated entity:

Outstanding floating for fixed contracts	Average contracted fixed interest rate	Notional principal amount	Fair value
2 to 5 years	6.24%	523,458,344	6,105,734

The interest rate swap contracts are assessed to be highly effective and an unrealised gain of \$6,105,734 relating to the hedging instrument is included in equity.

### (e) Credit risk exposure

The consolidated entity's exposures to on balance sheet credit risk are as indicated by the carrying amounts of its financial assets. The consolidated entity does not have a significant exposure to any individual counterparty.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of debtors in various countries and industries.

# Notes to the Financial Statements *(continued)*

## 36. Financial Instruments (continued)

The major geographic concentration of credit risk arises from the location of the counterparties to the consolidated entity's financial assets as shown in the following table:

CONSOLIDATED		
Location of credit risk	2006 \$000	2005 \$000
Australia	1,000,210	906,073
New Zealand	21,620	19,037
Singapore	31,510	28,229
Slovenia	2,564	3,191
United Kingdom	-	1,111
Ireland	3,653	4,821
<b>Total</b>	<b>1,059,557</b>	<b>962,462</b>

Credit risk on financial assets is spread over the financial services and retail industries.

### (f) Parent Entity

The parent entity's exposure to interest rate, foreign exchange and credit risk is not significant.

# Notes to the Financial Statements (continued)

## 37. Other Segment Information

	Equity Accounted Investments included in Segment Assets		Non-cash Expenses other than Depreciation and Amortisation		Acquisition of Property, Plant and Equipment, Intangible Assets and other Non-current Assets	
	2006 \$000	2005 \$000	2006 \$000	2005 \$000	2006 \$000	2005 \$000
FRANCHISING OPERATIONS	-	-	8,235	1,009	72,874	95,511
Retail - New Zealand	-	-	239	2,129	5,182	6,909
Retail - Rebel Sport	-	-	2,067	(715)	11,140	12,657
Retail - Asia	-	-	1,815	1,994	2,736	1,558
Retail - Slovenia	-	-	108	742	422	156
Other Non-Franchised Retail	-	-	1,645	(384)	14,464	3,251
<b>TOTAL RETAIL</b>	-	-	<b>5,874</b>	<b>3,766</b>	<b>33,944</b>	<b>24,531</b>
Retail Property	72,047	66,622	(4,569)	(3,768)	104,361	132,867
Property Under Construction for Retail	20,777	9,385	-	-	1,710	5,793
Property Development for Resale	3,241	12,541	-	-	642	6,554
<b>TOTAL PROPERTY</b>	<b>96,065</b>	<b>88,548</b>	<b>(4,569)</b>	<b>(3,768)</b>	<b>106,713</b>	<b>145,214</b>
Financial Services	-	-	901	537	35,695	47,409
Share Trading	-	-	-	-	-	(1,278)
<b>TOTAL OTHER</b>	-	-	<b>901</b>	<b>537</b>	<b>35,695</b>	<b>46,131</b>
Eliminations	-	-	-	-	-	-
<b>CONSOLIDATED</b>	<b>96,065</b>	<b>88,548</b>	<b>10,441</b>	<b>1,544</b>	<b>249,226</b>	<b>311,387</b>
			CONSOLIDATED Investment		CONSOLIDATED Share of net profit/(loss)	
			2006 \$000	2005 \$000	2006 \$000	2005 \$000

## 38. Associates and Joint Venture Entities

Joint venture entities	96,065	88,548	4,569	3,768
Total accounted for using equity method	96,065	88,548	4,569	3,768

# Notes to the Financial Statements (continued)

## 38. Details of Associates and Joint Venture Entities (continued)

### Investments in joint venture entities:

Details of material interests in joint venture entities are as follows:

Name and Principal activities	Ownership Interest		Contribution to Net Profit (Loss)	
	2006 %	2005 %	2006 \$000	2005 \$000
Noarlunga Shopping complex	50%	50%	51	17
Warwick Shopping complex	33.33%	33.33%	2	82
Perth City West Shopping complex	50%	50%	1,203	1,138
Bathurst Shopping complex and warehouse	50%	50%	57	60
Kelso Development of land for resale	50%	50%	407	616
Tweed Heads - Stage 1 Shopping complex	50%	50%	681	639
Warrawong (a) Shopping complex	62.5%	62.5%	316	286
Tweed Heads Traders Way Building development	50%	50%	2,111	(28)
Sylvania Residential development	40%	40%	(802)	823
Byron Bay Residential/convention development	50%	50%	(1,083)	(90)
Warrawong 151 - 155 King St (a) Shopping complex	62.5%	62.5%	(5)	(34)
Warrawong Homestarters Retail shop	50%	50%	148	123
Mentone Shopping complex/residential development	50%	50%	1,119	262
Byron Bay (2) Resort operations	50%	50%	190	(327)
Byron Bay (3) (not currently trading)	50%	50%	-	-
Dubbo Shopping complex / building development	50%	50%	138	201
Cubitt Building development	50%	-	36	-
Cambridge Showroom and warehouse	50%	-	-	-
			<b>4,569</b>	<b>3,768</b>

(a) These joint ventures have 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.

# Notes to the Financial Statements (continued)

## 38. Details of Associates and Joint Venture Entities (continued)

### Aggregate carrying amounts of joint venture entities

CONSOLIDATED 2006				
	Retained Profits \$000	Other Reserves \$000	Cost \$000	Total carrying amount \$000
Balance at the beginning of the year	-	4,034	84,514	88,548
<b>Movements during the year:</b>				
Investments acquired	-	-	13,929	13,929
Revaluation increment	-	1,119	-	1,119
Distributions received	(4,569)	-	(7,531)	(12,100)
Share of net profit	4,569	-	-	4,569
Balance at the end of the year	-	5,153	90,912	96,065

CONSOLIDATED 2005				
	Retained Profits \$000	Other Reserves \$000	Cost \$000	Total carrying amount \$000
Balance at the beginning of the year	-	4,034	49,623	53,657
<b>Movements during the year:</b>				
Investments acquired	-	-	39,668	39,668
Distributions received	(3,768)	-	(4,777)	(8,545)
Share of net profits	3,768	-	-	3,768
Balance at the end of the year	-	4,034	84,514	88,548

### Financial summary of joint venture entities

CONSOLIDATED		
	2006 \$000	2005 \$000
Current assets	27,445	112,424
Non-current assets	163,496	70,828
Current liabilities	(2,484)	(1,800)
Non-current liabilities	(782)	-
<b>Net Assets</b>	<b>187,675</b>	<b>181,452</b>
Revenues	37,118	21,103
Expenses	(28,504)	(13,174)
Profit from ordinary activities before income tax expense	8,614	7,929
Income tax expense relating to ordinary activities	-	-
<b>Net profit</b>	<b>8,614</b>	<b>7,929</b>
Share of net profit of joint venture entities	4,569	3,768

## 39. Controlled Entities and Unit Trusts

### Shares held by Harvey Norman Holdings Limited

The following companies are 100% owned by Harvey Norman Holdings Limited and incorporated in Australia unless marked otherwise. The financial years of all controlled entities are the same as that of the parent entity.

Name	Name	Name
250 Brompton Road Limited <sup>1,12,7</sup>	Calardu Broadmeadow Pty Limited <sup>1</sup>	Calardu Melville Pty Limited
ABSC Online Pty Limited <sup>1,6,28</sup>	Calardu Broadmeadows VIC Pty Limited <sup>1</sup>	Calardu Mentone Pty Limited <sup>1</sup>
A.C.N. 098 004 570 Pty Limited <sup>1</sup>	Calardu Browns Plains Pty Limited <sup>1</sup>	Calardu Midland Pty Limited <sup>1</sup>
Achiever Computers Pty Ltd <sup>1</sup>	Calardu Bunbury (WA) Pty Limited	Calardu Milton Pty Limited <sup>1</sup>
Aloku Pty Limited	Calardu Bundall Pty Limited <sup>1</sup>	Calardu Morayfield Pty Limited <sup>1</sup>
Anwarah Pty Limited	Calardu Burnie Pty Limited <sup>1</sup>	Calardu Moss Vale Pty Limited <sup>1</sup>
Arisit Pty Limited <sup>1, 2,18</sup>	Calardu Cambridge Pty Limited <sup>1,6</sup>	Calardu Mount Isa Pty Limited <sup>1</sup>
Arlenu Pty Limited	Calardu Campbelltown Pty Limited <sup>1</sup>	Calardu Mt Gambier Pty Limited <sup>1</sup>
Armidale Holdings Pty Limited <sup>1,22</sup>	Calardu Cannington Pty Limited	Calardu Mudgee Pty Limited <sup>1</sup>
Arpayo Pty Limited	Calardu Caringbah Pty Limited <sup>1</sup>	Calardu Munno Para Pty Limited <sup>1</sup>
Aspley Furniture Pty Limited <sup>1</sup>	Calardu Caringbah (Taren Point) Pty Limited <sup>1</sup>	Calardu Noarlunga Pty Limited <sup>1</sup>
Aubdirect Pty Limited <sup>1</sup>	Calardu Chatswood Pty Limited <sup>1</sup>	Calardu Noosa Pty Limited
Australian Business Skills Centre Pty Limited <sup>1,24</sup>	Calardu Crows Nest Pty Limited <sup>1</sup>	Calardu North Ryde Pty Limited <sup>1</sup>
Balwond Pty Limited	Calardu Cubitt Pty Limited <sup>1</sup>	Calardu Northbridge Pty Limited
Barrayork Pty Limited <sup>1</sup>	Calardu Darwin Pty Limited <sup>1</sup>	Calardu Nowra Pty Limited <sup>1</sup>
Becto Pty Limited <sup>19</sup>	Calardu Dubbo Pty Limited <sup>1</sup>	Calardu Penrith Pty Limited
Bellect Pty Limited <sup>1,6</sup>	Calardu Frankston Pty Limited <sup>1</sup>	Calardu Perth City West Pty Limited <sup>1</sup>
Bellevue Hill Pty Limited <sup>1</sup>	Calardu Fyshwick DM Pty Limited <sup>1</sup>	Calardu Port Macquarie Pty Limited
Bestest Pty Limited	Calardu Gordon Pty Limited <sup>1</sup>	Calardu Preston Pty Limited
Bossee Pty Limited <sup>1</sup>	Calardu Guildford Pty Limited <sup>1</sup>	Calardu Queensland Pty Limited
Bradiz Pty Limited	Calardu Hervey Bay Pty Limited <sup>1</sup>	Calardu Raine Square Pty Limited <sup>1</sup>
Braxpine Pty Limited	Calardu Hobart Pty Limited <sup>1</sup>	Calardu Richmond Pty Limited
Byron Bay Facilities Pty Limited <sup>1,25</sup>	Calardu Hoppers Crossing Pty Limited <sup>1</sup>	Calardu Rockhampton Pty Limited <sup>1</sup>
Byron Bay Management Pty Limited <sup>1,26</sup>	Calardu Horsham Pty Limited <sup>1</sup>	Calardu Rockingham Pty Limited
Caesar Mosaics Pty Limited <sup>1</sup>	Calardu Joondalup Pty Limited	Calardu Roselands Pty Limited <sup>1</sup>
Calardu Pty Limited	Calardu Kalgoorlie Pty Limited <sup>1</sup>	Calardu Rutherford Pty Limited <sup>1</sup>
Calardu Albany Pty Limited <sup>1</sup>	Calardu Kalgoorlie Oswald St Pty Limited <sup>1</sup>	Calardu Sale Pty Limited <sup>1</sup>
Calardu Albury Pty Limited <sup>1</sup>	Calardu Karana Downs Pty Limited <sup>1</sup>	Calardu Silverwater Pty Limited <sup>1</sup>
Calardu Alexandria DM Pty Limited	Calardu Karratha Pty Limited <sup>1</sup>	Calardu South Australia Pty Limited
Calardu Alice Springs Pty Limited <sup>1</sup>	Calardu Kawana Waters Pty Limited <sup>1</sup>	Calardu Springvale Pty Limited <sup>1</sup>
Calardu Armadale WA Pty Limited <sup>1</sup>	Calardu Kemblawarra Pty Limited <sup>1</sup>	Calardu Swan Hill Pty Limited <sup>1</sup>
Calardu Armidale Pty Limited <sup>1</sup>	Calardu Launceston Pty Limited <sup>1</sup>	Calardu Sylvania Pty Limited <sup>1</sup>
Calardu Auburn Pty Limited <sup>1</sup>	Calardu Loganholme Pty Limited <sup>1</sup>	Calardu Taree Pty Limited <sup>1</sup>
Calardu Ballarat Pty Limited <sup>1</sup>	Calardu Maitland Pty Limited <sup>1</sup>	Calardu Thebarton Pty Limited <sup>1</sup>
Calardu Ballina Pty Limited <sup>1</sup>	Calardu Malaga Pty Limited <sup>1</sup>	Calardu Toorak Pty Limited <sup>1</sup>
Calardu Bathurst Pty Limited <sup>1</sup>	Calardu Mandurah Pty Limited <sup>1</sup>	Calardu Townsville Pty Limited <sup>1</sup>
Calardu Beaufort Street Pty Limited <sup>1</sup>	Calardu Maribyrnong Pty Limited	Calardu Tweed Heads Pty Limited
Calardu Belrose DM Pty Limited <sup>1</sup>	Calardu Marion Pty Limited	Calardu Tweed Heads Traders Way Pty Limited <sup>1</sup>
Calardu Berri (SA) Pty Limited <sup>1</sup>	Calardu Maroochydore Pty Limited <sup>1,6</sup>	Calardu Vicfurn Pty Limited <sup>1</sup>
Calardu Berrimah Pty Limited <sup>1</sup>	Calardu Maryborough Pty Limited <sup>1</sup>	Calardu Victoria Pty Limited

# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued) Shares held by Harvey Norman Holdings Limited (continued)

Name	Name	Name
Calardu Warrawong Pty Limited <sup>1</sup>	Dandolena Pty Limited	H.N. Armidale Leasing Pty Limited <sup>1</sup>
Calardu Warrawong (Homestarters) Pty Limited <sup>1</sup>	Derni Pty Limited	H.N. Aspley Franchisor Pty Limited
Calardu Warrnambool Pty Limited	Divonda Pty Limited	H.N. Aspley Leasing Pty Limited <sup>1</sup>
Calardu Warwick Pty Limited <sup>1</sup>	Domain Holdings Pty Limited <sup>1</sup>	H.N. Auburn Franchisor Pty Limited
Calardu West Gosford Pty Limited <sup>1</sup>	Domayne Furnishing Pty Limited <sup>1,6</sup>	H.N. Auburn Leasing Pty Limited <sup>1</sup>
Calardu Whyalla Pty Limited <sup>1</sup>	Domayne Holdings Limited <sup>1,8,9</sup>	H.N. Ayr Franchisor Pty Limited
Calardu Wivenhoe Pty Limited <sup>1</sup>	Domayne Pty Limited <sup>1</sup>	H.N. Ayr Leasing Pty Limited <sup>1</sup>
Carlando Pty Limited	Domayne Online.com Pty Limited <sup>1</sup>	H.N. Bairnsdale Franchisor Pty Limited
Charmela Pty Limited	Domayne P.E.M. Pty Limited	H.N. Bairnsdale Leasing Pty Limited <sup>1</sup>
Cityel Pty Limited <sup>1,7</sup>	Domayne Plant & Equipment Pty Limited	H.N. Balgowlah Franchisor Pty Limited
Clambruno Pty Limited	Dubbo JV Pty Limited <sup>1</sup>	H.N. Balgowlah Leasing Pty Limited <sup>1</sup>
Cropp Pty Limited <sup>1</sup>	Durslee Pty Limited	H.N. Ballarat Franchisor Pty Limited
D.M. Alexandria Franchisor Pty Limited	Edbrook Pty Limited <sup>5</sup>	H.N. Ballarat Leasing Pty Limited <sup>1</sup>
D.M. Alexandria Leasing Pty Limited <sup>1</sup>	Edbrook Everton Park Pty Limited <sup>1</sup>	H.N. Bathurst Franchisor Pty Limited
D.M. Alexandria Licencing Pty Limited <sup>1</sup>	Electwarr Pty Limited <sup>1,7</sup>	H.N. Bathurst Leasing Pty Limited <sup>1</sup>
D.M. Auburn Franchisor Pty Limited	Farane Pty Limited	H.N. Belmont Franchisor Pty Limited
D.M. Auburn Leasing Pty Limited <sup>1</sup>	Flormonda Pty Limited	H.N. Belmont Leasing Pty Limited <sup>1</sup>
D.M. Auburn Licencing Pty Limited <sup>1</sup>	Forgetful Pty Limited <sup>1</sup>	H.N. Bendigo Franchisor Pty Limited
D.M. Bundall Franchisor Pty Limited	Furnbund Pty Limited <sup>1,7</sup>	H.N. Bendigo Leasing Pty Limited <sup>1</sup>
D.M. Bundall Leasing Pty Limited <sup>1</sup>	Ganoru Pty Limited	H.N. Bernoth Franchisor Pty Limited
D.M. Fyshwick Franchisor Pty Limited	Generic Publications Pty Limited <sup>1</sup>	H.N. Bernoth Leasing Pty Limited <sup>1</sup>
D.M. Fyshwick Leasing Pty Limited <sup>1</sup>	Geraldton WA Pty Limited <sup>1</sup>	H.N. Bernoth Plant & Equipment Pty Limited
D.M. Kotara Franchisor Pty Limited	Gestco Pty Limited	H.N. Blacktown Franchisor Pty Limited
D.M. Kotara Leasing Pty Limited <sup>1</sup>	Gestco Greensborough Pty Limited	H.N. Blacktown Leasing Pty Limited <sup>1</sup>
D.M. Leicht Franchisor Pty Limited <sup>1</sup>	Glo Light Pty Limited <sup>1,23</sup>	H.N. Bondi Junction Franchisor Pty Limited <sup>1</sup>
D.M. Liverpool Franchisor Pty Limited	H.N. Adelaide CK Franchisor Pty Limited	H.N. Bondi Junction Leasing Pty Limited <sup>1</sup>
D.M. Liverpool Leasing Pty Limited <sup>1</sup>	H.N. Adelaide CK Leasing Pty Limited <sup>1</sup>	H.N. Broadmeadow (VIC) Franchisor Pty Limited <sup>1</sup>
D.M. North Ryde Franchisor Pty Limited <sup>1</sup>	H.N. Albany Franchisor Pty Limited	H.N. Broadmeadow (VIC) Leasing Pty Limited <sup>1</sup>
D.M. North Ryde Leasing Pty Limited <sup>1</sup>	H.N. Albany Leasing Pty Limited <sup>1</sup>	H.N. Broadway on the Mall Franchisor Pty Limited
D.M. Penrith Franchisor Pty Limited	H.N. Albury Franchisor Pty Limited	H.N. Broadway on the Mall Leasing Pty Limited <sup>1</sup>
D.M. Penrith Leasing Pty Limited <sup>1</sup>	H.N. Albury Leasing Pty Limited <sup>1</sup>	H.N. Broadway (Sydney) Franchisor Pty Limited
D.M. QVH Franchisor Pty Limited	H.N. Alexandria Franchisor Pty Limited <sup>1,6</sup>	H.N. Broadway (Sydney) Leasing Pty Limited <sup>1</sup>
D.M. QVH Leasing Pty Limited <sup>1</sup>	H.N. Alexandria Leasing Pty Limited <sup>1,6</sup>	H.N. Brooklyn Franchisor Pty Limited <sup>1,6</sup>
D.M. Warrawong Franchisor Pty Limited	H.N. Armadale WA Franchisor Pty Limited	H.N. Brooklyn Leasing Pty Limited <sup>1,6</sup>
D.M. Warrawong Leasing Pty Limited <sup>1</sup>	H.N. Armadale WA Leasing Pty Limited <sup>1</sup>	H.N. Browns Plains Franchisor Pty Limited
Daldere Pty Limited	H.N. Armidale Franchisor Pty Limited	H.N. Browns Plains Leasing Pty Limited <sup>1</sup>

# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued) Shares held by Harvey Norman Holdings Limited (continued)

Name	Name	Name
H.N. Bunbury Franchisor Pty Limited	H.N. City Cross Franchisor Pty Limited <sup>1</sup>	H.N. Fortitude Valley Leasing Pty Limited <sup>1</sup>
H.N. Bunbury Leasing Pty Limited <sup>1</sup>	H.N. City Cross Leasing Pty Limited <sup>1</sup>	H.N. Fremantle Franchisor Pty Limited
H.N. Bundaberg Franchisor Pty Limited	H.N. City West Franchisor Pty Limited	H.N. Fremantle Leasing Pty Limited <sup>1</sup>
H.N. Bundaberg Leasing Pty Limited <sup>1</sup>	H.N. City West Leasing Pty Limited <sup>1</sup>	H.N. Fyshwick Franchisor Pty Limited
H.N. Bundall Franchisor Pty Limited	H.N. Cleveland Franchisor Pty Limited <sup>1,6</sup>	H.N. Fyshwick Leasing Pty Limited <sup>1</sup>
H.N. Bundall Leasing Pty Limited <sup>1</sup>	H.N. Cleveland Leasing Pty Limited <sup>1,6</sup>	H.N. Geelong Franchisor Pty Limited
H.N. Burleigh Heads Franchisor Pty Limited	H.N. Coffs Harbour Franchisor Pty Limited	H.N. Geelong Leasing Pty Limited <sup>1</sup>
H.N. Burleigh Heads Leasing Pty Limited <sup>1</sup>	H.N. Coffs Harbour Leasing Pty Limited <sup>1</sup>	H.N. Geraldton Leasing Pty Limited <sup>1</sup>
H.N. Busselton Franchisor Pty Limited	H.N. Cleveland Franchisor Pty Limited <sup>1,6</sup>	H.N. Geraldton WA Franchisor Pty Limited
H.N. Busselton Leasing Pty Limited <sup>1</sup>	H.N. Cleveland Leasing Pty Limited <sup>1,6</sup>	H.N. Gladstone Franchisor Pty Limited
H.N. Cairns Franchisor Pty Limited	H.N. Coorparoo Franchisor Pty Limited <sup>1,6</sup>	H.N. Gladstone Leasing Pty Limited <sup>1</sup>
H.N. Cairns Leasing Pty Limited <sup>1</sup>	H.N. Coorparoo Leasing Pty Limited <sup>1,6</sup>	H.N. Gordon Franchisor Pty Limited
H.N. Campbelltown Franchisor Pty Limited	H.N. Cranbourne Franchisor Pty Limited	H.N. Gordon Leasing Pty Limited <sup>1</sup>
H.N. Campbelltown Leasing Pty Limited <sup>1</sup>	H.N. Cranbourne Leasing Pty Limited <sup>1</sup>	H.N. Gosford Leasing Pty Limited <sup>1</sup>
H.N. Cannington W.A. Franchisor Pty Limited	H.N. Dalby Franchisor Pty Limited	H.N. Goulburn Franchisor Pty Limited <sup>1</sup>
H.N. Cannington W.A. Leasing Pty Limited <sup>1</sup>	H.N. Dalby Leasing Pty Limited <sup>1</sup>	H.N. Goulburn Leasing Pty Limited <sup>1</sup>
H.N. Cards Pty Limited <sup>1</sup>	H.N. Dandenong Franchisor Pty Limited	H.N. Grafton Franchisor Pty Limited
H.N. Carindale Franchisor Pty Limited	H.N. Dandenong Leasing Pty Limited <sup>1</sup>	H.N. Grafton Leasing Pty Limited <sup>1</sup>
H.N. Carindale Leasing Pty Limited <sup>1</sup>	H.N. Darwin Franchisor Pty Limited	H.N. Greensborough Franchisor Pty Limited
H.N. Caringbah Franchisor Pty Limited	H.N. Darwin Leasing Pty Limited <sup>1</sup>	H.N. Greensborough Leasing Pty Limited <sup>1</sup>
H.N. Caringbah Leasing Pty Limited <sup>1</sup>	H.N. Deniliquin Franchisor Pty Limited	H.N. Griffith Franchisor Pty Limited
H.N. Castle Hill Franchisor Pty Limited <sup>1</sup>	H.N. Deniliquin Leasing Pty Limited <sup>1</sup>	H.N. Griffith Leasing Pty Limited <sup>1</sup>
H.N. Castle Hill Leasing Pty Limited <sup>1</sup>	H.N. Dubbo Franchisor Pty Limited	H.N. Hamilton Franchisor Pty Limited
H.N. Chadstone Franchisor Pty Limited <sup>1,6</sup>	H.N. Dubbo Leasing Pty Limited <sup>1</sup>	H.N. Hamilton Leasing Pty Limited <sup>1</sup>
H.N. Chadstone Leasing Pty Limited <sup>1,6</sup>	H.N. Enfield Franchisor Pty Limited	H.N. Hervey Bay Franchisor Pty Limited
H.N. Chatswood Franchisor Pty Limited	H.N. Enfield Leasing Pty Limited <sup>1</sup>	H.N. Hervey Bay Leasing Pty Limited <sup>1</sup>
H.N. Chatswood Leasing Pty Limited <sup>1</sup>	H.N. Everton Park Franchisor Pty Limited	H.N. Hoppers Crossing Franchisor Pty Limited
H.N. Chirnside Park Franchisor Pty Limited	H.N. Everton Park Leasing Pty Limited <sup>1</sup>	H.N. Hoppers Crossing Leasing Pty Limited <sup>1</sup>
H.N. Chirnside Park Leasing Pty Limited <sup>1</sup>	H.N. Fortitude Valley Franchisor Pty Limited	H.N. Horsham Franchisor Pty Limited



# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued) Shares held by Harvey Norman Holdings Limited (continued)

Name	Name	Name
H.N. Horsham Leasing Pty Limited <sup>1</sup>	H.N. Mandurah Leasing Pty Limited <sup>1</sup>	H.N. Mudgee Leasing Pty Limited <sup>1</sup>
H.N. Indooroopilly Franchisor Pty Limited	H.N. Maribyrnong Franchisor Pty Limited	H.N. Munno Para Franchisor Pty Limited
H.N. Indooroopilly Leasing Pty Limited <sup>1</sup>	H.N. Maribyrnong Leasing Pty Limited <sup>1</sup>	H.N. Munno Para Leasing Pty Limited <sup>1</sup>
H.N. Innisfail Franchisor Pty Limited	H.N. Marion Franchisor Pty Limited	H.N. Narre Warren Franchisor Pty Limited <sup>1,6</sup>
H.N. Innisfail Leasing Pty Limited <sup>1</sup>	H.N. Marion Leasing Pty Limited <sup>1</sup>	H.N. Narre Warren Leasing Pty Limited <sup>1,6</sup>
H.N. Inverell Franchisor Pty Limited	H.N. Maroochydore Franchisor Pty Limited	H.N. Newcastle Franchisor Pty Limited
H.N. Inverell Leasing Pty Limited <sup>1</sup>	H.N. Maroochydore Leasing Pty Limited <sup>1</sup>	H.N. Newcastle Leasing Pty Limited <sup>1</sup>
H.N. Joondalup Franchisor Pty Limited	H.N. Martin Place Sydney Franchisor Pty Limited	H.N. Noarlunga Franchisor Pty Limited
H.N. Joondalup Leasing Pty Limited <sup>1</sup>	H.N. Martin Place Sydney Leasing Pty Limited <sup>1</sup>	H.N. Noarlunga Leasing Pty Limited <sup>1</sup>
H.N. Kalgoorlie Franchisor Pty Limited	H.N. Midland Franchisor Pty Limited	H.N. Noosa Franchisor Pty Limited
H.N. Kalgoorlie Leasing Pty Limited <sup>1</sup>	H.N. Midland Leasing Pty Limited <sup>1</sup>	H.N. Noosa Leasing Pty Limited <sup>1</sup>
H.N. Karratha Franchisor Pty Limited	H.N. Mildura Franchisor Pty Limited	H.N. Norwest Franchisor Pty Limited <sup>1</sup>
H.N. Karratha Leasing Pty Limited <sup>1</sup>	H.N. Mildura Leasing Pty Limited <sup>1</sup>	H.N. Norwest Leasing Pty Limited <sup>1</sup>
H.N. Kawana Waters Franchisor Pty Limited	H.N. Moe Franchisor Pty Limited	H.N. Nowra Franchisor Pty Limited
H.N. Kawana Waters Leasing Pty Limited <sup>1</sup>	H.N. Moe Leasing Pty Limited <sup>1</sup>	H.N. Nowra Leasing Pty Limited <sup>1</sup>
H.N. Knox Towerpoint Franchisor Pty Limited	H.N. Moorabbin Franchisor Pty Limited	H.N. Nunawading Franchisor Pty Limited
H.N. Knox Towerpoint Leasing Pty Limited <sup>1</sup>	H.N. Moorabbin Leasing Pty Limited <sup>1</sup>	H.N. Nunawading Leasing Pty Limited <sup>1</sup>
H.N. Leichhardt Franchisor Pty Limited	H.N. Moore Park Franchisor Pty Limited	H.N. O'Connor Franchisor Pty Limited
H.N. Leichhardt Leasing Pty Limited <sup>1</sup>	H.N. Moore Park Leasing Pty Limited <sup>1</sup>	H.N. O'Connor Leasing Pty Limited <sup>1</sup>
H.N. Lismore Franchisor Pty Limited	H.N. Morayfield Franchisor Pty Limited	H.N. Oakleigh CK Franchisor Pty Limited
H.N. Lismore Leasing Pty Limited <sup>1</sup>	H.N. Morayfield Leasing Pty Limited <sup>1</sup>	H.N. Oakleigh CK Leasing Pty Limited <sup>1</sup>
H.N. Liverpool Franchisor Pty Limited	H.N. Moree Leasing Pty Limited <sup>1</sup>	H.N. Orange Franchisor Pty Limited
H.N. Liverpool Leasing Pty Limited <sup>1</sup>	H.N. Morley Franchisor Pty Limited	H.N. Orange Leasing Pty Limited <sup>1</sup>
H.N. Loganholme Franchisor Pty Limited	H.N. Morley Leasing Pty Limited <sup>1</sup>	H.N. Osborne Park Franchisor Pty Limited
H.N. Loganholme Leasing Pty Limited <sup>1</sup>	H.N. Moss Vale Franchisor Pty Limited	H.N. Osborne Park Leasing Pty Limited <sup>1</sup>
H.N. Loughran Contracting Pty Limited <sup>1</sup>	H.N. Moss Vale Leasing Pty Limited <sup>1</sup>	H.N. Oxley Franchisor Pty Limited
H.N. Mackay Franchisor Pty Limited	H.N. Mt Gambier Franchisor Pty Limited	H.N. Oxley Leasing Pty Limited <sup>1</sup>
H.N. Mackay Leasing Pty Limited <sup>1</sup>	H.N. Mt Gambier Leasing Pty Limited <sup>1</sup>	H.N. Pacific Fair Franchisor Pty Limited <sup>1</sup>
H.N. Maddington Franchisor Pty Limited	H.N. Mt Gravatt Franchisor Pty Limited	H.N. Pacific Fair Leasing Pty Limited <sup>1</sup>
H.N. Maddington Leasing Pty Limited <sup>1</sup>	H.N. Mt Gravatt Leasing Pty Limited <sup>1</sup>	H.N. Parkes Franchisor Pty Limited
H.N. Maitland Franchisor Pty Limited	H.N. Mt Isa Franchisor Pty Limited	H.N. Parkes Leasing Pty Limited <sup>1</sup>
H.N. Maitland Leasing Pty Limited <sup>1</sup>	H.N. Mt Isa Leasing Pty Limited <sup>1</sup>	H.N. Penrith Franchisor Pty Limited
H.N. Mandurah Franchisor Pty Limited	H.N. Mudgee Franchisor Pty Limited	H.N. Penrith Leasing Pty Limited <sup>1</sup>

# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued) Shares held by Harvey Norman Holdings Limited (continued)

Name	Name	Name
H.N. Peppermint Grove Franchisor Pty Limited	H.N. Townsville Franchisor Pty Limited	H.N. Woden Franchisor Pty Limited
H.N. Peppermint Grove Leasing Pty Limited <sup>1</sup>	H.N. Townsville Leasing Pty Limited <sup>1</sup>	H.N. Woden Leasing Pty Limited <sup>1</sup>
H.N. Port Hedland Franchisor Pty Limited	H.N. Traralgon Franchisor Pty Limited	H.N. Wonthaggi Franchisor Pty Limited
H.N. Port Hedland Leasing Pty Limited <sup>1</sup>	H.N. Traralgon Leasing Pty Limited <sup>1</sup>	H.N. Wonthaggi Leasing Pty Limited <sup>1</sup>
H.N. Port Kennedy Franchisor Pty Limited	H.N. Wagga Franchisor Pty Limited	H.N. Young Franchisor Pty Limited
H.N. Port Kennedy Leasing Pty Limited <sup>1</sup>	H.N. Wagga Leasing Pty Limited <sup>1</sup>	H.N. Young Leasing Pty Limited <sup>1</sup>
H.N. Port Macquarie Franchisor Pty Limited	H.N. Wangaratta Franchisor Pty Limited	Hardly Normal Discounts Pty Limited
H.N. Port Macquarie Leasing Pty Limited <sup>1</sup>	H.N. Wangaratta Leasing Pty Limited <sup>1</sup>	Hardly Normal Pty Limited
H.N. Preston Franchisor Pty Limited	H.N. Warragul Franchisor Pty Limited	Hardly Normal Limited <sup>1,8,9</sup>
H.N. Preston Leasing Pty Limited <sup>1</sup>	H.N. Warragul Leasing Pty Limited <sup>1</sup>	Harvey Cellars Pty Limited <sup>1</sup>
H.N. Riverwood Franchisor Pty Limited <sup>1</sup>	H.N. Warrawong Franchisor Pty Limited	Harvey Liquor Pty Limited <sup>1</sup>
H.N. Riverwood Leasing Pty Limited <sup>1</sup>	H.N. Warrawong Leasing Pty Limited <sup>1</sup>	Harvey Norman (ACT) Pty Limited
H.N. Rockhampton Franchisor Pty Limited	H.N. Warrnambool Franchisor Pty Limited	Harvey Norman Burnie Franchisor Pty Limited
H.N. Rockhampton Leasing Pty Limited <sup>1</sup>	H.N. Warrnambool Leasing Pty Limited <sup>1</sup>	Harvey Norman Burnie Leasing Pty Limited <sup>1</sup>
H.N. Sale Franchisor Pty Limited	H.N. Warwick (WA) Franchisor Pty Limited	Harvey Norman Commercial Your Solution Provider Pty Limited <sup>1</sup>
H.N. Sale Leasing Pty Limited <sup>1</sup>	H.N. Warwick (WA) Leasing Pty Limited <sup>1</sup>	Harvey Norman Computer Club Pty Limited <sup>1</sup>
H.N. Shepparton Franchisor Pty Limited	H.N. Warwick Franchisor Pty Limited	Harvey Norman Computer Training Pty Limited <sup>1</sup>
H.N. Shepparton Leasing Pty Limited <sup>1</sup>	H.N. Warwick Leasing Pty Limited <sup>1</sup>	Harvey Norman Contracting Pty Limited <sup>1</sup>
H.N. South Tweed Franchisor Pty Limited	H.N. Watergardens Franchisor Pty Limited	Harvey Norman Corporate Air Pty Limited <sup>1</sup>
H.N. South Tweed Leasing Pty Limited <sup>1</sup>	H.N. Watergardens Leasing Pty Limited <sup>1</sup>	Harvey Norman Devonport Franchisor Pty Limited
H.N. Southland Franchisor Pty Limited	H.N. Waurin Ponds Franchisor Pty Limited	Harvey Norman Devonport Leasing Pty Limited <sup>1</sup>
H.N. Southland Leasing Pty Limited <sup>1</sup>	H.N. Waurin Ponds Leasing Pty Limited <sup>1</sup>	Harvey Norman Energy Pty Limited
H.N. Swan Hill Franchisor Pty Limited	H.N. West Gosford Franchisor Pty Limited	Harvey Norman Export Pty Limited
H.N. Swan Hill Leasing Pty Limited <sup>1</sup>	H.N. Whyalla Franchisor Pty Limited	Harvey Norman Europe d.o.o. <sup>1,11</sup>
H.N. Tamworth Franchisor Pty Limited	H.N. Whyalla Leasing Pty Limited <sup>1</sup>	Harvey Norman Fitouts Pty Limited <sup>1</sup>
H.N. Tamworth Leasing Pty Limited <sup>1</sup>	H.N. Wiley Park Franchisor Pty Limited	Harvey Norman Gamezone Pty Limited <sup>1</sup>
H.N. Taree Leasing Pty Limited <sup>1</sup>	H.N. Wiley Park Leasing Pty Limited <sup>1</sup>	Harvey Norman Glenorchy Franchisor Pty Limited
H.N. Toowoomba Franchisor Pty Limited	H.N. Windsor Franchisor Pty Limited	Harvey Norman Glenorchy Leasing Pty Limited <sup>1</sup>
H.N. Toowoomba Leasing Pty Limited <sup>1</sup>	H.N. Windsor Leasing Pty Limited <sup>1</sup>	Harvey Norman Hobart Franchisor Pty Limited

# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued) Shares held by Harvey Norman Holdings Limited (continued)

Name	Name	Name
Harvey Norman Hobart Leasing Pty Limited <sup>1</sup>	Harvey Norman Rental Pty Limited <sup>1</sup>	Home Mart Furniture Pty Limited <sup>1</sup>
Harvey Norman Holdings (Ireland) Limited <sup>1,20</sup>	Harvey Norman Retailing Pty Limited	Home Mart Pty Limited <sup>1</sup>
Harvey Norman Home Cellars Pty Limited <sup>1</sup>	Harvey Norman Rosney Franchisor Pty Limited	Hoxco Pty Limited <sup>5</sup>
Harvey Norman Home Loans Pty Limited <sup>1</sup>	Harvey Norman Rosney Leasing Pty Limited <sup>1</sup>	Jartoso Pty Limited
Harvey Norman Home Starters Pty Limited <sup>1</sup>	Harvey Norman Security Pty Limited <sup>1</sup>	J.M. Alexandria Franchisor Pty Limited <sup>1</sup>
Harvey Norman Launceston Franchisor Pty Limited	Harvey Norman Shopfitting Pty Limited	J.M. Alexandria Leasing Pty Limited <sup>1</sup>
Harvey Norman Launceston Leasing Pty Limited <sup>1</sup>	Harvey Norman Singapore Pte Limited <sup>1,10,15,16</sup>	J.M. Auburn Franchisor Pty Limited
Harvey Norman Leasing Pty Limited <sup>1</sup>	Harvey Norman Stores Pty Limited	J.M. Campbelltown Franchisor Pty Limited
Harvey Norman Leasing (Blanchardstown) Limited <sup>1,6,20</sup>	Harvey Norman Stores (N.Z.) Pty Limited	J.M. Campbelltown Leasing Pty Limited <sup>1</sup>
Harvey Norman Leasing (Cork) Limited <sup>1,20</sup>	Harvey Norman Stores (W.A.) Pty Limited <sup>1</sup>	J.M. Caringbah Franchisor Pty Limited
Harvey Norman Leasing (Drogheda) Limited <sup>1,6,20</sup>	Harvey Norman Superlink Pty Limited <sup>1</sup>	J.M. Caringbah Leasing Pty Limited <sup>1</sup>
Harvey Norman Leasing (Dublin) Limited <sup>1,20</sup>	Harvey Norman Tasmania Pty Limited <sup>1</sup>	J.M. Chancellor Park Franchisor Pty Limited <sup>1,6</sup>
Harvey Norman Leasing (Dundalk) Limited <sup>1,20</sup>	Harvey Norman Technology Pty Limited	J.M. Chancellor Park Leasing Pty Limited <sup>1,6</sup>
Harvey Norman Leasing (Limerick) Limited <sup>1,6,20</sup>	Harvey Norman The Bedding Specialists Pty Limited <sup>1</sup>	J.M. Contracting Services Pty Limited
Harvey Norman Leasing (Mullingar) Limited <sup>1,6,20</sup>	Harvey Norman The Computer Specialists Pty Limited <sup>1</sup>	J.M. Leasing Pty Limited <sup>1</sup>
Harvey Norman Leasing (N.Z.) Limited <sup>1,8,9</sup>	Harvey Norman The Electrical Specialists Pty Limited <sup>1</sup>	J.M. Marrickville Franchisor Pty Limited
Harvey Norman Leasing (Naas) Limited <sup>1,6,20</sup>	Harvey Norman The Furniture Specialists Pty Limited <sup>1</sup>	J.M. Marrickville Leasing Pty Limited <sup>1</sup>
Harvey Norman Leasing (Rathfarnham) Limited <sup>1,6,20</sup>	Harvey Norman Trading (Ireland) Limited <sup>1,20</sup>	J.M. McGraths Hill Franchisor Pty Limited <sup>1</sup>
Harvey Norman Leasing (Tralee) Limited <sup>1,6,20</sup>	Harvey Norman Trading d.o.o. <sup>1,11</sup>	J.M. McGraths Hill Leasing Pty Limited <sup>1</sup>
Harvey Norman Limited <sup>1,9</sup>	Harvey Norman Ulverstone Franchisor Pty Limited	J.M. Newcastle Franchisor Pty Limited
Harvey Norman Loughran Plant & Equipment Pty Limited <sup>1</sup>	Harvey Norman Ulverstone Leasing Pty Limited <sup>1</sup>	J.M. Plant & Equipment Hire Pty Limited <sup>1</sup>
Harvey Norman Mortgage Service Pty Limited <sup>1</sup>	Harvey Norman Victoria Pty Limited	J.M. Rockhampton Franchisor Pty Limited <sup>1,6</sup>
Harvey Norman Music Pty Limited <sup>1</sup>	Harvey Norman Zagreb d.o.o. <sup>1,6,11</sup>	J.M. Rockhampton Leasing Pty Limited <sup>1,6</sup>
Harvey Norman Net. Works Pty Limited	Havrex Pty Limited <sup>5</sup>	J.M. Share Investment Pty Limited <sup>1</sup>
Harvey Norman (N.S.W.) Pty Limited <sup>1</sup>	HN Byron No. 2 Pty Limited <sup>1</sup>	J.M. Townsville Franchisor Pty Limited <sup>1</sup>
Harvey Norman Online.com Pty Limited <sup>1</sup>	HN Byron No. 3 Pty Limited <sup>1</sup>	J.M. Townsville Leasing Pty Limited <sup>1</sup>
Harvey Norman Ossia (Asia) Pte Limited <sup>1,10,16,17</sup>	HN Zagreb Investment Pty Limited <sup>1,6</sup>	J.M. West Gosford Franchisor Pty Limited
Harvey Norman P.E.M. Pty Limited <sup>1</sup>	HNL Pty Limited <sup>1</sup>	J.M. West Gosford Leasing Pty Limited <sup>1</sup>
Harvey Norman Plant and Equipment Pty Limited <sup>1</sup>	Hodberg Pty Limited <sup>4</sup>	Jondarlo Pty Limited
Harvey Norman Properties (N.Z.) Limited <sup>1,8,9</sup>	Hodvale Pty Limited <sup>4</sup>	Joyce Mayne Furnishing Pty Limited <sup>1,6</sup>
Harvey Norman (QLD) Pty Limited <sup>5</sup>		

# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued) Shares held by Harvey Norman Holdings Limited (continued)

Name	Name	Name
Joyce Mayne Home Cellars Pty Limited <sup>1</sup>	Lesandu Chatswood Pty Limited <sup>1</sup>	Lesandu Mile End Pty Limited <sup>1</sup>
Joyce Mayne Kotara Leasing Pty Limited <sup>1</sup>	Lesandu Cheltenham Pty Limited <sup>1</sup>	Lesandu Moe Pty Limited <sup>1</sup>
Joyce Mayne Liverpool Leasing Pty Limited <sup>1</sup>	Lesandu Chirnside Park Pty Limited <sup>1</sup>	Lesandu Moree Pty Limited <sup>1</sup>
Joyce Mayne Penrith Pty Limited <sup>1</sup>	Lesandu Cleveland Pty Limited <sup>1</sup>	Lesandu Morley Pty Limited <sup>1</sup>
Joyce Mayne Shopping Complex Pty Limited <sup>1</sup>	Lesandu Coorparoo Pty Limited <sup>1,6</sup>	Lesandu Mornington Pty Limited <sup>1</sup>
Kalina Development Pty Limited <sup>1</sup>	Lesandu Cranbourne Pty Limited <sup>1</sup>	Lesandu Moss Vale Pty Limited <sup>1</sup>
Kambaldu Pty Limited	Lesandu Dalby Pty Limited <sup>1</sup>	Lesandu Mt Barker Pty Limited <sup>1,6</sup>
Kita Pty Limited	Lesandu Deniliquin Pty Limited <sup>1</sup>	Lesandu Mt Gravatt Pty Limited <sup>1</sup>
Koodero Pty Limited	Lesandu Engadine Pty Limited <sup>1</sup>	Lesandu Mt Isa Pty Limited <sup>1</sup>
Korinti Pty Limited	Lesandu Erina Flooring Pty Limited <sup>1</sup>	Lesandu Munno Para Pty Limited <sup>1</sup>
Lamino Pty Limited	Lesandu Forster Pty Limited <sup>1</sup>	Lesandu Muswellbrook Pty Limited <sup>1</sup>
Lesandu Pty Limited	Lesandu Fremantle Pty Limited <sup>1</sup>	Lesandu Noarlunga Pty Limited <sup>1</sup>
Lesandu Adelaide City Pty Limited <sup>1</sup>	Lesandu Fremantle No 2 Pty Limited <sup>1</sup>	Lesandu Narre Warren Pty Limited <sup>1,6</sup>
Lesandu Adelaide CK Pty Limited <sup>1</sup>	Lesandu Fyshwick Pty Limited <sup>1</sup>	Lesandu Noosa Pty Limited <sup>1</sup>
Lesandu Albany Pty Limited <sup>1</sup>	Lesandu Gaven Pty Limited <sup>1</sup>	Lesandu North Ryde DM Pty Limited <sup>1</sup>
Lesandu Albury Pty Limited <sup>1</sup>	Lesandu Gordon Pty Limited <sup>1</sup>	Lesandu Nowra Pty Limited <sup>1</sup>
Lesandu Alexandria Pty Limited <sup>1,6</sup>	Lesandu Goulburn Pty Limited <sup>1</sup>	Lesandu Oakleigh CK Pty Limited <sup>1</sup>
Lesandu Alexandria DM Pty Limited <sup>1</sup>	Lesandu Grafton Pty Limited <sup>1</sup>	Lesandu Orange Pty Limited <sup>1</sup>
Lesandu Alexandria (JM) Pty Limited <sup>1</sup>	Lesandu Greensborough Pty Limited <sup>1</sup>	Lesandu Osborne Park Pty Limited <sup>1</sup>
Lesandu Auburn Stone Pty Limited <sup>1</sup>	Lesandu Griffith Pty Limited <sup>1</sup>	Lesandu Oxley Pty Limited <sup>1</sup>
Lesandu Ayr Pty Limited <sup>1</sup>	Lesandu Hamilton (VIC) Pty Limited <sup>1</sup>	Lesandu Penrith DM Pty Limited <sup>1</sup>
Lesandu Bairnsdale Pty Limited <sup>1</sup>	Lesandu Hamilton Pty Limited <sup>1</sup>	Lesandu Peppermint Grove Pty Limited <sup>1</sup>
Lesandu Balgowlah Pty Limited <sup>1</sup>	Lesandu Hervey Bay Pty Limited <sup>1</sup>	Lesandu Perth City West Pty Limited <sup>1</sup>
Lesandu Bathurst Pty Limited <sup>1</sup>	Lesandu HN Pty Limited <sup>1,6</sup>	Lesandu Richmond (VIC) Pty Limited <sup>1</sup>
Lesandu Bella Vista Pty Limited <sup>1</sup>	Lesandu Horsham Pty Limited <sup>1</sup>	Lesandu Riverwood Pty Limited <sup>1</sup>
Lesandu Belmont Pty Limited <sup>1</sup>	Lesandu Indooroopilly Pty Limited	Lesandu S.A. Pty Limited <sup>1</sup>
Lesandu Belrose DM Pty Limited <sup>1</sup>	Lesandu Innisfail Pty Limited <sup>1</sup>	Lesandu Sale Pty Limited <sup>1</sup>
Lesandu Blacktown Pty Limited <sup>1</sup>	Lesandu Inverell Pty Limited <sup>1</sup>	Lesandu Silverwater Pty Limited <sup>1</sup>
Lesandu Bondi Junction Pty Limited <sup>1</sup>	Lesandu Joondalup Pty Limited <sup>1</sup>	Lesandu Sippy Downs JM Pty Limited <sup>1,6</sup>
Lesandu Brisbane City Pty Limited <sup>1</sup>	Lesandu Kalgoorlie Pty Limited <sup>1</sup>	Lesandu Southport Pty Limited <sup>1,6</sup>
Lesandu Broadbeach Pty Limited <sup>1</sup>	Lesandu Knox Towerpoint Pty Limited <sup>1</sup>	Lesandu Stanmore Pty Limited <sup>1</sup>
Lesandu Broadway Pty Limited <sup>1</sup>	Lesandu Leichhardt M Pty Limited <sup>1</sup>	Lesandu Sunshine Pty Limited <sup>1,6</sup>
Lesandu Brooklyn Pty Limited <sup>1,6</sup>	Lesandu Light Street DM Pty Limited <sup>1</sup>	Lesandu Swan Hill Pty Limited <sup>1</sup>
Lesandu Browns Plains Pty Limited <sup>1</sup>	Lesandu Lismore Pty Limited <sup>1</sup>	Lesandu Sydenham Pty Limited <sup>1</sup>
Lesandu Burleigh Heads Flooring Pty Limited <sup>1</sup>	Lesandu Loganholme Pty Limited <sup>1</sup>	Lesandu Sydney City SS Pty Limited <sup>1</sup>
Lesandu Busselton Pty Limited <sup>1</sup>	Lesandu Maddington Pty Limited <sup>1</sup>	Lesandu Tamworth Pty Limited <sup>1</sup>
Lesandu Cannington Pty Limited <sup>1</sup>	Lesandu Malaga Pty Limited <sup>1,6</sup>	Lesandu Taree Pty Limited <sup>1</sup>
Lesandu Carindale Pty Limited <sup>1</sup>	Lesandu Mandurah Pty Limited <sup>1</sup>	Lesandu Taree Home Mart Pty Limited <sup>1</sup>
Lesandu Castle Hill Pty Limited <sup>1</sup>	Lesandu Marion Pty Limited <sup>1</sup>	Lesandu Tasmania Pty Limited <sup>1</sup>
Lesandu Castle Hill DM Pty Limited <sup>1,6</sup>	Lesandu Maroochydore Flooring Pty Limited <sup>1</sup>	Lesandu Thomastown Pty Limited <sup>1,6</sup>
Lesandu Cessnock (JM) Pty Limited <sup>1</sup>	Lesandu McGraths Hill (JM) Pty Limited <sup>1</sup>	Lesandu Townsville Pty Limited <sup>1</sup>
Lesandu Chadstone Pty Limited <sup>1,6</sup>	Lesandu Melbourne City DM Pty Limited <sup>1</sup>	Lesandu Tweed Heads Pty Limited
Lesandu Charmhaven Pty Limited <sup>1</sup>	Lesandu Mentone Pty Limited <sup>1</sup>	Lesandu Tweed Heads Flooring Pty Limited <sup>1</sup>
Lesandu Chatswood Express Pty Limited <sup>1</sup>	Lesandu Midland Pty Limited <sup>1</sup>	Lesandu Underwood Pty Limited <sup>1</sup>

# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued) Shares held by Harvey Norman Holdings Limited (continued)

### Name

Lesandu W.A. Pty Limited  
 Lesandu W.A. Furniture Pty Limited<sup>1</sup>  
 Lesandu Wagga Wagga Pty Limited<sup>1</sup>  
 Lesandu Wangaratta Pty Limited<sup>1</sup>  
 Lesandu Warana Pty Limited<sup>1,6</sup>  
 Lesandu Warragul Pty Limited<sup>1</sup>  
 Lesandu Warrawong Pty Limited<sup>1</sup>  
 Lesandu Warwick (WA) Pty Limited<sup>1</sup>  
 Lesandu Warwick Pty Limited<sup>1</sup>  
 Lesandu Wauru Ponds Pty Limited<sup>1</sup>  
 Lesandu West Gosford DM Pty Limited<sup>1</sup>  
 Lesandu Wonthaggi Pty Limited<sup>1</sup>  
 Lexeri Pty Limited  
 Lightcorp Pty Limited<sup>1</sup>  
 Lighting Venture Pty Limited  
 Lodare Pty Limited  
 Loreste Pty Limited  
 Malvis Pty Limited  
 Manutu Pty Limited  
 Maradoni Pty Limited  
 Maribed Pty Limited<sup>1</sup>  
 Marinski Pty Limited  
 Mega Flooring Depot Pty Limited<sup>1</sup>  
  
 Misstar Pty Limited<sup>1,2</sup>  
 Murry Street Development Pty Limited<sup>1</sup>  
 Nedcroft Pty Limited  
 Network Consumer Finance Pty Limited  
 Network Consumer Finance (Ireland) Limited<sup>1,20</sup>  
 Network Consumer Finance (N.Z.) Limited<sup>1,8,9</sup>  
 Nomadale Pty Limited<sup>5</sup>  
 Norman Ross Pty Limited  
 Oldmist Pty Limited  
  
 Omdale Pty Limited<sup>1,7</sup>  
 Oslek Developments Pty Limited<sup>1</sup>  
 Osraidi Pty Limited  
 Pertama Holdings Limited<sup>1,10,16,17</sup>  
 P & E Albany Pty Limited<sup>1,7</sup>

### Name

P & E Armadale WA Pty Limited<sup>1,7</sup>  
 P & E Belmont Pty Limited<sup>1,7</sup>  
 P & E Broadmeadow Pty Limited<sup>1,7</sup>  
 P & E Bunbury Pty Limited<sup>1,7</sup>  
 P & E Busselton Pty Limited<sup>1,7</sup>  
 P & E Cannington Pty Limited<sup>1,7</sup>  
 P & E Castle Hill Pty Limited<sup>1,7</sup>  
 P & E City West Pty Limited<sup>1,7</sup>  
 P & E Crows Nest Pty Limited<sup>1</sup>  
 P & E Dili Pty Limited<sup>1</sup>  
 P & E Fremantle Pty Limited<sup>1,7</sup>  
  
 P & E Geraldton Pty Limited<sup>1,7</sup>  
 P & E Homewest Pty Limited<sup>1</sup>  
 P & E Joondalup Pty Limited<sup>1,7</sup>  
 P & E Kalgoorlie Pty Limited<sup>1,7</sup>  
 P & E Karratha Pty Limited<sup>1,7</sup>  
 P & E Leichhardt Pty Limited<sup>1</sup>  
 P & E Maddington Pty Limited<sup>1</sup>  
 P & E Mandurah Pty Limited<sup>1,7</sup>  
 P & E Midland Pty Limited<sup>1,7</sup>  
 P & E Morley Pty Limited<sup>1,7</sup>  
 P & E O'Connor Pty Limited<sup>1,7</sup>  
 P & E Peppermint Grove Pty Limited<sup>1,7</sup>  
 P & E Port Hedland Pty Limited<sup>1</sup>  
 P & E Port Kennedy Pty Limited<sup>1,7</sup>  
  
 P & E Shopfitters Pty Limited<sup>1</sup>  
 P & E Warwick (WA) Pty Limited<sup>1,7</sup>  
  
 PEM Corporate Pty Limited<sup>1</sup>  
  
 Plezero Pty Limited  
  
 Poliform Pty Limited<sup>1,27</sup>  
 R. Reynolds Nominees Pty Limited<sup>1</sup>  
 Recline A Way Franchisor Pty Limited<sup>1</sup>  
 Rosieway Pty Limited  
 Sarsha Pty Limited  
 Setto Pty Limited  
 Shakespir Pty Limited<sup>1</sup>  
 Signature Computers Pty Limited<sup>1</sup>

### Name

Solaro Pty Limited  
 Space Furniture Limited<sup>1,12,14</sup>  
 Space Furniture Pte Limited<sup>1,10,16</sup>  
 Space Furniture Pty Limited<sup>1,2</sup>  
 Stonetess Pty Limited  
 Stores Securitisation Pty Limited  
 Stores Securitisation (NZ) Limited  
 Strathlora Pty Limited  
 Stupendous Pty Limited<sup>21</sup>  
 Superguard Pty Limited<sup>1</sup>  
 Swaneto Pty Limited  
  
 Swanpark Pty Limited<sup>5</sup>  
 Tatroko Pty Limited  
 Tessera Stones & Tiles Pty Limited<sup>13</sup>  
 The Byron At Byron Pty Limited  
 Tisira Pty Limited  
 Ventama Pty Limited<sup>3</sup>  
 Wadins Pty Limited  
 Wanalti Pty Limited  
 Waggafern Pty Limited<sup>1</sup>  
 Warungi Pty Limited  
 Waytango Pty Limited  
 Webzone Pty Limited<sup>1</sup>  
  
 Wytharra Pty Limited  
 Yoogalu Pty Limited  
  
 Zaballa Pty Limited  
 Zavarte Pty Limited

# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued) Shares held by Harvey Norman Holdings Limited (continued)

### Notes

1. Company is not part of the class order described in Note 40.
2. Harvey Norman Holdings Limited owns 99.9% of shares in Misstar Pty Limited, 50% of Bossee Pty Limited, 99% of the shares in Space Furniture Pty Limited and 51% of the shares in Arisit Pty Limited.
3. Shares held by Sarsha Pty Limited.
4. Shares held by Harvey Norman Retailing Pty Limited.
5. Shares held by Harvey Norman Stores Pty Limited.
6. These companies were acquired during the year.
7. These companies were disposed of during the year.
8. Shares held by Harvey Norman Limited.
9. These companies are incorporated in New Zealand.
10. This company is incorporated in Singapore.
11. This company is incorporated in Slovenia.
12. This company is incorporated in the UK.
13. Shares held by Stonetess Pty Limited.
14. Space Furniture Pty Limited owns 70% of shares in 250 Bromoton Road Limited and 100% of shares in Space Furniture Limited.
15. Shares held by Setto Pty Limited.
16. Harvey Norman Singapore Pte Limited owns 60% of the shares in Harvey Norman Ossia (Asia) Pte Limited, 75% of the shares in Space Furniture Pte Limited, 75% of the shares in Space Furniture Pte Limited 9.67% of the shares in Pertama Holdings Limited.
17. Harvey Norman Ossia (Asia) Pte Limited holds 50.21% of the shares in Pertama Holdings Limited
18. Harvey Norman Holdings Limited has a controlling interest in this entity. The results of this entity have been included in the consolidated financial report of Harvey Norman Holdings Limited from 1 July 2000.
19. On 28 July 2001, Becto Pty Limited, a wholly owned subsidiary of Harvey Norman Holdings Limited, acquired a controlling interest in Rebel Sport Limited. From this date the financial statements of Rebel Sport Limited have been consolidated into the financial statements of the consolidated entity. As at 30 June 2006 Becto Pty Limited held 52.87% of the shares in Rebel Sport Limited.
20. These companies are incorporated in Ireland.
21. Shares held by Calardu Pty Limited.
22. Shares held by Calardu Armidale Pty Limited.
23. Lighting Venture Pty Limited owns 50.1% of shares in Glo Light Pty Limited.
24. Yoogalu Pty Ltd holds 50.5% of the shares in Australian Business Skills Centre Pty Limited.
25. HN Byron No 3 Pty Limited holds 50% of the shares in Byron Bay Facilities Pty Limited.
26. Yoogalu Pty Ltd holds 50% of the shares in Byron Bay Management Pty Limited.
27. Kita Pty Ltd holds 99% of the shares in Poliform Pty Ltd.

### Deconsolidation of a Controlled Entity During the Year

Effective 1 July 2005, the controlling interest in 250 Brompton Road Limited was deconsolidated. The results of 250 Brompton Road Limited have not been included in the financial statements of the consolidated entity for the year ended 30 June 2006. The deconsolidation of 250 Brompton Road did not have a material effect on the financial statements of the consolidated entity.



# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued)

### Units in Unit Trusts held by Harvey Norman Holdings Limited

Name	Name	Name
098 004 570 No. 2 Trust	Calardu Auburn No. 4 Trust	Calardu Karratha Trust
Abari No. 3 Trust	Calardu Auburn No. 5 Trust	Calardu Kawana Waters Trust
ABSC Online Trust***, ***	Calardu Auburn No. 6 Trust	Calardu Kemblawarra Trust
Albany Stores No. 2 Trust	Calardu Auburn No. 7 Trust	Calardu Launceston Trust
Anwarah No. 2 Trust	Calardu Auburn No. 8 Trust	Calardu Loganholme Trust
Appcann No. 2 Trust	Calardu Auburn No. 9 Trust	Calardu Mackay Trust
Armafurn WA No. 2 Trust**	Calardu Ballarat Trust	Calardu Maitland Trust
Aspley Electrics No. 2 Trust	Calardu Ballina Trust	Calardu Malaga Trust
Aubdirect No. 2 Trust	Calardu Bathurst Trust	Calardu Mandurah Trust
Auburnapp No. 2 Trust	Calardu Beaufort Street Trust	Calardu Maribyrnong Trust
Auburncom No. 2 Trust	Calardu Belrose DM Trust	Calardu Maribyrnong 1995 Trust
Australian Business Skills Centre Trust***	Calardu Bellevue Hill Trust	Calardu Marion Trust
Ayrcom No. 2 Trust	Calardu Bennetts Green Trust	Calardu Maroochydore Trust**
Ayrel No. 2 Trust**	Calardu Bennetts Green Warehouse Trust	Calardu Maryborough Trust
Bathard No. 2 Trust	Calardu Berri Trust	Calardu Melville Trust
Becto Trust	Calardu Berrimah Trust	Calardu Mentone Trust
Bedcity No. 2 Trust**	Calardu Brickworks (S.A.) Trust	Calardu Midland Trust
Beddington No. 2 Trust	Calardu Broadmeadow No. 1 Trust	Calardu Milton Trust
Bedwick No. 2 Trust**	Calardu Broadmeadow No. 2 Trust	Calardu Morayfield Trust
Belcomp WA No. 2 Trust**	Calardu Broadmeadows VIC Trust	Calardu Moss Vale Trust
Bellbed No. 2 Trust**	Calardu Brookvale Trust	Calardu Mt Isa Trust
Bellect No. 2 Trust**	Calardu Browns Plains Trust	Calardu Mt. Gambier Trust
Belmcom No. 2 Trust	Calardu Bunbury Trust	Calardu Mudgee Trust
Belmtel No. 2 Trust**	Calardu Bundaberg Trust	Calardu Munno Para Trust
Bena No. 2 Trust	Calardu Bundall Trust	Calardu Noarlunga Trust
Berncal No. 2 Trust**	Calardu Burnie Trust	Calardu Noosa Trust
Big Apple Trust	Calardu Cambridge Trust**	Calardu North Ryde Trust
Blackbed No. 2 Trust**	Calardu Campbelltown Trust	Calardu North Ryde 2 Trust
Bradiz No. 2 Trust	Calardu Cannington Trust	Calardu Northbridge Trust
Brownsell No. 2 Trust	Calardu Caringbah Trust	Calardu Nowra Trust
Bunburybed No. 2 Trust	Calardu Caringbah (Taren Point) Trust	Calardu No. 1 Trust
Bunburycom No. 2 Trust**	Calardu Crows Nest Trust	Calardu No. 2 Trust
Bunburyfurn No. 2 Trust	Calardu Crows Nest No. 2 Trust	Calardu No. 3 Trust
Bundallfurn No. 2 Trust**	Calardu Cubitt Trust	Calardu Oxley Trust
Bundell No. 2 Trust**	Calardu Darwin Trust	Calardu Penrith Trust
Burleigh Flooring No. 2 Trust**	Calardu Denuo Berri Trust	Calardu Perth City West Trust
Cairnsel No. 2 Trust	Calardu Dubbo Trust	Calardu Port Macquarie Trust
Calardu ACT Trust	Calardu Frankston Trust	Calardu Preston Trust
Calardu Adderley Street Trust	Calardu Fyshwick DM Trust	Calardu Raine Square Trust
Calardu Albany Trust	Calardu Gordon Trust	Calardu Richmond Trust
Calardu Albury Trust	Calardu Guildford Trust	Calardu Rockingham Trust
Calardu Alexandria DM Trust	Calardu Hervey Bay Trust	Calardu Rockhampton Trust
Calardu Alice Springs Trust	Calardu Hobart Trust	Calardu Rockhampton 2 Trust
Calardu Armadale WA Trust	Calardu Hoppers Crossing Trust	Calardu Rosebery Trust
Calardu Armidale Trust	Calardu Horsham Trust	Calardu Roselands Trust
Calardu Aspley Trust	Calardu Joondalup Trust	Calardu Rutherford Trust
Calardu Auburn No. 1 Trust	Calardu Kalgoorlie Trust	Calardu Sale Trust
Calardu Auburn No. 2 Trust	Calardu Kalgoorlie Oswald St Trust	Calardu Silverwater Trust
Calardu Auburn No. 3 Trust	Calardu Karana Downs Trust	Calardu Springvale Trust

# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued)

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

Name	Name	Name
Calardu Swan Hill Trust	Daltel No. 2 Trust**	Harvey Norman Burnie Franchisor Unit Trust
Calardu Sylvania Trust	Dalupbed No. 2 Trust**	Harvey Norman Devonport Franchisor Unit Trust
Calardu Taree Trust	Danapp No. 2 Trust**	Harvey Norman Discounts No. 1 Trust
Calardu Thebarton Trust	Darwel No. 2 Trust	Harvey Norman Glenorchy Franchisor Unit Trust
Calardu Thomastown Trust	Dawlec No. 2 Trust**	Harvey Norman Hobart Franchisor Unit Trust
Calardu Toorak Trust	Dawncom No. 2 Trust**	Harvey Norman Launceston Franchisor Unit Trust
Calardu Toowoomba Trust	Dubora No. 2 Trust**	Harvey Norman Lighting Asset Trust
Calardu Townsville Trust	Electall No. 2 Trust	Harvey Norman Lighting No. 1 Trust
Calardu Tweed Heads Trust	Electen No. 2 Trust	Harvey Norman Liquor Unit Trust
Calardu Tweed Heads Traders Way Trust	Electoo No. 2 Trust	Harvey Norman Rosney Franchisor Unit Trust
Calardu Vicfurn Trust	Electwind No. 2 Trust	Harvey Norman Shopfitting Trust
Calardu Warrawong Trust	Elekaw No. 2 Trust**	Harvey Norman Tasmania Agent Unit Trust
Calardu Warrawong (Homestarters) Trust	Enbed No. 2 Trust	Harvey Norman Ulverstone Franchisor Unit Trust
Calardu Warrawong No. 1 Trust	Enfiel No. 2 Trust	Harvey Norman No. 1 Trust
Calardu Warrnambool Trust	Evcomputers No. 2 Trust**	Havnet No. 2 Trust
Calardu Warwick Trust	Everbed No. 2 Trust	Herveyel No. 2 Trust**
Calardu West Gosford Trust	Everton Park Bedding No. 2 Trust**	Incomputers No. 2 Trust**
Calardu Whyalla Trust	Ewencom No. 2 Trust**	Indolect No. 2 Trust
Calardu Wivenhoe Trust	Fedrics No. 2 Trust**	Inniscom No. 2 Trust
Calect No. 2 Trust**	Fieldlect No. 2 Trust**	Jonbed No. 2 Trust**
Calfurn No. 2 Trust**	Finreg No. 2 Trust**	Joonapp No. 2 Trust
Cannbed No. 2 Trust**	Fremtel No. 2 Trust**	Joondalup Warehousing Services Trust
Cannters No. 2 Trust**	Furnall No. 2 Trust**	Joondalup Administrative Services Trust
Cantrics No. 2 Trust**	Furnbund No. 2 Trust	Kaboola No. 2 Trust
Carcom No. 2 Trust**	Furnbury No. 2 Trust	Kalect No. 2 Trust**
Carindale Computers No. 2 Trust**	Furncity No. 2 Trust**	Kalina Unit Trust
Carinel No. 2 Trust	Furnen No. 2 Trust	Kawana Electrics No. 2 Trust**
CBG Trust	Furngamb No. 2 Trust**	Kawfurn No. 2 Trust
Charmela No. 2 Trust	Furngrav No. 2 Trust	Kawlect No. 2 Trust
City Cross Computer No. 2 Trust**	Furnmay No. 2 Trust**	Lamino Investments No. 1 Trust
City Cross Electrics No. 2 Trust**	Furnor No. 2 Trust**	Lamino Investments No. 2 Trust
City West Appliances No. 2 Trust**	Furnsal No. 2 Trust**	Lamino Investments No. 3 Trust
Clevel No. 2 Trust**	Fyshcom No. 2 Trust**	Lamino Investments No. 4 Trust
Comaub No. 2 Trust**	Gablect No. 2 Trust**	Lamino Investments No. 5 Trust
Comben Nominees No. 2 Trust	Gambiel No. 2 Trust	Lamino Investments No. 6 Trust
Comborne No. 2 Trust	Geraldcom No. 2 Trust	Lectapp No. 2 Trust
Commara No. 2 Trust**	Geraldcom No. 2 Trust	Lectoo Air No. 2 Trust**
Compliance No. 2 Trust**	Geraldcom No. 2 Trust**	Lectoo No. 2 Trust**
Comstore No. 2 Trust**	Gladstores No. 2 Trust	Lesandu Albury Trust
Conbed No. 2 Trust**	Gladstores Qld No. 2 Trust	Lesandu Campbelltown Trust
Conocom No. 2 Trust**	Goscane No. 2 Trust**	Lesandu Fairfield Trust
Cosgrove Shopfitting Services No. 2 Trust	Gravlec No. 2 Trust**	Lesandu Gordon Trust
Dallect No. 2 Trust	H.N. Cards Trust	
	Haproc No. 2 Trust	Lesandu Gosford Trust



# Notes to the Financial Statements (continued)

## 39. Controlled Entities and Unit Trusts (continued)

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

Name	Name	Name
Lesandu Miranda Trust	Penricom No. 2 Trust**	Wonbed No. 2 Trust**
Lesandu Newcastle Trust	Pepcom No. 2 Trust**	Yoogalu Albury Trust
Lesandu No. 1 Trust	Peppel No. 2 Trust**	Yoogalu Campbelltown Trust
Lesandu Penrith Trust	Peppercom No. 2 Trust**	Yoogalu Fairfield Trust
Lesandu Tamworth Trust	Portkenn No. 2 Trust**	Yoogalu Gordon Trust
Lesandu Warrawong Trust	Portlect No. 2 Trust**	Yoogalu Gosford Trust*
Lesandu Warringah Mall Trust	Prestbed No. 2 Trust	Yoogalu Lismore Trust*
Loganap No. 2 Trust**	Prestoncom No. 2 Trust**	Yoogalu Miranda Trust
Logancom No. 2 Trust**	Recway No. 2 Trust**	Yoogalu Newcastle Trust
Madoncom No. 2 Trust**	Savel No. 2 Trust**	Yoogalu Warrawong Trust
Mall Computers No. 2 Trust**	Sotel No. 2 Trust**	Yoogalu Warringah Mall Trust
Mallcom No. 2 Trust	Spirarzo No. 2 Trust	
Mantoncom No. 2 Trust**	Sydney No. 1 Trust	
Maribed No. 2 Trust	Toowel No. 2 Trust	
Marioncom No. 2 Trust	Town Electrics No. Trust**	
Marncom No. 2 Trust	Townfurn No. 2 Trust	
Marnfurn No. 2 Trust	The Calardu Trust	
Marionfurn No. 2 Trust	Throntar No. 2 Trust**	
Maylect No. 2 Trust**	Tralgfurn No. 2 Trust	
MFD Bundall No. 2 Trust**	Valhome No. 2 Trust	
MFD Burleigh Heads No. 2 Trust**	Vallbed No. 2 Trust	
Micomp No. 2 Trust	Vallect No. 2 Trust**	
Midcom No. 2 Trust**	Vallal No. 2 Trust**	
Morcom No. 2 Trust**	Valleybed No. 2 Trust**	
Morleyel No. 2 Trust**	Valleyfurn No. 2 Trust	
Mountel No. 2 Trust	Vallfurn No. 2 Trust**	
Moyfurn No. 2 Trust**	Wacom No. 2 Trust	
Murray Street Development Trust	Wallel No. 2 Trust**	
Noarlect No. 2 Trust	Wallfurn No. 2 Trust**	
Noosel No. 2 Trust**	Warfurn No. 2 Trust	
O'Connor Appliances No. 2 Trust**	Warian No. 2 Trust	
Oconnel No. 2 Trust**	Warracom No. 2 Trust**	
Oscomm No. 2 Trust	Warrafloor No. 2 Trust	
Osborne No. 2 Trust	Warwickfurn No. 2 Trust**	
Oslect No. 2 Trust	Wayel No. 2 Trust**	
Oslek Developments Trust	Westerncom No. 2 Trust	
Oxfurn No. 2 Trust**	Westfurn No. 2 Trust	
Parkborne No. 2 Trust	Wicomp No. 2 Trust**	
Parkel No. 2 Trust	Wickson No. 2 Trust**	

#### Notes

\* All the units in the Unit Trusts are held by Harvey Norman Holdings Limited.

\*\* These trusts were acquired during the year.

\*\*\* Some of the units in this trust are held by Yoogalu Pty Limited, a wholly owned subsidiary of Harvey Norman Holdings Limited.

\*\*\*\* These trusts were vested during the year.

## 40. Deed of Cross Guarantee

Certain controlled entities (refer Note 39) have entered into a deed of cross guarantee dated 1 June 2004 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. As a result of the Class Order issued by the Australian Securities and Investments Commission these companies are relieved from the requirements to prepare financial statements.

Controlled Entities (Refer Note 39) marked <sup>1</sup> are not party to the Class Order.

The consolidated balance sheet and income statement of the entities that are members of the "Closed Group" are as follows:

### Consolidated Balance Sheet

	CONSOLIDATED	
	2006 \$000	2005 \$000
<b>Current Assets</b>		
Cash and cash equivalents	31,340	107,158
Trade and other receivables	994,657	796,037
Other financial assets	1,337	35,360
Inventories	9,847	20,070
Intangible assets	2,302	-
Other assets	10,948	3,021
<b>Total current assets</b>	<b>1,050,431</b>	<b>961,646</b>
<b>Non-Current Assets</b>		
Trade and other receivables	47,783	65,070
Investments accounted for using equity method	96,065	88,548
Other financial assets	114,587	109,661
Inventories	32,093	31,475
Property, plant and equipment	225,788	235,862
Investment properties	891,901	778,617
Intangible assets	22,947	29,499
Deferred income tax assets	13,636	2,302
<b>Total non-current assets</b>	<b>1,444,800</b>	<b>1,341,034</b>
<b>Total Assets</b>	<b>2,495,231</b>	<b>2,302,680</b>
<b>Current Liabilities</b>		
Trade and other payables	411,364	459,176
Interest-bearing loans and borrowings	18,532	20,556
Income tax payable	15,552	2,551
Provisions	5,604	3,612
Other liabilities	4,418	1,894
<b>Total current liabilities</b>	<b>455,470</b>	<b>487,789</b>
<b>Non-Current Liabilities</b>		
Interest-bearing loans and borrowings	691,344	600,945
Provisions	6,099	6,384
Deferred income tax liabilities	97,485	80,652
Other liabilities	11,210	3,200
<b>Total non-current liabilities</b>	<b>806,138</b>	<b>691,181</b>
<b>Total Liabilities</b>	<b>1,261,607</b>	<b>1,178,970</b>
<b>NET ASSETS</b>	<b>1,233,624</b>	<b>1,123,710</b>
<b>Equity</b>		
Contributed equity	246,591	246,591
Reserves	9,737	11,106
Retained profits	977,296	866,013
<b>TOTAL EQUITY</b>	<b>1,233,624</b>	<b>1,123,710</b>

# Notes to the Financial Statements (continued)

## 40. Deed of Cross Guarantee (continued)

### Consolidated Income Statement

	CONSOLIDATED	
	2006 \$000	2005 \$000
Profit from continuing operations before income tax expense	273,042	245,328
AIFRS adjustments	(5,557)	157,765
Income tax expense	(82,167)	(71,320)
Profit after tax from continuing operations	185,318	331,772
Profit for the year	185,318	331,772
Retained earnings at the beginning of the year	866,013	609,693
Dividends provided for or paid	(74,035)	(75,453)
Retained earnings at the end of the year	977,296	866,013

# Directors' Declaration


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

1. In the opinion of the directors:
  - (a) the financial statements and the additional disclosures included in the Directors' Report designated as audited, of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
    - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
  - (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable
2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.
3. 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 40 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.



**G. HARVEY**  
Chairman  
Sydney  
29 September 2006



**J. SLACK-SMITH**  
Director / Chief Operating Officer  
Sydney  
29 September 2006

## Independent audit report to members of Harvey Norman Holdings Limited

### Scope

#### *The financial report, remuneration disclosures and director's responsibility*

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for Harvey Norman Holdings Limited (the company) and the consolidated entity, for the year ended 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that year.

The company has disclosed information as required by paragraphs Aus 25.4 to Aus 25.7.2 of Accounting Standard AASB 124 *Related Party Disclosures* ("remuneration disclosures"), under the heading "Remuneration Report" in the Directors' Report, as permitted by Corporations Regulation 2M.6.04.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the Directors' Report.

### *Audit approach*

We conducted an independent audit of the financial report in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows and whether the remuneration disclosures comply with Accounting Standard AASB 124 *Related Party Disclosures*.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and the remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report and the remuneration disclosures. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

### **Independence**

We are independent of the company and the consolidated entity and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration a copy of which is included in the Directors' Report. The Auditors' Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this audit report was signed.

### **Audit opinion**

In our opinion:

1. the financial report of Harvey Norman Holdings Limited is in accordance with:
  - (a) the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of Harvey Norman Holdings Limited and the consolidated entity at 30 June 2006 and of their performance for the year ended on that date; and
    - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
  - (b) other mandatory financial reporting requirements in Australia.
2. the remuneration disclosures that are contained in the Directors' Report comply with Accounting Standard AASB 124 *Related Party Disclosures*.

A stylized, handwritten signature in black ink, likely representing an official representative of Ernst & Young.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Craig Jackson', written in a cursive style.

Craig M. Jackson  
Partner  
Sydney

29 September 2006

## Distribution of Shareholdings as at 25 September 2006

Size of Holding	Ordinary Shareholders
1 - 1,000	4,753
1,001 - 5,000	6,560
5,001 - 10,000	1,326
10,001 - 100,000	1,245
100,001 and over	170
	<b>14,054</b>
Number of Shareholders	
With less than a marketable parcel	<b>328</b>

## Voting Rights

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

## Twenty Largest Shareholders as at 25 September 2006

Number of Ordinary Shares	Shareholder	Percentage of Ordinary Shares
311,519,532	Mr Gerald Harvey & G Harvey Nominees Pty Limited	29.45%
175,249,660	Dimbulu Pty Limited	16.57%
131,918,217	Citicorp Nominees Pty Limited	12.47%
84,906,489	National Nominees Limited	8.03%
54,160,717	JP Morgan Nominees Australia Limited	5.12%
49,990,575	Ms Margaret Lynette Harvey	4.73%
26,300,833	Westpac Custodian Nominees Limited	2.49%
19,345,133	Ms Kay Lesley Page	1.83%
19,197,467	UBS Nominees Pty Ltd	1.81%
18,724,603	Cogent Nominees Pty Ltd	1.77%
17,118,200	Enbearn Pty Limited	1.62%
12,311,514	AMP Life Limited	1.16%
10,651,383	ANZ Nominees Limited	1.01%
10,364,289	IAG Nominees Pty Limited	0.98%
9,669,750	RBC Dexia Investor Services Australia Nominees Pty Limited	1.10%
3,950,000	Argo Investments Limited	0.37%
3,445,553	Mr Michael Harvey	0.33%
2,918,922	Queensland Investment Corporation	0.28%
1,979,791	Woodross Nominees Pty Limited	0.19%
1,805,078	Peapes Pty Limited	0.17%
<b>967,490,108</b>		<b>91.46%</b>

Total held by twenty largest shareholders as a percentage of total ordinary shares is 91.46% as at 25 September 2006.

# Directory of Harvey Norman, Domayne & Joyce Mayne 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)

### ALEXANDRIA

494-504 Gardeners Road  
Alexandria 2015  
Phone (02) 9693 0666

### AUBURN

250 Parramatta Road  
Auburn 2144  
Phone (02) 9202 4888

### AUBURN (Renovations & Seconds)

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

### BALGOWLAH

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

### BALGOWLAH (HOMESTARTERS)

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

### BLACKTOWN

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

### BONDI

Shop 5016, Westfield  
Shopping Centre  
500 Oxford Street  
Bondi Junction 2022  
Phone (02) 8305 8800

### BROADWAY

Shop 119  
Broadway Bay Street  
Broadway 2007  
Phone (02) 9211 3933

### CAMPBELLTOWN

22A Blaxland Road  
Campbelltown 2560  
Phone (02) 4621 5200

### CARINGBAH

41 - 49 Willarong Road  
Caringbah 2229  
Phone (02) 9542 7088

### CASTLE HILL

18 Victoria Avenue  
Castle Hill 2154  
Phone (02) 9840 8800

### CHATSWOOD (Electrical & Computers only)

Level 2 Chatswood Chase  
Cnr Archer & Victoria Ave  
Chatswood 2067  
Phone (02) 9419 1100

### GORDON

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

### LIVERPOOL

Liverpool Mega Centre  
2/18 Orangegrove Road  
Liverpool 2170  
Phone (02) 9600 3333

### MARRICKVILLE

Shop 5, Marrickville Metro  
Shopping Centre  
Victoria Road  
Marrickville 2204  
Phone (02) 9557 7344

### MARTIN PLACE

19-29 Martin Place  
MLC Centre  
Sydney CBD 2000  
Phone (02) 8236 6600

### McGRATHS HILL

Unit 6A 264-272  
Windsor Road 2756  
Phone (02) 4577 9577

### MOORE PARK

Level 2, North SupaCenta  
Cnr South Dowling Street  
& Dacey Avenue  
Moore Park 2021  
Phone (02) 9662 9888

### NORWEST

Unit 20  
Homemaker Collection  
4 - 6 Celebration Drive  
Bella Vista 2153  
Phone (02) 8884 8800

### PENRITH

Cnr Mulgoa Rd & Wolseley  
St  
Penrith 2750  
Phone (02) 4737 5111

### WILEY PARK

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

### WILEY PARK (Hardware)

1155 Canterbury Road  
Punchbowl 2196  
Phone (02) 9740 1153

## 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  
Phone: (02) 6771 3788

### BATHURST

Sydney Road  
Kelso 2795  
Phone (02) 6332 3399

### BROADMEADOW (HOMESTARTERS)

35-43 Lambton Road  
Broadmeadow 2292  
Phone (02) 4962 1770



# Directory of Harvey Norman, Domayne & Joyce Mayne Shopping Complexes (continued)

## NEW SOUTH WALES COUNTRY (CONTINUED)

<b>COFFS HARBOUR</b> 252 Coffs Harbour Highway Coffs Harbour 2450 Phone (02) 6651 9011	<b>DENILQUIN</b> Cnr. Hardinge & Harfleur Streets Deniliquin 2710 Phone (03) 5881 5499	<b>FORSTER</b> 29 Breese Parade Forster 2428 Phone (02) 6554 5700	<b>FRISCO HOME FURNISHERS (NEWCASTLE)</b> 391 Hillsborough Road Warners Bay NSW 2282 Phone (02) 4954 3344
<b>GOSFORD (ERINA)</b> Harvey Norman Shopping Complex Karalta Lane Erina 2250 Phone (02) 4365 9500	<b>GOULBURN</b> 180-186 Auburn Street Goulburn 2580 Phone (02) 4824 3000	<b>GRAFTON</b> 125 Prince Street Grafton 2460 Phone (02) 6643 3266	<b>GRIFFITH</b> Cnr Jondaryn & Willandra Avenues Griffith 2680 Phone (02) 6961 0300
<b>INVERELL</b> 50 Evans Streets Inverell 2360 Phone (02) 6721 0811	<b>LISMORE</b> 17 Zadoc Street Lismore 2480 Phone (02) 6621 8888	<b>MACLEAN</b> 211 River Street Maclean 2463 Phone (02) 6645 2611	<b>MAITLAND</b> 557 High Street Maitland 2320 Phone (02) 4934 2423
<b>MOREE</b> 103 Balo Street Moree 2400 Phone (02) 6752 7531	<b>MOSS VALE</b> 137-157 Lackey Road Moss Vale 2577 Phone: (02) 4868 1039	<b>MUDGEES</b> 33 Castlereagh Highway Mudgee 2850 Phone (02) 6372 6514	<b>NEWCASTLE (BENNETTS GREEN)</b> 7 Abdon Close Bennetts Green 2290 Phone (02) 4948 4555
<b>NOWRA</b> Cnr Central Avenue & Princess Highway Nowra 2541 <b>Phone (02) 4421 1300</b>	<b>ORANGE</b> Cnr Lone Pine Ave & Mitchell Highway Orange 2800 Phone (02) 6393 2222	<b>PARKES</b> Shop 1, Saleyards Road Parkes 2870 Phone (02) 6862 2800	<b>PORT MACQUARIE</b> 140 Lake Road Port Macquarie 2444 Phone (02) 6581 0088
<b>TAMWORTH</b> 43 The Ringers Road Tamworth 2340 Phone (02) 6765 1100	<b>TAREE</b> 9 Mill Close Taree 2430 <b>Phone (02) 6551 3699</b>	<b>WAGGA</b> Homebase Centre 7-23 Hammond Avenue Wagga 2650 Phone (02) 6933 7000	<b>WARRAWONG</b> Cnr King Street & Shellharbour Road Warrawong 2502 Phone (02) 4275 2722
<b>WARRAWONG (HOMESTARTERS)</b> 113 King Street Warrawong 2502 Phone (02) 4276 5000	<b>YOUNG</b> 326 Boorowa Street Young 2594 Phone (02) 6382 5744		

## NORTHERN TERRITORY

**DARWIN**  
644 Stuart Highway  
Berrimah 0828  
Phone: (08) 8922 4111

## QUEENSLAND (BRISBANE SUBURBAN)

<b>ASPLEY</b> 1411-1419 Gympie Road Aspley 4034 Phone (07) 3834 1100	<b>BERNOTHS TOOWOOMBA</b> 675 Ruthven Street Toowoomba 4350 Phone (07) 4632 9444	<b>- BRISBANE - BROADWAY ON THE MALL</b> Shop SF01 170 Queen Street Brisbane 4000 Phone: (07) 3013 2800	<b>BROWNS PLAINS</b> Unit 3 28 - 48 Browns Plains Road Browns Plains 4118 Phone: (07) 3380 0600
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# Directory of Harvey Norman, Domayne & Joyce Mayne Shopping Complexes (continued)

## QUEENSLAND (BRISBANE SUBURBAN CONTINUED)

<b>CARINDALE</b> Homemaker Centre Cnr Carindale Street and Old Cleveland Road Carindale 4152 Phone (07) 3398 0600	<b>EVERTON PARK</b> 429 Southpine Road Everton Park 4053 Tel. (07) 3550 4444	<b>FORTITUDE VALLEY</b> Brisbane City Gate Shop 1, 1058 Ann Street Fortitude Valley 4006 Tel. (07) 3620 6600	<b>INDOOROOPILLY</b> Shop 2044 Westfield Shoppingtown 318 Moggill Road Indooroopilly 4068 Phone: (07) 3327 1300
<b>LOGANHOLME</b> 3890 - 3892 Pacific Highway Loganholme 4129 Phone: (07) 3440 9200	<b>MAROOCHYDORE (Mega Flooring)</b> Unit 6 Sunshine Homemaker Centre Maroochydore 4558 Phone: (07) 5479 3711	<b>MORAYFIELD</b> Lot 8 Cnr Morayfield & Station Roads Morayfield 4506 Phone: (07) 5428 8000	<b>MT GRAVATT</b> 2049 Logan Road Upper Mt Gravatt 4122 Phone: (07) 3347 7000
<b>OXLEY</b> 2098 Ipswich Road Oxley 4075 <b>Phone: (07) 3332 1100</b>	<b>BUNDABERG</b> 125 Takalvan Street Bundaberg 4670 Phone (07) 4151 1570	<b>BUNDALL (GOLD COAST)</b> 29-45 Ashmore Road Bundall 4217 Phone (07) 5584 3111	<b>BURLEIGH HEADS (Mega Flooring)</b> Unit 2, 50 Kortum Drive West Burleigh 4219 Phone (07) 5568 6000
<b>CAIRNS</b> 101 Spence Street Portsmith 4870 Phone (07) 4051 8499	<b>COORPAROO</b> 277 - 296 Old Cleveland Rd Coorparoo 4151 Phone (07) 3394 6111	<b>CLEVELAND</b> Shop 1A, 42 Shore Street West Cleveland 4163 Phone (07) 3488 8900	<b>DALBY</b> 58 Patrick Street Dalby 4405 Phone: (07) 4672 4444
<b>HERVEY BAY</b> 134 - 136 Boat Harbour Drive Hervey Bay 4655 Phone: (07) 4124 3870	<b>INNISFAIL</b> 52/57 Ernest Street Innisfail 4860 Phone: (07) 4061 1433	<b>KAWANA WATERS (SUNSHINE COAST)</b> Lot 28 Nicklin Way Minyama Gardens Kawana Waters 4575 Phone (07) 5457 6800	<b>MACKAY</b> Cnr Bruce Highway & Heath's Road Glenella 4740 Phone (07) 4942 2688
<b>AYR</b> 101 Queen Street Ayr 4807 Phone: (07) 4783 3188	<b>MT ISA</b> 33 - 35 Miles Street Mt Isa 4825 Phone (07) 4743 5220	<b>ROCKHAMPTON</b> 407 Yaamba Road North Rockhampton 4701 Phone (07) 4926 2755	<b>TWEED HEADS</b> 29-41 Greenway Drive South Tweed Heads 2486 Phone (07) 5524 0111
<b>TOOWOOMBA</b> 910-932 Ruthven Street Toowoomba 4350 Phone: (07) 4636 7300	<b>TOOWOOMBA (HOMESTARTERS)</b> 910-932 Ruthven Street Toowoomba 4350 Phone: (07) 4636 7300	<b>TOWNSVILLE</b> 103-142 Duckworth Street Garbutt 4814 Phone: (07) 4725 5561	<b>WARWICK</b> Cnr Victoria St & Palmerin Sts Warwick 4370 <b>Phone: (07) 4666 9000</b>

## TASMANIA

<b>BURNIE</b> 64 Mount Street Burnie 7320 Phone: (03) 6431 2134	<b>DEVONPORT</b> Cnr Best Street & Fenton Way Devonport 7310 Phone: (03) 6424 5155	<b>GLENORCHY</b> 313 Main Road Glenorchy 7010 Phone: (03) 6277 7700	<b>HOBART CITY</b> 171 Murray Street Hobart 7000 Phone: (03) 6230 1100
<b>LAUNCESTON</b> Cnr William and Charles Streets Launceston 7250 Phone: (03) 6337 9411	<b>ROSNY</b> 33 Bligh Street Rosny 7018 Phone: (03) 6210 4400	<b>ULVERSTONE</b> 5-7 Reibey Street Ulverstone 7315 Phone: (03) 6425 1944	

# Directory of Harvey Norman, Domayne & Joyce Mayne Shopping Complexes (continued)

## VICTORIA (MELBOURNE SUBURBAN)

<b>BROADMEADOWS</b> 1185-1197 Pascoe Vale Rd Broadmeadows 3047 Phone (03) 9621 2800	<b>CHADSTONE</b> 699 Warrigal Road Chadstone 3148 Phone (03) 9567 6666	<b>CHIRNSIDE PARK</b> 286 Maroondah Highway Mooroolbark 3138 Phone (03) 9722 4400	<b>CRANBOURNE</b> Cnr South Gippsland Highway & Thompson Road Cranbourne 3977 Phone (03) 5991 0000
<b>DANDENONG</b> 141-165 Frankston- Dandenong Road Dandenong 3175 Phone: (03) 9706 9992	<b>FOUNTAIN GATE</b> Fountain Gate Shopping Centre, Overland Drive Narre Warren 3805 Phone: (03) 8796 6777	<b>GREENSBOROUGH</b> <b>(Electrical &amp; Computers only)</b> Shop 227, 25 Main Street Greensborough 3088 Phone: (03) 9433 5555	<b>HOPPERS CROSSING</b> Unit 1, 201-219 Old Geelong Road Hoppers Crossing 3029 Phone: (03) 8734 0000
<b>KNOX</b> Shop 3105, Knox Shopping Centre 425 Burwood Highway Wantirna South 3152 Phone: (03) 9881 3700	<b>MARIBYRNONG</b> <b>(Highpoint)</b> 169 Rosamond Road Maribyrnong 3032 Phone: (03) 9318 2700	<b>MELBOURNE QV</b> Cnr Swanston & Lonsdale Streets Level 4 9 - 13 Upper Terrace QV Melbourne 3000 Phone: (03) 8664 4300	<b>MOORABBIN</b> 420 South Road Moorabbin 3189 Phone: (03) 9555 1222
<b>NUNAWADING</b> 400 Whitehorse Road Nunawading 3131 Phone: (03) 9872 6366	<b>PRESTON</b> 121 Bell Street Preston 3072 <b>Phone (03) 9269 3300</b>	<b>SOUTHLAND</b> <b>(Cheltenham)</b> Shop M2 Westfield Southlands Cnr Nepean & Bay Road Cheltenham 3192 Phone: (03) 9585 6500	<b>SUNSHINE</b> 484 Ballarat Road Sunshine 3020 Phone (03) 9334 6000
<b>THOMASTOWN</b> 308-320 Settlement Road Thomastown 3074 Phone (03) 9463 4777	<b>VICTORIA RENOVATIONS</b> 1430 Dandenong Road OAKLEIGH 3166 Phone: (03) 9540 5555	<b>WATERGARDENS</b> 450 Melton Highway Taylors Lakes 3038 Phone: (03) 9449 6300	

## VICTORIAN COUNTRY

<b>BAIRNSDALE</b> 294 Main Road Bairnsdale 3875 Phone: (03) 5153 9700	<b>BALLARAT</b> Cnr Howitt and Gillies Street Wendouree 3355 Phone: (03) 5332 5100	<b>BENDIGO</b> Cnr High & Ferness Streets Kangaroo Flat 3555 <b>Phone: (03) 5447 2333</b>	<b>GEELONG</b> 420 Princes Highway Corio 3214 Phone: (03) 5274 1077
<b>HAMILTON</b> Shop 10 Hamilton Central Plaza 148 Gray Street Hamilton 3300 Phone: (03) 5551 3500	<b>HORSHAM</b> 148 Firebrace Street Horsham 3400 Phone: (03) 5381 5000	<b>MILDURA</b> Cnr Fifteenth Street & Etiwanda Ave Mildura 3500 Phone: (03) 5051 2200	<b>MOE</b> 19 Moore Street Moe 3825 Phone: (03) 5127 9500
<b>SALE</b> 363-373 Raymond Street Sale 3850 Phone: (03) 5144 3677	<b>SHEPPARTON</b> 7950 Goulburn Valley Highway Shepparton 3630 Phone (03) 5823 2530	<b>SWAN HILL</b> 68 Nyah Road Swan Hill 3585 Phone: (03) 5032 2901	<b>TRARALGON</b> Cnr Princes Highway & Liddiard Road Traralgon 3844 Phone (03) 5174 8177
<b>WANGARATTA</b> 8-12 Murphy Street Wangaratta 3677 Phone: (03) 5721 6377	<b>WARRAGUL</b> 33 Victoria Street Warragul 3820 Phone: (03) 5623 9000	<b>WARRNAMBOOL</b> 84 Raglan Parade Warrnambool 3280 Phone (03) 5564 7700	<b>WAURN PONDS</b> 33 Princes Highway Waurm Ponds 3216 Phone (03) 5240 6200
<b>WONTHAGGI</b> 37 McKenzie Street Wonthaggi 3995 Phone: (03) 5672 1490			

# Directory of Harvey Norman, Domayne & Joyce Mayne Shopping Complexes (continued)

## SOUTH AUSTRALIA (ADELAIDE SUBURBAN)

### ADELAIDE RENOVATIONS

144 Magill Road  
Norwood 5067  
Phone: (08) 8132 8000

### CITY CROSS

Shop L1 31-33 Rundle Mall  
Adelaide 5000  
Phone: (08) 8168 8800

### ENFIELD

449 Main North Road  
Enfield 5085  
Phone: (08) 8342 8888

### MARION

822-826 Marion Road  
Marion 5043  
Phone (08) 8375 7777

### MUNNO PARRA

Lot 2005, Main North Road  
Smithfield 5114  
Phone (08) 8254 0700

### NOARLUNGA

Seaman Drive  
Noarlunga 5168  
Phone (08) 8329 5400

## SOUTH AUSTRALIA COUNTRY

### MT GAMBIER

Jubilee Highway East  
Mt Gambier 5290  
Phone (08) 8724 6800

### WHYALLA

Cnr Jamieson and  
Kelly Streets  
Whyalla 5600  
Phone (08) 8645 6100

## WESTERN AUSTRALIA (PERTH SUBURBAN)

### ARMADALE

10 Prospect Road  
Armadale 6112  
Phone (08) 9498 4400

### BELMONT

Shop 80 Belmont Forum  
Abernethy Road  
Belmont 6104  
Phone: (08) 9479 4377

### CANNINGTON

1363 Albany Highway  
Cannington 6107  
Phone: (08) 9311 1100

### CITY WEST

25 Sutherland Street  
West Perth 6005  
Phone: (08) 9215 8600

### FREMANTLE

13-19 William Street  
Fremantle 6160  
Phone: (08) 9335 6266

### JOONDALUP

36 Clarke Crescent  
Joondalup 6027  
Phone: (08) 9301 3311

### MANDURAH

9 Gordon Road  
Cnr Mandurah Terrace  
Mandurah 6210  
Phone: (08) 9582 5800

### MIDLAND

Cnr Clayton and Lloyd  
Streets  
Midland 6056  
Phone: (08) 9374 8600

### MORLEY

40 Rudloc Road  
Morley 6062  
Phone: (08) 9375 0200

### O'CONNOR

133 Garling Street (Cnr  
Stock Road)  
O'Connor 6163  
Phone: (08) 9337 0888

### OSBORNE PARK

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

### PEPPERMINT GROVE

Shop 1A  
The Grove Shopping Centre  
460 Stirling Highway  
Peppermint Grove 6011  
Phone: (08) 9285 5700

### PORT KENNEDY

400-402 Saltaire Way  
Port Kennedy 6168  
Phone: (08) 9524 0111

### WARWICK

Shop 4, Warwick Grove  
S/Centre  
Beach Road  
Warwick 6024  
Phone: (08) 9243 2300

## WESTERN AUSTRALIA COUNTRY

### ALBANY

136 Lockyer Avenue  
Albany 6330  
Phone (08) 9841 1628

### BUNBURY

Cnr Sandridge and  
Denning Road  
East Bunbury 6230  
Phone (08) 9721 4811

### BUSSELTON

24-26 Bussell Highway  
Busselton 6280  
Phone (08) 9781 0700

### GERALDTON (Furniture & Bedding)

38 Chapman Road  
Geraldton 6530  
Phone (08) 9964 0111

# Directory of Harvey Norman, Domayne & Joyce Mayne Shopping Complexes (continued)

## WESTERN AUSTRALIA COUNTRY (CONTINUED)

<b>GERALDTON (Computers)</b> 16 Anzac Terrace Geraldton 6530 Phone (08) 9964 0111	<b>KALGOORLIE</b> Southland Shopping Centre Oswald Street Kalgoorlie 6430 Phone (08) 9021 1400	<b>KARRATHA</b> Unit 5 Lot 3818 Balmoral Road Karratha 6174 Phone (08) 9144 1589	<b>PORT HEDLAND</b> Boulevard Shopping Centre Anderson Street Port Hedland 6721 Phone (08) 9173 8000
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## NEW ZEALAND

<b>BIG CAMERA (AUCKLAND)</b> National Bank Centre, Cnr Queen & Victoria Streets Auckland CBD Phone: 0011 649 377 6412	<b>BLenheim</b> 19-21 Maxwell Road Blenheim Phone: 0011 643 520 9700	<b>BOTANY</b> 500 Ti Rakau Drive Botany Downs Phone: 0011 649 272 5700	<b>CHRISTCHURCH</b> Cnr Moorhouse Ave & Colombo Street Christchurch Phone: 0011 643 353 2440
<b>CITY STYLE (WELLINGTON)</b> Capital Gateway, 34 Thorndon Quay Wellington CBD Phone: 0011 644 499 4751	<b>DUNEDIN</b> Cnr MacLaggan & Rattay Streets Dunedin Phone: 0011 643 471 6510	<b>HAMILTON</b> 10-16 The Boulevard Te Rapa Hamilton Phone: 0011 647 850 7300	<b>HASTINGS</b> 303 St Aubyns Street East Hastings Phone: 0011 646 873 7150
<b>INVERCARGILL</b> 245 Tay Invercargill Phone: 0011 643 219 9100	<b>MANUKAU</b> Manukau SupaCenta Ronwood Avenue Manukau City Auckland Phone: 0011 649 262 7050	<b>MT MAUNGANUI</b> 2-10 Owens Place Mt Maunganui Phone: 0011 647 572 7200	<b>MT WELLINGTON</b> 20-54 Mt Wellington Highway Mt Wellington Auckland Phone: 0011 649 570 3440
<b>NEW PLYMOUTH</b> Cnr Smart & Devon Roads New Plymouth Phone: 0011 646 759 2900	<b>NORTHWOOD</b> Unit 1 Radcliffe Road Northwood Christchurch Phone: 0011 646 375 9800	<b>PALMERSTON NORTH</b> 361-371 Main Steet West Palmerston North Phone: 0011 646 350 0400	<b>PORIRUA</b> 19 Parumoana Street Porirua Wellington Phone: 0011 644 237 2600
<b>ROTORUA</b> 35 Victoria Street Rotorua Phone: 0011 647 343 9800	<b>TIMARU</b> 226 Evans Street Timaru Phone: 0011 643 687 7000	<b>WAIRAU PARK</b> 10 Croftfield Lane Wairau Park North Glenfield Phone: 0011 649 441 9750	<b>WANGANUI</b> 287 Victoria Street Wangtanui Phone: 0011 646 349 6000
<b>WELLINGTON</b> 77-87 Tory Street Wellington Phone: 0011 644 381 4250	<b>WHANGAREI</b> 5 Gumdigger Place Whangarei Phone: 0011 649 470 0300		

## DOMAYNE

<b>ALEXANDRIA</b> 84 O'Riordan Street Alexandria 2015 Phone: (02) 8339 7000	<b>AUBURN</b> 103-123 Parramatta Road Auburn 2144 Phone: (02) 9648 5411	<b>BUNDALL</b> 29-45 Ashmore Road Bundall 4217 Phone: (07) 5553 2100	<b>CAMPBELLTOWN</b> 4 Blaxland Road Campbelltown 2560 Phone: (02) 4621 8500
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# Directory of Harvey Norman, Domayne & Joyce Mayne Shopping Complexes (continued)

## DOMAYNE (CONTINUED)

**CARINGBAH**  
212 Taren Point Road  
Caringbah 2229  
Phone: (02) 8536 5200

**FORTITUDE VALLEY**  
Brisbane City Gate  
Shop 1, 1058 Ann Street  
Fortitude Valley 4006  
Phone: (07) 3620 6600

**FYSHWICK**  
80 Collie Street  
Fyshwick 2604  
Phone: (02) 6126 2500

**GOSFORD**  
400 Manns Road  
West Gosford 2250  
Phone: (02) 4322 5555

**KOTARA**  
18 Bradford Place  
Kotara 2289  
Phone: (02) 4941 3900

**LIVERPOOL**  
Liverpool Mega Centre  
2/18 Orangegrove Road  
Liverpool 2170  
Phone: (02) 8778 2222

**MELBOURNE QV**  
Cnr Swanston & Lonsdale  
Streets  
Level 4  
9 - 13 Upper Terrace QV  
Melbourne 3000  
Phone: (03) 8664 4300

**NORTH RYDE**  
31-35 Epping Road  
North Ryde 2113  
Phone: (02) 9888 8888

**PENRITH**  
1st Floor  
Cnr Wolseley Street and  
Mulgoa Road  
Penrith 2750  
Phone: (02) 4737 5000

**WARRAWONG**  
119 - 121 King Street  
Warrawong 2502  
Phone: (02) 4255 1800

## JOYCE MAYNE

**ALEXANDRIA**  
Homestyle Centre  
49-59 O'Riordan Street  
Alexandria 2015  
Phone: (02) 8339 8000

**CHANCELLOR PARK**  
Showroom 2  
Chancellor Park Blvd  
Sippy Downs 4556  
Phone: (07) 5477 2200

**MT DRUITT**  
Shops 70 Marketown  
Centre  
Cnr Luxford & Carlisle  
Avenue  
Mt Druitt 2770  
Phone: (02) 9832 9411

**ROCKHAMPTON**  
407 Yaamba Road  
North Rockhampton 4701  
Phone: (07) 4926 2241

**TOWNSVILLE**  
238-262 Woolcock St  
Garbuck 4814  
Phone: (07) 4729 5400

## IRELAND

**BLANCHARDSTOWN**  
Unit 421 Blanchardstown  
Retail Park  
Blanchardstown  
Dublin 15  
Phone: 0011 353 1 824  
7400

**CORK**  
Kinsale Road  
Ballycurreeh  
Cork, Dublin  
Phone: 0011 353 21 425  
0900

**DUNDALK**  
Units 2-7 Dundalk Retail  
Park  
Inner Relief Road  
Dundalk, Co Louth  
Phone: 0011 353 42 939  
6600

**LIMERICK**  
Units 5, 6 & 7  
City East Retail Park  
Ballysimon Road  
Limerick Dublin  
Phone: 0011 353 61 422  
800

**MULLINGAR**  
Unit O  
Lakepoint Retail Park  
Mullingar  
Co Westmeath  
Phone: 0011 353 44 934  
6800

**RATHFARNHAM**  
Nutgrove Retail Park  
Nutgrove Avenue  
Rathfarnham  
Dublin 18  
Phone: 0011 353 1 291  
0100

**SWORDS**  
Units 5, 6 & 7  
Airside Retail Park  
Swords Road  
Swords, Co Dublin  
Phone: 0011 353 1 890  
9900

**TRALEE**  
Unit 8A  
Manor West Retail Park  
Tralee, Co Kerry  
Phone: 0011 353 66 716 4900

# Directory of Harvey Norman, Domayne & Joyce Mayne Shopping Complexes (continued)

## SLOVENIA

### LJUBLJANA

Letaliska 3d  
1000 Ljubljana  
Co Westmeath  
Phone: 0011 386 1585 5000

## SINGAPORE

### HARVEY NORMAN CENTREPOINT

176 Orchard Road  
#03-08 Centrepoint  
Singapore 238843  
Phone: 0011 65 6732 8686

### HARVEY NORMAN JURONG POINT

1 Jurong West Central 2  
#03-37 Jurong Point  
Shopping Centre  
Singapore 648886  
Phone: 0011 65 6795 2135

### HARVEY NORMAN SUNTEC CITY

3 Temasek Boulevard  
#02-001 Suntec City Mall  
Singapore 038983  
Phone: 0011 65 6332 3463

### HARVEY NORMAN FUNAN CENTRE

109 North Bridge Road  
#02-02/08 Funan Centre  
Singapore 170097  
Phone: 0011 65 6334 5432

### HARVEY NORMAN NORTHPOINT

930 Yishun Avenue 2  
#B02-05/09 Northpoint  
Shopping Centre  
Singapore 769098  
Phone: 0011 65 6757 7695

### HARVEY NORMAN TAMPINES MART

No. 9 Tampines Mart  
#02-01 Tampines Street 32  
Singapore 529286  
Phone: 0011 65 6789 3818

### HARVEY NORMAN HOUGANG MALL

90 Hougang Avenue 10  
#02-13 NTUC Hougang  
Mall  
Singapore 538766  
Phone: 0011 65 6488 2305

### HARVEY NORMAN PARKWAY

80 Marine Parade Road  
#02-34/36 Parkway Parade  
Singapore 449269  
Phone: 0011 65 6346 4705

### HARVEY NORMAN WESTMALL

No. 1 Bt Batok Central Link  
#03-06/09 West Mall  
Singapore 658713  
Phone: 0011 65 6794 2812

### HARVEY NORMAN IKEA DIGITAL HUB

317 Alexandra Road  
#01-00 (Part) Lobby, Ikea  
Building  
Singapore 159965  
Phone: 0011 65 6472 0177

### HARVEY NORMAN RAFFLES CITY

252 North Bridge Road  
#03-22 Raffles City  
Shopping Centre  
Singapore 179103  
Phone: 0011 65 6339 6777

### HARVEY NORMAN MILLENNIA WALK

No. 9 Raffles Boulevard  
#02-27 Millenia Walk  
Singapore 039596  
Phone: 0011 65 6311 9988