

# ANNUAL REPORT 2013



**Harvey Norman<sup>®</sup>**  
HOLDINGS LIMITED

**Harvey Norman****HOLDINGS LIMITED**

ABN 54 003 237 545

**ANNUAL REPORT  
YEAR ENDED 30 JUNE 2013****Key Dates**

30 August 2013	Announcement of Full Year Profit to 30 June 2013 Announcement of Final 2013 Dividend
1 November 2013	Record date for determining entitlement to Final 2013 Dividend
26 November 2013	Annual General Meeting of Shareholders
	The Annual General Meeting of the Shareholders of Harvey Norman Holdings Limited will be held at The Pullman Hotel, Olympic Boulevard, Sydney Olympic Park, at 11:00am
2 December 2013	Payment of Final 2013 Dividend
28 February 2014	Announcement of Half-Year Profit to 31 December 2013 Announcement of Interim 2014 Dividend
11 April 2014	Record date for determining entitlement to Interim 2014 Dividend
5 May 2014	Payment of Interim 2014 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	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 Ph: (02) 9290 9600
Stock Exchange Listing	Harvey Norman Holdings Limited shares are quoted on the Australian Securities Exchange Limited ("ASX")
Bankers	Australia and New Zealand Banking Group Limited
Auditors	Ernst & Young
Solicitors	Brown Wright Stein

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## FINANCIAL HIGHLIGHTS

Financial Highlights	FY2011 Jun-11	FY2012 Jun-12	FY2013 Jun-13
No. of franchised outlets in Australia <sup>1</sup>	195	213	206
No. of franchisees in Australia <sup>1</sup>	667	702	696
No. of company-operated stores <sup>2</sup>	96	76	77
Franchisee sales revenue <sup>1</sup>	\$5.08bn	\$4.83bn	\$4.72bn
Company-operated sales revenue <sup>2</sup>	\$1,556.38m	\$1,407.34m	\$1,323.48m
Other revenues and other income items	\$1,122.46m	\$1,061.23m	\$1,035.55m
Earnings before interest and tax (EBIT)	\$416.92m	\$276.86m	\$233.72m
Earnings before interest, tax, depreciation, amortisation and impairment	\$508.36m	\$367.93m	\$323.32m
Net Australian property revaluation (decrement) / increment	\$15.46m	(\$27.77m)	(\$60.35m)
Profit after tax and non-controlling interests	\$252.26m	\$172.47m	\$142.21m
Net cash flows from operating activities	\$358.97m	\$200.95m	\$239.22m
Basic earnings per share	23.75c	16.24c	13.39c
Dividends per share (fully franked)	12.0c	9.0c	9.0c
Net debt to equity ratio (%)	21.87%	26.60%	27.69%

<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-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia, the "Clive Peeters" and "Rick Hart" branded company-operated stores in Australia (prior to the restructure) and the "Norman Ross" branded company-operated stores in New Zealand which were rebranded to "Harvey Norman" in February 2013.



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 On Quality, Value and Service.

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**anywhere,  
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Harvey Norman® stores are operated by independent franchisees.

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### Business Performance

Trading conditions in Australia remained competitive, however, the second half of the 2013 financial year displayed early signs of modest growth. This was evidenced by an increase in sales from Harvey Norman franchised complexes during that second half. The historical lows we are seeing in the cash rate and home loan rates should be a catalyst to stimulate the housing market and Harvey Norman will be a direct beneficiary of any improvement in the housing market. We remain cautiously optimistic about an improvement in domestic retail confidence and look forward to capitalising on any uptick in consumer sentiment by strengthening our retail offering through sustained investment in service, commitment to our omni channel strategy, and the enhancement of our robust integrated retail, franchise, property and digital platforms.

Financial Highlights by Half Years	Half Year Ended 31 December		Half Year Ended 30 June		Full Year Ended 30 June	
	6-Months Dec 2012	6-Months Dec 2011	6-Months Jun 2013	6-Months Jun 2012	12-Months Jun 2013	12-Months Jun 2012
Earnings Before Interest & Tax	\$123.03m	\$188.12m	\$110.69m	\$88.74m	\$233.72m	\$276.86m
Profit Before Tax	\$99.55m	\$163.47m	\$88.40m	\$63.94m	\$187.95m	\$227.41m
Property Revaluation Increments / (Decrements)	(\$44.97m)	\$11.07m	(\$14.15m)	(\$36.06m)	(\$59.12m)	(\$24.99m)
Profit Before Tax Excluding Property Revaluation Increments / (Decrements)	\$144.52m	\$152.40m	\$102.54m	\$100.00m	\$247.06m	\$252.40m
Franchising Operations Segment Result	\$71.01m	\$95.51m	\$42.42m	\$31.47m	\$113.43m	\$126.98m
Franchising Operations Margin (%)	2.91%	3.70%	1.86%	1.40%	2.40%	2.63%

The competitive retail environment resulted in a net profit before tax of \$187.95 million for the year ended 30 June 2013 compared to \$227.41 million for the previous year, a decrease of \$39.46 million or 17.4%. This result is inclusive of a net property revaluation decrement of \$59.12 million before tax for the current year compared to a decrement of \$24.99 million before tax for the preceding year, a deterioration of \$34.13 million before tax. Excluding the impact of the net property revaluation adjustments from both years, the net profit before tax would have been \$247.06 million for the current year compared to \$252.40 million for the previous year, a reduction of \$5.34 million or 2.1%.

Our financial performance has strengthened in the second half of the current financial year as evidenced by the figures in the table above. We had reported a reduction in net profit before tax of 39.1% for the half-year ended 31 December 2012 or a reduction of 5.2% if we excluded the impact of net property revaluation adjustments. The decline in reported net profit before tax for the full year to 30 June 2013 reduced to 17.4% compared to prior year, or 2.1% if the net property revaluation decrements were excluded from the calculation. Profit before tax for the six-months ended 30 June 2013 was \$88.40 million compared to \$63.94 million for the six-months ended 30 June 2012, an increase of \$24.46 million or 38.3%. Excluding the effects of net property revaluation decrements from both periods, the net profit before tax for the six-months ended 30 June 2013 would have been \$102.54 million compared to \$100.00 million for the previous corresponding period, an increase of \$2.54 million or 2.5%.

More notable is the improvement of our franchising operations segment in the second half of the financial year with consecutive increases in Australian franchise sales revenue for the last two quarters of the 2013 financial year. Headline Australian franchise sales revenue increased by 0.1% in the third quarter to 31 March 2013, with like-for-like sales increases of 1.5%. Headline franchise sales revenue increased by 2.0% in the fourth quarter to 30 June 2013, with like-for-like sales increasing by 2.6%. Whilst the franchise sales increases are modest and cycling the effects of competitor-led discounting of prior periods, the increases are indicative of the positive momentum in domestic discretionary retail and early signs of improved business and consumer confidence. The rise in franchise sales revenue in the latter half of the year has translated to an increase in the franchising operations segment result from \$31.47 million in the six-months to 30 June 2012 to \$42.42 million in the six-months to 30 June 2013, an increase of \$10.95 million or 34.8%. The franchising operations margin was 1.86% for the six-months to 30 June 2013 compared with a margin of 1.40% for the previous corresponding period. The level of tactical support offered to franchisees reduced considerably in the second half of the year from \$78.88 million in the six-months to 30 June 2012 to \$64.67 million in the six-months to 30 June 2013, a decrease of 18.0%.

## CHAIRMAN'S REPORT (CONTINUED)

## The Harvey Norman Omni Channel Strategy

Over the past year we continued to execute the Harvey Norman omni channel strategy. The strategic initiatives require that Harvey Norman franchisees invest in their people and deliver the best consumer experience by focussing on the core mantras of "Quality", "Value" and "Service", in every communication, transaction and service with the customer.

The Harvey Norman digital, store and distribution channels are fully integrated. Consumers are delighted with the Harvey Norman franchisee click, pay and collect in store capability. This operating model enables Harvey Norman franchisees to deliver product and services to customers through the established wide network of Harvey Norman stores in metropolitan, regional and country areas. The integration of digital communication and transactions with physical franchised stores is a significant competitive advantage for Harvey Norman franchisees.

Our brands provide "Solutions for the home" by offering the largest range of trusted brands, products and services under one roof in 283 stores in eight countries



The omni channel strategy, incorporating the Harvey Norman integrated retail, franchise, property and digital platform, is robust and the most viable format to effectively compete in an evolving market. The omni channel strategy and initiatives provide strategic advantages over competitors including:

1. The Harvey Norman operating model is flexible and resilient, enabling Harvey Norman franchisees to diversify and tailor product offering in the homemaker and technology categories.
2. A strong balance sheet underpinned by real, tangible property assets – as at balance date, we have a total asset base of \$4.07 billion which is inclusive of a property portfolio valued at \$2.21 billion. Our strong balance sheet affords access to capital and the ability to seize opportunities in the marketplace as they arise.
3. Our strong asset position and prudent management of working capital allows us to conservatively manage our debt levels and maintain a low net debt to equity ratio of 27.69%.
4. The integration of digital, e-commerce and physical stores enables complete customer choice and satisfaction with click, pay and collect in store capability.

## Financial Analysis and Commentary: Net Profit After Tax and Non-Controlling Interests

Net profit after tax and non-controlling interests was \$142.21 million for the year ended 30 June 2013 compared with \$172.47 million for the preceding year, a decrease of \$30.26 million or 17.5%. If the effects of the net property revaluation adjustments were excluded from the result, the net profit after tax and non-controlling interests for the year ended 30 June 2013 would have been \$183.40 million compared to \$189.66 million for the prior year, a reduction of \$6.26 million or 3.3%.

Net profit after tax was impacted by the following:

- the net property revaluation decrement of \$59.12 million before tax (\$41.19 million after tax) for the current year compared to a revaluation decrement of \$24.99 million before tax (\$17.19 million after tax) in the previous year, a deterioration of \$34.12 million before tax (\$24.00 million after tax);
- a reduction in the profitability of the franchising operations segment by \$13.55 million or 10.7% before tax (\$9.49 million after tax) primarily due to lower franchise fees received. Although the quantum of tactical support provided to franchisees increased marginally in the current year from \$124.19 million in the previous year to \$128.46 million, the rate of increase is significantly less compared to prior reporting periods and the amount advanced to franchisees actually declined in the latter half of the financial year by 18.0%.
- the profit of \$10.00 million before tax (\$7.00 million after tax) that was recognised on the successful completion and opening of the Springvale development during the previous year;
- a decline in the profitability of our company-operated stores in Asia by \$6.50 million before tax due to a combination of deflationary headwinds impacting sales and higher depreciation expense following the opening of the flagship Space showrooms in Singapore and Malaysia and the renovation and refurbishment of existing stores;
- an increase of \$12.05 million before tax (\$8.43 million after tax) in rent received from franchisees and third party tenants;
- restructuring and closure costs recognised in the previous year for the restructure of the Clive Peeters and Rick Hart businesses of \$8.07 million before tax (\$5.65 million after tax);
- a reduction in the losses incurred by our company-operated stores in Ireland and Northern Ireland by \$3.52 million despite the restructuring costs incurred in the rationalisation and reformatting of selected stores to focus on the furniture and bedding categories; and
- higher gains of \$3.72 million before tax (\$2.61 million after tax) in the market value of the listed public securities compared to prior year.

The tax charge in the income statement was lower by \$7.63 million for the year ended 30 June 2013 compared to prior year mainly due to a reduction in profit before tax from \$227.41 million in the previous year to \$187.95 million in the current year, a decrease of \$39.46 million. This translated to a reduction in our tax liability by approximately \$10 million which was offset by a reduction in income tax benefits by approximately \$3 million.

The effective income tax rate for the current year was 23.13% attributable to certain non-recurring income tax benefits and credit adjustments relating to the Advance Pricing Agreement with the Australian Taxation Office applicable to certain transactions with Harvey Norman Holdings (Ireland) Limited amounting to approximately \$20 million. The amount of income tax benefits recognised in the preceding year for non-recurring transactions and the Irish Advance Pricing Agreement was approximately \$23 million, thereby lowering the prior year effective tax rate to 22.47%.

## Key Elements of an Integrated Retail, Franchise, Property and Digital System

### *Review of the Franchising Operations Segment in Australia:*

Franchise sales revenue generated by independent franchisees amounted to \$4.72 billion for the year ended 30 June 2013 compared with \$4.83 billion for the preceding year, a decline of 2.3%. We have seen an improving sales trend for the last two quarters of the financial year however this is off a low base given the destabilising effect of extreme price discounting from our competitors as they rationalised their operations. Headline Australian franchise sales revenue increased by 0.1% in the third quarter to 31 March 2013, with like-for-like sales increases of 1.5%. Headline franchise sales revenue increased by 2.0% in the fourth quarter to 30 June 2013, with like-for-like sales increasing by 2.6%.

The deflationary pressures that have affected AV/IT categories over the last few years appear to have stabilised. The devaluation of the Australian dollar against most major currencies and the launch of many new big screen televisions is a benefit to AV/IT franchisees.

The homemaker retail categories of home appliances, furniture and bedding remain stable. Our franchisees continue to perform well in these categories. Our franchisees are in a strong position to leverage on the early signs of modest growth displayed in the second half of 2013 and the early indicators of positive momentum in the local residential property market.

## CHAIRMAN'S REPORT (CONTINUED)

The result before tax of the franchising operations segment was \$113.43 million for the year ended 30 June 2013 compared to \$126.98 million for the preceding year, a reduction of \$13.55 million or 10.7%. Franchise fees received from our franchisees have reduced relative to prior year reflective of the reduction in franchise sales revenue. Gross revenue from the franchising operations segment has reduced from \$858.01 million in the previous year to \$826.05 million for the current year, a reduction of \$31.96 million or 3.7%. In accordance with our strategic omni channel initiatives, we provided tactical support to our franchisees where necessary. Tactical support has increased from \$124.19 million in prior year to \$128.46 million in the current year, a marginal increase of 3.4%. Tactical support protects the value of the Harvey Norman brand.

The franchising operations segment result for 2013 is pleasing considering we had reported a reduction in the franchising operations segment of \$24.50 million or 25.6% for the half-year ended 31 December 2012. The turnaround can be attributed to the solid performance of our franchisees in the second half of 2013. The franchising operations segment result was \$42.42 million for the six-months ended 30 June 2013 compared to \$31.47 million for the six-months ended 30 June 2012, an improvement of \$10.95 million or 34.8%. Gross revenue from the franchising operations segment reduced by \$10.09 million in the second half of 2013 but tactical support provided to franchisees decreased by \$14.22 million or 18.0% for the same period.

Harvey Norman franchisees continue to train and invest in their people to drive sales revenue and enhance the overall customer experience. We will continue to support our franchisees with the provision of tactical support to equip them with the necessary means to manage the difficult trading environment. This unique feature of our franchised model promotes the essential strong alliance with our franchisees necessary to grow market share and take advantage of any upturn in the discretionary retail market.

## Franchising Operations Margin and Key Statistics:

The franchising operations margin is calculated as the segment result before tax of the franchising operations segment over franchisee aggregate sales revenue. The franchising operations margin was 2.40% for the year ended 30 June 2013 compared to 2.63% for the year ended 30 June 2012.

Franchising Operations Margin for Years Ended 30 June	2011	2012	2013
No. of franchised outlets in Australia <sup>1</sup>	195	213	206
Franchising operations segment result before tax	\$254.59m	\$126.98m	\$113.43m
Franchisee sales revenue <sup>1</sup>	\$5.08bn	\$4.83bn	\$4.72bn
<b>Franchising operations margin (%)</b>	<b>5.01%</b>	<b>2.63%</b>	<b>2.40%</b>

Franchising Operations Margin for Half Years	6-Months Dec 2012	6-Months Dec 2011	6-Months Jun 2013	6-Months Jun 2012
No. of franchised outlets in Australia <sup>1</sup>	211	216	206	213
Franchising operations segment result before tax	\$71.01m	\$95.51m	\$42.42m	\$31.47m
Franchisee sales revenue <sup>1</sup>	\$2.44bn	\$2.58bn	\$2.28bn	\$2.25bn
<b>Franchising operations margin (%)</b>	<b>2.91%</b>	<b>3.70%</b>	<b>1.86%</b>	<b>1.40%</b>

<sup>1</sup> 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 the consolidated entity's results.

Franchising Operations Segment Key Statistics	2011	2012	2013
Return on franchising operations equity (a)	37.52%	19.90%	17.47%
Return on franchising operations assets (b)	20.88%	11.42%	10.16%
Revenue from franchising operations	\$918.49m	\$858.01m	\$826.05m
Franchising operations EBITDA	\$332.46m	\$202.81m	\$178.87m

(a) Calculated as: EBIT from Franchising Operations ÷ Franchising Operations Equity\*

(\*equity allocated to franchising operations segment based on franchising operations assets as a proportion of total assets)

(b) Calculated as: EBIT from Franchising Operations ÷ Franchising Operations Segment Assets (after eliminations)



### *Review of the Integrated Franchising Operations and Retail Property Segments in Australia:*

The integrated franchising operations and retail property system in Australia (excluding freehold property located in New Zealand, Singapore and Slovenia) delivered a segment result before tax of \$180.27 million for the year ended 30 June 2013 compared to a result before tax of \$223.57 million for the comparative year, a reduction of \$43.30 million or 19.4%.

Integrated Franchising Operations & Retail Property Segment In Australia	2011	2012	2013
Franchising operations segment result before tax	\$254.59m	\$126.98m	\$113.43m
Australian retail property segment result before tax	\$123.31m	\$96.59m	\$66.84m
<b>Total integrated franchising operations &amp; Australian retail property segment result before tax</b>	<b>\$377.90m</b>	<b>\$223.57m</b>	<b>\$180.27m</b>

### Australian Retail Property Segment – Key Statistics:

The retail property segment in Australia is an ideal complement to the franchising operations segment. The existence of a robust property portfolio in Australia gives franchisees access to high-quality retail premises and a dynamic, cross-beneficial tenancy mix.

Australian Retail Property Segment Portfolio Statistics	2011	2012	2013
Average occupancy rates	97.56%	96.94%	96.90%
Net property yield (including property revaluation) (a)	9.10%	7.09%	4.91%
Net property yield (excluding property revaluation) (b)	8.10%	8.70%	8.16%
Return on equity (c)	16.35%	12.39%	8.44%
<b>Australian Retail Property Segment Portfolio</b>			
Australian retail property segment result (d)	\$123.31m	\$96.59m	\$66.84m
Australian retail property EBIT (d)	\$141.05m	\$122.20m	\$91.08m

- (a) Calculated as: EBIT from Australian Retail Property Segment (including Australian net revaluation increments / (decrements)) ÷ Australian Retail Property Segment Assets (after eliminations)
- (b) Calculated as: EBIT from Australian Retail Property Segment (excluding Australian net revaluation increments / (decrements)) ÷ Australian Retail Property Segment Assets (after eliminations)
- (c) Calculated as: EBIT from Australian Retail Property Segment (including Australian net revaluation increments / (decrements)) ÷ Australian Retail Property Equity\* (\*equity allocated to Australian retail property segment based on Australian retail property assets as a proportion of total assets)
- (d) The Australian retail property segment result and EBIT figures are inclusive of the Australian net revaluation increments/ (decrements)

### Australian Net Property Revaluation Adjustments:

Net Property Revaluation Increment / (Decrement)	2011	2012	2013
Australian investment property portfolio	\$15.30m	(\$25.26m)	(\$68.14m)
Share of joint venture property revaluations in Australia	\$0.16m	(\$2.51m)	\$7.79m
<b>Total Australian net property revaluation increment/(decrement)</b>	<b>\$15.46m</b>	<b>(\$27.77m)</b>	<b>(\$60.35m)</b>
Plus: Revaluation increments for overseas controlled entities:			
- New Zealand	-	-	\$1.23m
- Slovenia	-	\$2.78m	-
<b>Net property revaluation increment / (decrement) for the consolidated property portfolio</b>	<b>\$15.46m</b>	<b>(\$24.99m)</b>	<b>(\$59.12m)</b>

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

During the year ended 30 June 2013, thirty-nine (39) properties in Australia have been independently valued. The balance of the portfolio was reviewed resulting in the preparation of internal valuations for seventeen (17) additional sites.

The valuation for the current year resulted in a net decrement of \$60.35 million in Australia, of which \$44.97 million was recognised in December 2012 and \$15.38 million was recognised in June 2013. The decrements in Australia were generally the result of development losses and a revaluation of a property which was affected by flooding. The values of established properties within the portfolio have remained relatively stable. Recently constructed developments in Springvale,

## CHAIRMAN'S REPORT (CONTINUED)

Maroochydore, Emerald and Devonport have generated the majority of the decrement. We believe that these properties are high-quality retail developments that will contribute to increases in operating income in the future as the properties mature.

The flooding in Queensland in 2011 affected the value of a property in Oxley, Queensland. No other properties in the portfolio have been significantly affected by the flooding that happened in 2011 and the flooding that occurred in January 2013.

A property located in Perth, Western Australia was externally valued in June 2013 and generated a significant fair value increment attributable to the recent increase in plot ratio for the site that has, subject to approvals, the potential to further develop an additional 1 hectare of land adjacent to the existing buildings.

The occupancy rate for the Australian property portfolio is 96.90% as at June 2013 compared to 96.94% as at June 2012.

*Review of the Property Portfolio of the Consolidated Entity:***Total Property Portfolio of the Consolidated Entity (Inclusive of Freehold Property located in New Zealand, Singapore and Slovenia):**

A strong property portfolio is an essential component of the Harvey Norman omni channel strategy. Physical stores and distribution centres are key channels that are integrated with Harvey Norman e-commerce operations. Since inception, we have adopted a selective and prudent acquisition and development strategy.

Overall, the property portfolio remains fundamentally strong. It has high occupancy rates, growing revenue streams and it is anticipated to have a strong upside for capital growth. Operating profits have been robust as the business continues to focus on improving revenue streams and operating costs.

Harvey Norman has no new developments in the short term, but is well positioned to acquire quality investment grade properties to complement its existing portfolio. It continues to focus on opportunities to upgrade existing properties within the portfolio to improve income, building layouts, tenancy commitments and capital growth.

Our consolidated property portfolio is valued at \$2.21 billion as at 30 June 2013. This represents over 50% of our total asset base as at balance date. The result before tax generated by our property segments represents 47.6% of our consolidated profit before tax for the year ended 30 June 2013 if we excluded the impact of the net property revaluation decrement for the year.

The segment result before tax of our property segments was \$58.52 million for the year ended 30 June 2013 compared to a result of \$84.44 million for the previous year, a decrease of \$25.92 million or 30.7%. Included in the segment result before tax was a contribution of \$11.55 million from mining camp accommodation joint ventures (\$3.88 million for the previous year). If the net property revaluation adjustments were excluded from both years, the segment result before tax would have been \$117.63 million for the current year compared to \$109.43 million for the preceding year, an increase of \$8.21 million or 7.5%. The preceding year included a one off \$10.00 million profit on the successful completion and opening of the Springvale development.

Composition of the Property Portfolio	2011 \$000	2012 \$000	2013 \$000
Investment properties	1,401,158	1,578,659	1,694,744
Investment properties under construction	200,443	75,087	-
Joint venture properties	158,978	157,992	175,536
Owned land & buildings in New Zealand, Singapore, Slovenia & Australia	257,765	280,717	311,736
Properties held for resale	26,579	26,739	23,788
<b>Total Property Portfolio</b>	<b>2,044,923</b>	<b>2,119,194</b>	<b>2,205,804</b>

The Harvey Norman property portfolio consists of Harvey Norman, Domayne and Joyce Mayne complexes in Australia, Harvey Norman stores in New Zealand, properties located in Singapore, Harvey Norman stores in Slovenia, properties held under joint venture agreements and land and buildings in Australia for development and resale at a profit.

## CHAIRMAN'S REPORT (CONTINUED)

### Benefits of Property Ownership:

Property ownership delivers the following benefits to the consolidated entity:

- The presence of Harvey Norman, Domayne or Joyce Mayne franchisees as anchor tenants in a complex is a key drawcard to attract superior national third-party tenants and quality local operators to co-locate within the same complex. This provides us with a distinct advantage in its ability to create a solid, dynamic and cross-beneficial tenancy mix in order to maximise the profitability of the retail property segment.
- Property ownership delivers a steady and reliable income stream in the form of rent charged to franchisees and complementary third-party tenants.
- A large property portfolio under management creates economies of scale, delivers operational cost efficiencies and enhanced negotiating power in the property sector.

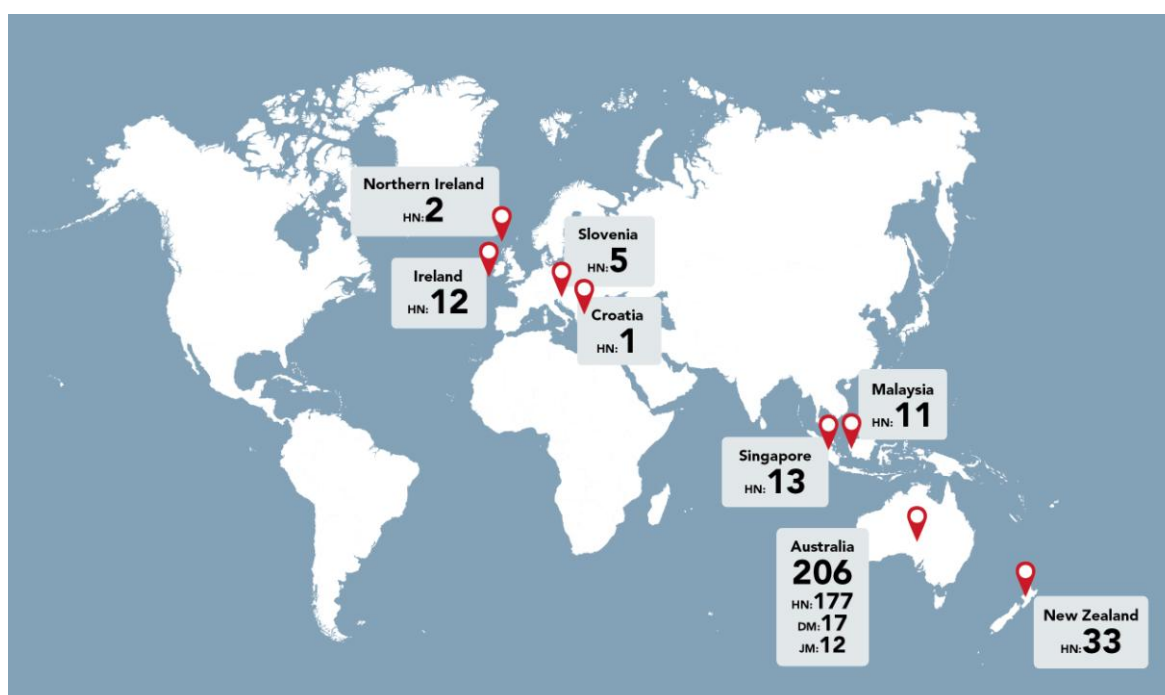
### Breakdown of Owned and Leased Sites:

30 June 2013	Number of Owned Sites	Number of Leased Sites *	Total
Australia: Franchised complexes	80	126	206
New Zealand	17	16	33
Slovenia	5	-	5
Croatia	-	1	1
Ireland & Northern Ireland	-	14	14
Asia	-	24	24
<b>TOTAL</b>	<b>102</b>	<b>181</b>	<b>283</b>

\* leased from external parties

### Geographic Spread:

This diagram displays the geographic spread of the franchised Harvey Norman ("HN"), Domayne ("DM") and Joyce Mayne ("JM") franchised complexes in the Australian market and the Harvey Norman company-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia as at 30 June 2013.



### Acquisitions, New Complex and Store Openings, Closures and Conversions:

#### Franchised Complex Openings, Conversions and Closures

Seven (7) new franchised Harvey Norman complexes, located at Gunnedah (NSW), Tura Beach (NSW), Eden (NSW), Ararat (VIC), Broken Hill (NSW), Maroochydore (QLD) and Emerald (QLD) commenced trading during the year ended 30 June 2013.

One (1) new franchised Domayne complex commenced trading at Maroochydore, QLD.

## CHAIRMAN'S REPORT (CONTINUED)

We continue to assess the viability of all of our stores and during the current year we closed fifteen (15) stores, two (2) of which were incorporated into the landmark development at Maroochydore which commenced trading in November 2012.

There were 206 franchised complexes in Australia as at 30 June 2013 under the following brand names:

- Harvey Norman 177
- Domayne 17
- Joyce Mayne 12

### *Company-Operated Store Openings and Closures in Offshore Markets*

As at 30 June 2013 there were 77 company-operated stores located in offshore markets.

Two (2) new stores were opened in New Zealand located at Mt. Roskill (November 2012) and Lincoln Centre (February 2013), bringing the total number of stores in New Zealand to thirty-three (33). All stores in New Zealand are now trading under the Harvey Norman brand name as the three Norman Ross stores were rebranded to Harvey Norman in February 2013.

One (1) new store was opened in Ampang Point, Malaysia in December 2012, bringing the total number of Harvey Norman stores in Malaysia to eleven (11).

Two (2) stores were closed in Ireland located at Mullingar (August 2012) and Dundalk (June 2013), as part of the restructure in Ireland that was announced in July 2012. There are now twelve (12) stores trading in Ireland and two (2) stores in Northern Ireland.

There were no store openings or closures in Singapore (13 stores), Slovenia (5 stores) or Croatia (1 store).

### *Review of the Company-Operated Retail Segments:*

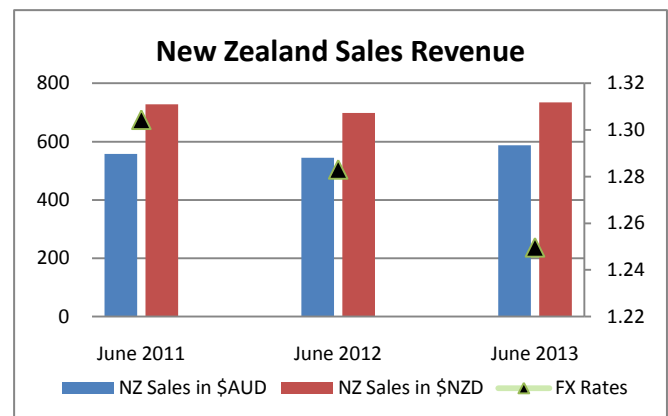
In overseas markets our stores are company-operated. Our total retail segment primarily consists of company-operated stores in New Zealand, Singapore, Malaysia, Ireland, Northern Ireland, Slovenia and Croatia and the stores previously trading under the Clive Peeters and Rick Hart brand names in Australia prior to the restructure of the business.

The total retail segment result before tax was a profit of \$12.53 million for the year ended 30 June 2013 compared to \$9.70 million before tax for the previous year, an increase of \$2.83 million or 29.2%.

### **Sales and Profitability of the Overseas Controlled Entities:**

#### *New Zealand*

Sales revenue from the New Zealand company-operated stores increased by \$NZ36.30 million (increase of 5.2%) from \$NZ698.42 million in the previous year to \$NZ734.72 million for the year ended 30 June 2013. This is due to a combination of the reopening of the main Christchurch retail store damaged in the February 2011 earthquake and the strengthening discretionary spending by consumers in the second half of 2013. Upon translation into Australian dollars, the rise in sales revenue was \$43.59 million (rise of 8.0%). There was a 2.7% appreciation in the New Zealand dollar relative to the Australian dollar. Like for like sales increased by \$NZ29.26 million (increase of 4.2%) with sales increasing in all categories.



The retail segment result in New Zealand was \$41.92 million for the year ended 30 June 2013 compared to \$39.13 million for the previous year, an increase of 7.1%. The increase in local currency was 4.3%.

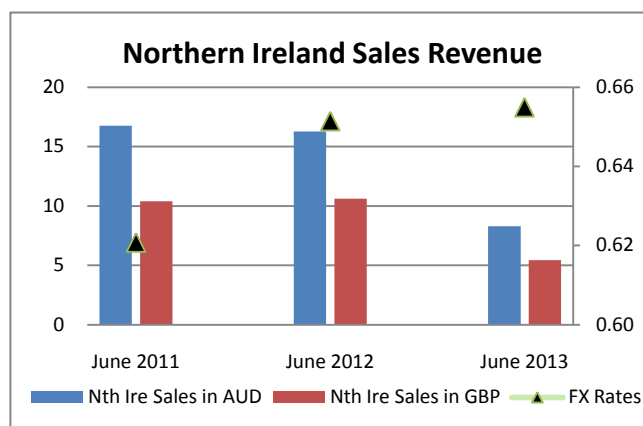
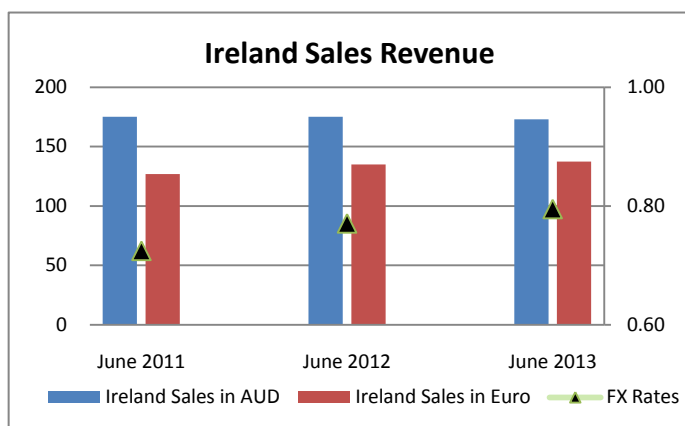
The strategic initiatives executed over the last year have supported the growth in sales revenue and profit and the New Zealand operation remains strong retaining the market leader position across key categories.

Despite the subdued macroeconomic outlook in New Zealand, our operations remain robust and are well-placed to capitalise on any improvement in the New Zealand retail landscape.



## CHAIRMAN'S REPORT (CONTINUED)

### Ireland and Northern Ireland



Sales revenue from the company owned stores in Ireland increased by €2.56 million (increase of 1.9%) from €134.92 million in the previous year to €137.48 million for the year ended 30 June 2013. Like for like sales in Ireland increased by €6.95 million (increase of 5.4%) with sales increases recorded across all categories. Upon translation into Australian dollars, sales revenue actually decreased by \$2.11 million (decrease of 1.2%) due to a 3.0% decline in the Euro relative to the Australian dollar.

We continued to grow market share within Ireland, improve store and operational efficiencies, refine marketing and brand positioning.

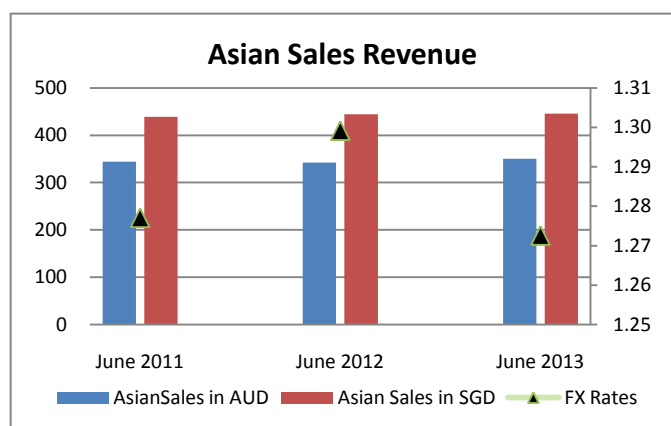
Sales revenue from the two company operated stores in Northern Ireland decreased by \$5.16 million (decrease of 48.7%) from £10.60 million in the previous year to \$5.44 million for the year ended 30 June 2013. This decrease was due to the closure of the electrical and computer categories in both our Northern Ireland stores. The sales decrease in Australian dollars was \$7.97 million (decrease of 49.0%). There was a 0.5% decline in the UK Pound Sterling relative to the Australian dollar. Like-for-like sales in Northern Ireland increased by £0.47 million with sales increasing in both our furniture and bedding categories.

The segment result for operations in Ireland and Northern Ireland was a trading loss of \$30.52 million for the year ended 30 June 2013 compared to a loss of \$34.04 million for the previous year, an improvement in the result by \$3.52 million. This loss was inclusive of restructuring costs of \$3.65 million for store closures for the current year. If restructuring costs were excluded from the result, the trading loss for the segment would have been \$26.87 million, an improvement of \$7.17 million on the prior year. This result reflects the ongoing trend within the Irish business of loss reduction and we are confident that trend will continue.

There has been continued investment in the online and digital presence within the Irish marketplace. We are now fully transactional online in Ireland - all resulting in continued strengthening of the brand.

The Irish economy is showing early signs of stabilisation, and possibly even gentle upturn. Unemployment has started to drop, property prices are rising again after 5 years, and the continued forecast is for modest GDP growth. The Irish government, through tough austerity measures, has significantly improved the Irish fiscal position, and the government has stated that only one more difficult budget remains at the end of 2013.

### Asia



Sales revenue from the controlled entity Pertama Holdings Limited, Singapore trading as "Harvey Norman", increased by \$0.95 million (increase of 0.2%). Upon translation into Australian dollars, the increase in sales was \$7.90 million (increase of 2.3%). There was an appreciation of 2.1% in the Singapore dollar relative to the Australian dollar. Sales in Singapore were softer than prior year, a reflection of the subdued retail sentiment in Singapore. Malaysian sales growth was strong, particularly in AV/IT, due to the expansion of the business and the opening of a new store at Ampang Point in December 2012. The Harvey Norman branded stores in Singapore and Malaysia continue to grow market share.

## CHAIRMAN'S REPORT (CONTINUED)

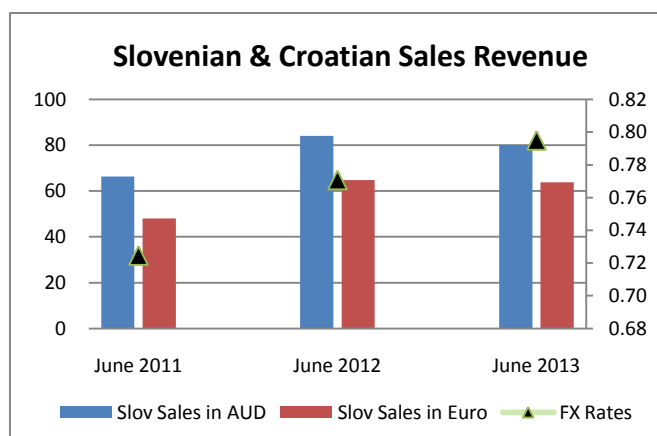
The segment result in Asia was a profit of \$2.94 million for the year ended 30 June 2013 compared to \$9.44 million in the previous year, a decrease of \$6.50 million or 68.9%. The profitability of the Asian segment reduced relative to prior year due to gross margin declines, higher distribution and selling expenses from increased marketing activities for new store openings and the competitive environment in Singapore and higher administration costs following the expansion of the business in Malaysia.

The 100% company-owned Space brand in Singapore is ideally placed for the growing prestige market in the Asia-Pacific region.

*Slovenia and Croatia*

Sales revenue from the company-operated stores in Slovenia and Croatia decreased by €1.21 million (decrease of 1.9%) relative to prior year. Sales in Slovenia decreased by €4.29 million whilst sales in Croatia increased by €3.07 million. Upon translation into Australian dollars, the decrease in sales was \$3.89 million (decrease of 4.6%) due to a 3.0% dip in currency.

Sales were adversely affected during the year due to a fall in consumer confidence as a result of negativity associated with the government, state-owned banking sector governance issues and European Union ("EU") pressures. This resulted in extreme discounting and competition from cash flow struggling competitors, driving down retail margins. Despite this intense competition, we continued to grow market share in all key categories and attempted to minimise the effect by renewing our focus on cost control and management. Croatia joined the EU on 1 July 2013 effectively eliminating its borders with neighbouring countries. This will result in operational cost reductions.



The retail segment result in Slovenia and Croatia was \$1.91 million for the year ended 30 June 2013 compared to \$2.43 million for the previous year, a decrease of 21.2%. Slovenia reported a profit of €2.57 million for the current year compared to a profit of €3.21 million in the previous year, a decrease in local currency by 19.9%. Croatia reported a loss of €1.05 million for the current year compared to a loss of €1.34 million in the previous period, an improvement of 21.6% due to a full year's trading of the Zagreb store and improved cost efficiencies.

*Other Non-Franchised Retail*

The non-franchised retail segment primarily consists of the retail trading operations in Australia which are controlled by the consolidated entity and does not include any operations of Harvey Norman franchisees.

Sales revenue for the other non-franchised retail segment was \$117.29 million for the year ended 30 June 2013 compared to \$106.26 million for the previous year, an increase of 10.4%.

The segment result for the non-franchised retail segment was a profit of \$1.81 million for the current year compared to a profit of \$7.53 million in the previous year, a decrease of \$5.71 million or 75.9%.

## Review of the Financial Position of the Consolidated Entity

Net Assets	2011	2012	2013
Total Assets	\$4.00bn	\$3.95bn	\$4.07bn
Return on Total Assets %	6.30%	4.36%	3.50%
Total Liabilities	\$1.78bn	\$1.68bn	\$1.70bn
<b>Net Assets</b>	<b>\$2.23bn</b>	<b>\$2.27bn</b>	<b>\$2.36bn</b>

Net Debt to Equity %	2011	2012	2013
Total Debt	\$651.76m	\$779.35m	\$820.28m
Less: Cash Reserves	(\$162.78m)	(\$172.46m)	(\$161.66m)
Net Debt	\$488.98m	\$606.89m	\$658.62m
Total Equity*	\$2.24bn	\$2.28bn	\$2.38bn
<b>Net Debt to Equity %</b>	<b>21.87%</b>	<b>26.60%</b>	<b>27.69%</b>

\* excludes acquisition reserve

The net assets of the consolidated entity were \$2.36 billion as at 30 June 2013, an increase of 4.3% on the net asset base as at 30 June 2012. Included in net assets are property assets with a fair value of \$2.21 billion as at balance date. The strength of our balance sheet is underpinned by the ownership of real, tangible property assets which is an essential component of our omni channel strategy.

Total assets have increased during the period due to the growth in plant and equipment and investment property assets, from \$2.19 billion in the previous year to \$2.24 billion in the current year, following new store openings in Australia and overseas markets as well as renovations and refurbishments of existing sites. This has been offset by the property revaluation decrement recorded in the current year. Equity accounted investments have increased from \$157.99 million in prior year to \$175.29 million as at balance date due to further investment and expansion of operations in our mining camp accommodation joint ventures and the fair value increment for a joint venture property located in Perth, Western Australia due to further redevelopment potential. Other working capital assets, primarily consisting of receivables and inventory, remain largely consistent with the prior year balance and are in line with our expectations of trading in the current retail environment. We continue to focus on and closely monitor our working capital assets to ensure that any outstanding receivables are promptly collected and the inventory balances of our overseas controlled entities are at acceptable levels.

Total liabilities have increased by \$16.24 million due to higher utilisation of external financing facilities to fund working capital and assist franchisees, where necessary, to effectively compete in their markets. Property construction, acquisitions and refurbishments of existing stores have also resulted in increased interest-bearing loans and borrowings relative to prior year. This is offset by a reduction in trade creditors due to more effective inventory and working capital management during the year. Despite the slight increase in total liabilities, our overall debt levels remain low and our gearing ratios continue to be conservative.

### Equity

Consolidated equity as at 30 June 2013 was \$2.36 billion compared to \$2.27 billion at 30 June 2012 – an increase of \$96.97 million or 4.3%. Included within consolidated equity is an amount of \$33.57 million (June 2012: \$30.93 million) attributable to non-controlling interests, of which \$32.16 million relates to non-controlling interests in Pertama Holdings Limited, Singapore.

### Dividend

The recommended final dividend is 4.5 cents per share fully franked (June 2012: 4.0 cents per share fully franked). This final dividend will be paid on 2 December 2013 to shareholders registered at 5:00 pm on 1 November 2013. No provision has been made in the Statement of Financial Position for this recommended final dividend.

### Outlook

Our omni channel strategy and initiatives, incorporating the Harvey Norman integrated retail, franchise, property and online platforms, continues to provide competitive advantages for the Australian franchisees and company-operated stores internationally. The value of the Harvey Norman brand is underpinned by the integration of stores, online, mobile and local distribution centres. This strategy will continue to deliver improved results and a sustainable and growing future.

Supporting our omni channels is a consistent and relentless focus on the customer to deliver quality, value and service. We continue to enhance the seamless experience as consumers interact with our franchisees and company-operated stores on mobile devices, through our online store, through our distribution centres, through our home services and the digital marketing and social media communication channels.

The online operations in Australia and New Zealand have grown substantially and are well positioned to again strengthen in the year ahead as a key component of the strategic plan. The digital platform is creating new opportunities for growth

## CHAIRMAN'S REPORT (CONTINUED)

and new ways to engage with consumers. An increasing product offer online, with further improvements in the supply chain to improve the customer experience in the coming year will continue to improve our online offer to consumers.

The Harvey Norman brand was awarded the Best Multi-Channel Retailer Award for 2013 at the Online Retail Industry Awards ("ORIA"). Judged by a panel of industry leaders, the ORIA's recognise and reward excellence in e-commerce retailing.

Investments in core systems, productivity, supply chain and the learning and development programs for franchisees and employees is an area of continued focus and investment.

Within the Australian franchising operations segment, the home appliances, bedding and furniture categories continue to show solid growth and give us a solid platform to continue to maintain revenue growth. The continued improvement in technology, style and product offer by Harvey Norman franchisees is driving strong customer demand. The technology and television areas remain stable in markets that continue to prove challenging.

Our company-operated stores in New Zealand have benefited from a general improvement in consumer sentiment and the reopening of our flagship store in Christchurch. Despite the cautious outlook for the New Zealand economy, we are well positioned for another positive year within New Zealand.

Our Irish business has improved through improved store and operational efficiency and a strengthening market share in key categories. With a modest growth outlook for the broader economy, we remain positive in our outlook for further improvement in this market in the year ahead.

Consumer confidence within Slovenia remains subdued but we have a strong position within the market. Croatia joined the EU on 1 July 2013 eliminating borders with neighbouring countries which should lead to improved costs for our Zagreb store.

The balance sheet of the company remains strong through conservative fiscal management. The low net debt to equity ratio with tangible property assets in excess of \$2.21 billion has the company well positioned to manage the core business within the respective territories and take advantage of opportunities in the future.

#### *July 2013 Sales vs July 2012 Sales*

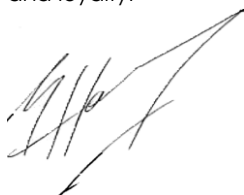
Sales from the franchised "Harvey Norman complexes, commercial divisions and other sales outlets in Australia" increased by 5.3% for the month of July 2013 compared to July 2012. Like for like sales increased by 6.8% for the month of July 2013 compared to July 2012.

Global sales for the month of July 2013 increased by 5.3% compared to the month of July 2012. Like for like Global Sales for the month of July 2013 increased by 6.9% compared to the month of July 2012.

August 2013 Sales from the franchised "Harvey Norman complexes, commercial divisions and other sales outlets in Australia" were stable.

In the NSW Treasurer's Economic Update this month, Mike Baird highlighted recent ANZ research that the NSW economy has improved to the point that it will be the driver of the national economy over the coming years. The optimism surrounding the NSW economy stems from its diversified industry structure, the recovery in the housing sector and the government's large infrastructure program. Thirty-six percent (36%) of our Harvey Norman complexes are in the state of NSW, which is aligned to the proportion of the NSW population to the Australian population. We look forward to the improvement in Australia's biggest economy.

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, 27 September 2013



## DIRECTOR'S REPORT

Your directors submit their report for the year ended 30 June 2013.

### Directors

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

The names and details of the directors of Harvey Norman Holdings Limited (the "Company") 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 74, was the co-founder of Harvey Norman Holdings Limited in 1982 with Mr. Norman. Mr. G. Harvey has overall executive responsibility for the strategic direction of the consolidated entity, and in particular, property investments. Mr. G. Harvey is a director of Pertama Holdings Limited, a company listed on the Stock Exchange of Singapore.

#### *Kay Lesley Page – Executive Director and Chief Executive Officer*

Ms. Page, aged 56, joined Harvey Norman in 1983 and was appointed a director of Harvey Norman Holdings Limited in 1987.

Ms. Page became the Chief Executive Officer of the Company in February 1999 and has overall executive responsibility for the consolidated entity. Ms. Page is a member of the NSW Public Service Commission Advisory Board.

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

- Pertama Holdings Limited, Singapore
- Australian National Retailers Association (ANRA)
- Museum of Contemporary Art, Sydney
- Trustee of the Sydney Cricket and Sports Ground Trust

Ms. Page was a director of the public company, National Rugby League Limited, until February 2012.

#### *John Eryn Slack-Smith – Executive Director and Chief Operating Officer*

Mr. Slack-Smith, aged 44, was a Harvey Norman computer franchisee between 1993 and 1999. Mr. Slack-Smith became a director of the Company on 5 February 2001. Mr. Slack-Smith has overall executive responsibility for the operations of the consolidated entity.

#### *David Matthew Ackery – Executive Director*

Mr. Ackery, aged 53, was appointed a director of Harvey Norman Holdings Limited on 20 December 2005. Mr. Ackery has overall executive responsibility for the relationship between the consolidated entity and Harvey Norman home appliances, home entertainment and technology franchisees and strategic partners. Mr. Ackery is a director of the public company, St. Joseph's College Foundation Limited.

#### *Chris Mentis B.Bus., FCA, FCIS – Executive Director, Chief Financial Officer and Company Secretary*

Mr. Mentis, aged 47, was appointed a director of Harvey Norman Holdings Limited on 30 August 2007.

Mr. Mentis joined Harvey Norman as Financial Controller on 15 December 1997. On 20 April 2006, he became Chief Financial Officer and Company Secretary. Mr. Mentis is a chartered accountant and a chartered secretary with over 26 years experience in financial accounting. Mr. Mentis has overall executive responsibility for the accounting and financial matters of the consolidated entity.

Mr. Mentis is an alternate director on the Board of Pertama Holdings Limited, Singapore.

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

Mr. Norman, aged 74, was co-founder of Harvey Norman with Mr. G. Harvey in 1982.

## DIRECTOR'S REPORT (CONTINUED)

*Michael John Harvey B.Com. - Non-Executive Director*

Mr. M. Harvey, aged 48, joined Harvey Norman in 1987, having completed a Bachelor of Commerce degree. Mr. M. Harvey gained extensive experience as a Harvey Norman franchisee from 1989 to 1994. Mr. M. Harvey became a director of the Company in 1993 and was appointed Managing Director in July 1994. Mr. M. Harvey ceased to be an Executive Director and Managing Director on 30 June 1998.

*Christopher Herbert Brown OAM, LL.M, FAICD, CTA - Non-Executive Director*

Mr. Brown, aged 63, holds the degree of Master of Laws from the University of Sydney. Mr. Brown is the senior partner in Brown Wright Stein Lawyers. Brown Wright Stein Lawyers has acted as lawyers for the consolidated entity since 1982. Mr. Brown was appointed a director of the Company in 1987, when it became a listed public company. Mr. Brown is Chairman of the Remuneration and Nomination Committees and a member of the Audit Committee. Mr. Brown is the Chairman of Windgap Foundation Limited. In 2013 he was awarded the Medal of the Order of Australia (OAM) for service to the community, particularly to people with disability.

*Kenneth William Gunderson-Briggs B.Bus., FCA, MAICD - Non-Executive Director (Independent)*

Mr. Gunderson-Briggs, aged 51, was appointed a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. Mr. Gunderson-Briggs has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. Mr. Gunderson-Briggs' qualifications include a Bachelor of Business from the University of Technology, Sydney and he is a fellow of the Institute of Chartered Accountants. Mr. Gunderson-Briggs is a member of the Audit, Remuneration and Nomination Committees. Mr. Gunderson-Briggs continues to serve as a director of Windgap Foundation Limited and Glenaeon Rudolph Steiner School Limited.

*Graham Charles Paton AM, B.Ec., FCPA, MAICD - Non-Executive Director (Independent)*

Mr. Paton, aged 68, holds a Bachelor of Economics degree from the University of Sydney. During his twenty-three years as a partner of an international chartered accounting practice, he was involved in the provision of professional services to the retail industry. He retired from public practice in July 2001. Mr. Paton is a Fellow and Life Member of CPA Australia and was the National President of that professional accounting body in 1993/1994. In 2001 he was awarded membership of the General Division of the Order of Australia for his services to the accounting profession and for his services to the deaf community through his chairmanship of the Shepherd Centre for Deaf Children for the decade to 2001.

Mr. Paton was appointed a director of Harvey Norman Holdings Limited on 20 June 2005. 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.

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

### Company Secretary

Mr Chris Mentis, aged 47, is a chartered accountant and became Company Secretary on 20 April 2006. Mr. Mentis has over 26 years experience in financial accounting and has been with the consolidated entity since 1997. Mr. Mentis is a member of the Institute of Chartered Secretaries.

### Committee Membership

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

#### *Audit Committee*

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

#### *Nomination Committee*

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

#### *Remuneration Committee*

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

# ANNUAL REPORT 2013

## DIRECTOR'S REPORT (CONTINUED)

### 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	8
Remuneration	6
Nomination	1

#### Attendance at Remuneration Committee Meetings:

- C.H. Brown (Chairman): 6 (6)
- K.W. Gunderson-Briggs: 6 (6)
- G.C. Paton AM: 5 (6)

#### Attendance at Nomination Committee Meeting:

Mr G.C. Paton, Mr C.H. Brown and Mr K.W. Gunderson-Briggs attended the Nomination Committee meeting held during the year.

The attendance of directors at meetings of the Board and Audit Committee were:

Director	Board of Directors	Audit Committee
G. Harvey	11 (11)	n/a
K.L. Page	11 (11)	n/a
J.E. Slack-Smith	11 (11)	n/a
D.M. Ackery	11 (11)	n/a
M.J. Harvey	11 (11)	n/a
C.H. Brown	11 (11)	8 (8)
I.J. Norman	10 (11)	n/a
K.W. Gunderson-Briggs	11 (11)	8 (8)
G.C. Paton	11 (11)	8 (8)
C. Mentis	11 (11)	n/a

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

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

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

### Directors' Interests

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

Director	HARVEY NORMAN HOLDINGS LIMITED	
	Ordinary Shares	Options
G. Harvey	313,484,571	-
I.J. Norman	175,249,660	-
K.L. Page	16,995,133	-
M.J. Harvey	2,845,553	-
C.H. Brown	103,467	-
J.E. Slack-Smith	259,999	1,928,000
D.M. Ackery	146,667	1,928,000
K. W. Gunderson-Briggs	3,000	-
G.C. Paton	15,000	-
C. Mentis	18,500	1,928,000
TOTAL	509,121,550	5,784,000

### Beneficial Interest

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

Director	Beneficial Interest in Shares
G. Harvey	has a beneficial interest in 5,752,486 shares held by G Harvey Nominees Pty Limited (as trustee for Harvey 1995 No. 2 Trust), 134,876,815 shares held by G Harvey Nominees (as trustee for Harvey Lamino No. 1 Trust), 333,333 shares held by HVN Share Plan Pty Limited (as trustee for Harvey 2003 Option Trust (Shares)), 3,965,039 shares held by Gerald Harvey (as trustee for Harvey 2003 Option Trust) and 82,147,147 shares held by Gerald Harvey (as trustee for Harvey Option Trust).
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 8,101,858 shares held by K. Page Pty Limited, 318,406 shares held by K. Page Superannuation Fund Pty Limited and 333,333 shares held by HVN Share Plan Pty Limited.
J.E. Slack-Smith	has a beneficial interest in 59,999 shares held by HVN Share Plan Pty Limited and 200,000 shares held by J. E. Slack-Smith as Trustee for Slack-Smith 2003 Option Trust (Shares).

## DIRECTOR'S REPORT (CONTINUED)

## Beneficial Interest (continued)

Director	Beneficial Interest in Shares
D.M. Ackery	has a beneficial interest in 133,334 shares held by HVN Share Plan Pty Limited and 13,333 shares held by D.M. Ackery as Trustee for Ackery 2005 Option Trust (Shares).
M.J. Harvey	has a beneficial interest in 678,735 shares held by M.J. Harvey Option Trust.
C.H. Brown	has a beneficial interest in 41,763 shares held by PWSD Pty Limited and 61,704 shares held by 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	has a beneficial interest in 15,000 shares held by G.C. Paton and V. Paton as trustee for The St. Georges Superannuation Fund.

## Share Options

As at the date of this report, there were 5,784,000 unissued ordinary shares under options (30 June 2012: 5,034,000). Details of share options are set out in Note 28 and Note 30 to the financial statements and form part of this report.

## Principal Activities

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

- Franchisor
- Sale of furniture, bedding, computers, communications and consumer electrical products in New Zealand, Slovenia, Republic of Ireland, Northern Ireland and Croatia
- Property investment
- Lessor of premises to Harvey Norman franchisees and other third parties
- Media placement
- Provision of consumer finance and other commercial advances

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 sales of furniture, bedding, computers, communications and consumer electrical products in Singapore and Malaysia.

## 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 2013 and up to the date of this report.

## 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.

## 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

## Dividends

The directors recommend a fully franked dividend of 4.5 cents per share to be paid on 2 December 2013 (total dividend, fully franked - \$47,804,255). The following fully franked dividends of the Parent Company have also been paid, declared or recommended since the end of the preceding financial year:

Dividend	Payment Date	\$
2012 final fully franked dividend	3 December 2012	42,492,671
2013 interim fully franked dividend	6 May 2013	47,804,255

The total dividend in respect of the year ended 30 June 2013 of 9.0 cents per share represents 67.23% (2012: 55.43%) of profit after tax and non-controlling interests, as set out on page 3 of the financial statements.

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



### Operating and Financial Review (OFR)

Information on the operations and financial position for the consolidated entity is set out in the Operating and Financial Review (OFR) which consists of the following sections of the 2013 Annual Report that forms part of, or accompanies, this Directors' Report:

- Information on the review of the operations of the consolidated entity, the results of those operations and any significant changes during the reporting period is detailed in the following sections of the Chairman's Report: Business Performance (page 4) and Financial Analysis and Commentary: Net Profit After Tax and Non-Controlling Interests (page 6);
- Information explaining the key features of the business model of the consolidated entity is disclosed in the Chairman's Report: The Harvey Norman Omni Channel Strategy (page 5);
- Information explaining the underlying drivers of performance including income and expenses of major reporting segments is detailed in the Chairman's Report: Key Elements of an Integrated Retail, Franchise, Property and Digital System (pages 6 to 13 inclusive);
- Information relevant to understanding the consolidated entity's financial position is disclosed in the following sections of the Chairman's Report: Review of the Financial Position of the Consolidated Entity (page 14), The Harvey Norman Omni Channel Strategy (page 5) and the Review of the Property Portfolio of the Consolidated Entity (pages 8 to 11 inclusive); and
- The objective of the consolidated entity's capital management policy is to create long-term sustainable value for shareholders and avoid adverse short-term decision making, whilst maintaining optimal returns to shareholders and benefits to other stakeholders. The aim is to maintain a capital structure utilising the lowest cost of capital available to the consolidated entity. The capital structure of the consolidated entity consists of debt which includes borrowings disclosed in Notes 16 and 19 Interest-Bearing Loans and Borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 22, 23 and 24 respectively. Capital management is monitored through the debt to equity ratio and the target for the consolidated entity's debt to equity ratio is a tolerance level of up to 50%. Borrowings for the consolidated entity consist primarily of bank debt with a syndication of four banks trading in Australia (three of which are part of the "Big Four" Australian banks). Concentration risk has been minimised by staggering renewal/maturity dates with tenures of 1, 3 and 5 year funding. Interest rate risk has been mitigated with the utilisation of interest rate swaps as disclosed in Note 35 Derivative Financial Instruments.

### Business Strategies, Future Prospects and Likely Developments

The OFR sets out information on the business strategies and prospects for future financial years, and refers to likely developments in the consolidated entity's operations (refer to the Chairman's Report: Outlook section on pages 14 and 15). Information in the OFR is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years for the consolidated entity. Detail on risks that could give rise to likely material detriment to the consolidated entity where the information that is commercially sensitive, confidential, or could give a third party a commercial advantage has not been included. Similarly, other than the information set out in the OFR, information about other likely developments in the consolidated entity's operations and the expected results of those operations in future financial years has not been included.

### Summary of Key Business Risks

The Board is cautiously optimistic about the consolidated entity's future trading performance but acknowledges that there are several factors that may pose a risk to the achievement of the business strategies and future financial performance as outlined in the Outlook section of the Chairman's Report on pages 14 and 15;

- (i) *Deterioration in the macroeconomic conditions in the various geographies that the consolidated entity is exposed to resulting in a fall in consumer sentiment;*

There are a number of general economic conditions, including interest and exchange rate movements, economic and political instability and government fiscal, monetary and regulatory policies, that have the ability to impact the level of consumer confidence and discretionary retail spending, thereby affecting revenue from sales to customers and franchise fees including tactical support. Whilst these risks are outside of the consolidated entity's control, the Board continues to focus on, develop and enhance the omni channel strategy of the consolidated entity as it is the most flexible and effective model to adapt to the changes in the macroeconomic environment and to suit the ever-changing consumer demands.

## DIRECTOR'S REPORT (CONTINUED)

## Operating and Financial Review (OFR) (continued)

## Summary of Key Business Risks (continued)

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

Whilst the destabilising effect of extreme price discounting from competitors has eased relative to prior year, the categories in which many of the franchisees operate, particularly AV/IT, remain competitive. Unlike many competitors that are solely exposed to the challenging AV/IT category, the businesses of the vast majority of franchisees operate in many other different product categories, each of which continues to perform strongly including the homemaker retail categories of home appliances, furniture and bedding. Each Franchisor provides support from time to time, tactically, to relevant franchisees to preserve and enhance the Harvey Norman brand.

*(iii) Price deflation:*

Deflationary pressures have negatively affected the AV/IT categories in recent years and remains a potential risk. The continued improvement and investment in technology, style and product offer by franchisees is driving strong customer demand. AV/IT franchisees are excited about the launch of next generation, big screen and connected device televisions which should be a benefit to AV/IT franchisees.

*(iv) Emergence of competitors in new channels:*

The consolidated entity remains focussed and committed to the successful execution of the omni channel strategy, including development and deployment of the digital platform. Online operations of franchisees in Australia and the company in New Zealand have grown substantially and the digital platform is creating new opportunities for growth and new ways to engage with consumers. The omni channel strategy sets the Harvey Norman brand apart from other online and digital competitors as the digital, store and distribution channels are fully integrated, providing consumers with a multitude of options to meet their needs. The customer is the focal point of the omni channel strategy.

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

With a property portfolio of \$2.21 billion, the consolidated entity is exposed to potential reductions in property values within the bulky goods sector. The consolidated entity continues to adopt a selective and prudent acquisition and development strategy and maintains high-quality buildings and a solid, dynamic, cross-beneficial tenancy mix in order to maximise the profitability of the property segment.

*(vi) Counterparty risks of service providers:*

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

### Remuneration Report (Audited)

This remuneration report for the year ended 30 June 2013 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

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

For the purposes of this report, the term "executive" includes the Chief Executive Officer (CEO), executive directors and other senior executives of the consolidated entity.

The remuneration report is presented under the following sections:

- Individual key management personnel disclosures
- Remuneration at a glance
- Board oversight of remuneration
- Non-executive director remuneration arrangements
- Executive remuneration arrangements
- Company performance and the link to remuneration
- Executive contractual arrangements

#### Individual Key Management Personnel Disclosures

Details of KMP of the Company and consolidated entity are set out below.

##### *Key Management Personnel*

###### *(i) Directors*

Gerald Harvey	Executive Chairman
Kay Lesley Page	Executive Director and Chief Executive Officer
John Eryn Slack-Smith	Executive Director and Chief Operating Officer
David Matthew Ackery	Executive Director
Chris Mentis	Executive Director, Chief Financial Officer and Company Secretary
Christopher Herbert Brown OAM	Non-Executive Director
Michael John Harvey	Non-Executive Director
Ian John Norman	Non-Executive Director
Kenneth William Gunderson-Briggs	Non-Executive Director (Independent)
Graham Charles Paton AM	Non-Executive Director (Independent)

###### *(ii) Executives*

Martin Anderson	General Manager – Generic Publications Pty Limited
Rodney Orrock	General Manager – Domayne
Thomas James Scott	General Manager – Property
Gordon Ian Dingwall	Chief Information Officer

#### Remuneration At A Glance

The remuneration strategy of the consolidated entity is designed to attract, motivate and retain employees and non-executive directors ("NEDs") by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the consolidated entity.

The remuneration policy is to position total employment cost ("TEC") close to the median of its defined talent market to ensure a competitive offering.

The aggregate amount of the short-term incentive ("STI") pool for the year ending 30 June 2013 was limited to \$1,425,000, a decrease of approximately 2% on the previous year. The STI is to be paid in the form of a performance cash incentive ("PCI"), in the 2014 financial year, to executive directors in the respective amounts set out in Table 1 on page 33 of this report.

Long-term incentive awards consisting of share options that vest based on attainment of pre-determined performance goals, subject to conditions, are awarded to select executive directors. On 23 November 2010, shareholders of the

## DIRECTOR'S REPORT (CONTINUED)

## Remuneration Report (Audited) (continued)

Company in general meeting approved the grant of 3,000,000 options to subscribe for 3,000,000 fully paid ordinary shares in the Company to each of David Matthew Ackery, Chris Mentis and John Eryn Slack-Smith, subject to terms and conditions ("2010 Share Option Plan"). The terms and conditions included the following provisions:

- (i) up to one third of the options will be granted within seven (7) days of the meeting and will be exercisable between 1 January 2014 and 30 June 2016 (the "First Tranche");
- (ii) up to one third of the options will be granted within seven (7) days of the first anniversary of the meeting and will be exercisable between 1 January 2015 and 30 June 2017 (the "Second Tranche"); and
- (iii) up to one third of the options will be granted within seven (7) days of the second anniversary of the meeting and will be exercisable between 1 January 2016 and 30 June 2018 (the "Third Tranche").

For the 2013 financial year, the Company used a combination of financial and non-financial performance measures for the share option awards pursuant to the 2010 Share Option Plan ("LTI"). During the 2013 financial year, the performance hurdles for the 2013 grant of options (the Third Tranche) pursuant to the 2010 Share Option Plan were partially met and 56.7% of the relevant options in respect of the 2013 financial year was determined to meet the performance conditions, subject to the terms and conditions of the 2010 Share Option Plan, including service conditions.

For the 2012 financial year, the Company used a combination of financial and non-financial performance measures for the share option awards pursuant to the 2010 Share Option Plan ("LTI"). During the 2012 financial year, the performance hurdles for the 2012 grant of options (the Second Tranche) pursuant to the 2010 Share Option Plan were partially met and 25.0% of the relevant options in respect of the 2012 financial year was determined to meet the performance conditions, subject to the terms and conditions of the 2010 Share Option Plan, including service conditions.

The remuneration of non-executive directors of the Company consists only of directors' fees. Director fees were maintained at a similar level to the prior year.

## Board Oversight of Remuneration

*Remuneration Committee*

The remuneration committee is responsible for making recommendations to the board on the remuneration arrangements for executive directors and NEDs.

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

The remuneration committee comprises three NEDs, two of whom are independent NEDs. Further information on the committee's role, responsibilities and membership can be seen at [www.harveynormanholdings.com.au](http://www.harveynormanholdings.com.au).

*Remuneration Approval Process*

The board approves the remuneration arrangements of the CEO and executives and all awards made under the LTI, following recommendations from, and certain determinations by, the remuneration committee. The board sets the aggregate remuneration of NEDs, subject to shareholder approval.

The remuneration committee approves, having regard to the recommendations made by the CEO, the level of the consolidated entity STI pool, in the form of PCI, for executive directors.

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

*Remuneration Strategy*

The remuneration strategy of the consolidated entity is designed to attract, motivate and retain employees and NEDs by identifying and rewarding high performers and recognising the contribution of each employee to the continued growth and success of the consolidated entity.

To this end, key objectives of the reward framework of the consolidated entity are to ensure that remuneration practices:

- are aligned to the business strategy of the consolidated entity
- offer competitive remuneration benchmarked against the external market
- provide strong linkage between individual and consolidated entity performance and rewards
- align the interests of executive directors with shareholders through the LTI



## DIRECTOR'S REPORT (CONTINUED)

### Remuneration Report (Audited) (continued)

#### *Remuneration Structure*

In accordance with best practice corporate governance, the structure of NED and executive remuneration is separate and distinct.

#### Non-Executive Director Remuneration Arrangements

##### *Remuneration Policy*

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

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

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

The board will not seek any increase for the NED pool at the 2013 AGM.

##### *Structure*

The remuneration of NEDs consists of directors' fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs. Each NED receives a fee for being a director of the Company. The structure of NED remuneration is separate and distinct from executive remuneration. The remuneration of NEDs for the year ended 30 June 2013 and 30 June 2012 are disclosed in Table 1 on page 33 of this report.

#### Executive Remuneration Arrangements

##### *Remuneration Levels and Mix*

The consolidated entity aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the consolidated entity and to align operations with strategy.

The policy of the consolidated entity is to position total employment cost (TEC) so as to ensure a competitive offering. Total reward opportunities are between the 50<sup>th</sup> and 100<sup>th</sup> percentile of the comparator group. The Company and the consolidated entity undertakes an annual remuneration review to determine the total remuneration of executives having regard to the circumstances of the consolidated entity.

The CEO's target remuneration mix comprises approximately 75% fixed remuneration and 25% target STI opportunity. The CEO did not have any target LTI during the year. Target remuneration mix of executive directors' ranges from 50% to 55% fixed remuneration, 15% to 25% target STI opportunity and 0% to 30% LTI.

##### *Structure*

In the 2013 financial year, the executive remuneration framework consisted of the following components:

- Fixed remuneration
- Variable remuneration

## DIRECTOR'S REPORT (CONTINUED)

## Remuneration Report (Audited) (continued)

The table below illustrates the structure of the executive remuneration arrangements of the consolidated entity:

Remuneration component	Method	Purpose	Link to performance
Fixed remuneration	<ul style="list-style-type: none"> <li>Represented by total employment cost (TEC).</li> <li>Comprises base salary, superannuation contributions and other benefits.</li> </ul>	<ul style="list-style-type: none"> <li>Set with reference to role, market and experience.</li> <li>Executives are given the opportunity to receive their fixed remuneration in a variety of forms including cash and fringe benefits such as motor vehicles. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the consolidated entity.</li> </ul>	<ul style="list-style-type: none"> <li>No link to company performance.</li> </ul>
STI component	<ul style="list-style-type: none"> <li>Paid in cash, as PCI.</li> </ul>	<ul style="list-style-type: none"> <li>Rewards executives for their contribution to the achievement of consolidated entity and business unit outcomes, as well as individual key performance indicators (KPIs).</li> </ul>	<ul style="list-style-type: none"> <li>Linked to internal financial and non-financial performance measures including achievement of internal budgets, operating priorities, franchising operations, property priorities and risk management, including execution of omni channel strategic initiatives.</li> </ul>
LTI component	<ul style="list-style-type: none"> <li>Awards are made in the form of options pursuant to the 2010 Share Option Plan.</li> </ul>	<ul style="list-style-type: none"> <li>Rewards executive directors (except for Chairman, Mr. G. Harvey and CEO, Ms. K.L. Page) for their contribution to the creation of shareholder value over the longer term.</li> </ul>	<ul style="list-style-type: none"> <li>Vesting of awards is dependent on satisfaction of terms and conditions of the 2010 Share Option Plan.</li> </ul>

*Fixed Remuneration*

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

The fixed component of the remuneration of executive directors is disclosed in Table 1 on page 33 of this report.

*Variable Remuneration – Short-Term Incentive (STI)*

The consolidated entity operates an annual STI program that is available to executive directors and awards a cash bonus or PCI, subject to the attainment of clearly defined consolidated entity, business unit and individual measures.

The total potential STI available is set at a level so as to provide sufficient incentive to executive directors to achieve the operational targets and such that the cost to the consolidated entity is reasonable in the circumstances.

Actual STI payments awarded to each executive director depend on the extent to which specific targets in respect of the financial year are met. The targets consist of a number of performance measures, targets and initiatives covering both financial and non-financial, corporate and individual measures of performance.

Performance measures	Proportion of STI award measure applies to
Financial measure:	
<ul style="list-style-type: none"> <li>Achievement of internal budgets</li> <li>Reduce financial accommodation to franchisees</li> </ul>	25%
Non-financial measures:	
<ul style="list-style-type: none"> <li>Execution of digital initiatives</li> <li>Retail operations</li> <li>Risk management</li> <li>Execution of omni channel strategic initiatives</li> </ul>	75%

These measures were chosen as they represent the key drivers for the short-term success of the business and provide a framework for delivering long-term value.

## DIRECTOR'S REPORT (CONTINUED)

### Remuneration Report (Audited) (continued)

The aggregate amount of potential STI awards for executive directors is subject to review by the remuneration committee. On an annual basis, after consideration and evaluation of performance measures, targets and initiatives and other relevant information, the remuneration committee confirms the amount, if any, of the STI to be paid to each executive director. This process usually occurs within three months after the reporting date. Amounts awarded made are delivered as a cash bonus or PCI in the following reporting period.

#### *STI Awards for 2012 and 2013 Financial Years*

For the 2012 financial year, 100% of the STI performance cash incentive of \$1,455,000, as previously accrued in that period, vested in executive directors and was paid in the 2013 financial year. There were no forfeitures. The remuneration committee considered the STI payments for the 2012 financial year in September 2012.

For the 2013 financial year, the aggregate amount of the STI performance cash incentive, as previously accrued in that period, vested in executive directors and a total of \$1,425,000 is to be paid in the 2014 financial year. There were no forfeitures. The remuneration committee considered the STI payments for the 2013 financial year in September 2013.

There was no alteration to the STI performance cash incentive plan for the year, but performance measures were expanded and included measures relating to:

- Reduce financial accommodation to franchisees
- Execution of digital initiatives
- Risk management
- Execution of omni channel strategic initiatives

#### *Variable Remuneration – Long-Term Incentives (LTI)*

LTI awards have been made annually to executive directors (other than Chairman, Mr. G. Harvey and CEO, Ms. K.L. Page) in order to align remuneration with the creation of shareholder value over the long-term. LTI awards are only made to executive directors who have an impact on the performance of the consolidated entity against relevant long-term performance measures.

### LTI – Share Options Structure

LTI awards to select executive directors have been made under the 2010 Share Option plan and delivered in the form of share options. Each option entitles the holder to one fully paid ordinary share in the Company. The number and terms and conditions of each issue of options to executive directors were approved by shareholders of the Company in the annual general meeting on 23 November 2010. Options are awarded to select executive directors with more than 12 months service. The options will vest over a period of three years subject to meeting performance measures and service conditions. The exercise price of the options is set at the market price at the date of grant. Executive directors are able to exercise the options up to two years after vesting, before the options lapse, subject to the satisfaction of performance conditions, including service conditions.

### Performance Measures to Determine Vesting – First Tranche of Options Issued 29 November 2010

Subject to the terms and conditions of the 2010 Share Option Plan, the Company issued 1,000,000 options to subscribe for 1,000,000 fully paid ordinary shares in the Company, at an exercise price of \$3.02 per option, on 29 November 2010, to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith ("First Tranche of Options").

Each of the options the subject of the First Tranche of Options is subject to performance conditions. The performance conditions are subject to service conditions and:

- (a) as to 30% - to a financial performance condition ("2011 Financial Performance Condition"); and
- (b) as to 70% - to non-financial performance conditions ("2011 Non-Financial Performance Conditions").

The 2011 Financial Performance Condition (the "2011 EPS Condition") is:

- (a) partly satisfied if the earnings per share growth is 10% per annum or more on a cumulative basis over the earnings per share in respect of the year ended 30 June 2010 ("Base Year"); or
- (b) wholly satisfied if the earnings per share growth is 15% per annum or more on a cumulative basis over the earnings per share in respect of the Base Year; and
- (c) subject to retesting in accordance with the terms and conditions of the 2010 Share Option Plan.

Earnings per share growth was selected as a performance measure in respect of the 2010 Share Option Plan for reasons which included the following:

- (i) rises (or falls) in share prices can often be attributable to general market trends, unrelated to the performance of executives or contribution by executives to the creation of long-term shareholder values;
- (ii) long-term value for shareholders is best created by requiring that the executive director team should focus on, and achieve and execute measures, targets and initiatives critical to the execution of the strategic objectives of the company; and
- (iii) relevant measures, targets and initiatives will involve both financial and non-financial criteria, and flexibility to adjust to changing circumstances, to avoid short-term decision-making.

## DIRECTOR'S REPORT (CONTINUED)

## Remuneration Report (Audited) (continued)

The 2011 Non-Financial Performance Conditions (the "2011 Critical Success Factors") were weighted:

- (a) as to 20% relating to the achievement of key operating priorities including implementation of IT systems within budget and timeframe constraints, operational consistency, and the maintenance, improvement and implementation of risk management programs;
- (b) as to 20% relating to the level of operating cash flow and operating budget constraints by reference to cost control;
- (c) as to 20% relating to the successful achievement of the integration of any specified developed or acquired discrete business unit;
- (d) as to 20% relating to improvements in retailing operations; and
- (e) as to 20% relating to the maintenance and growth of the retail property portfolio, by reference to return on equity and completion of any key designated developments within the cost estimates and construction time lines.

The remuneration committee may at any time reduce the number of exercisable options if there is only partial achievement of the performance conditions.

Service conditions in respect of a grantee of the First Tranche of Options will be deemed to be satisfied if at the time of exercise of an option the subject of the First Tranche of Options:

- (a) the grantee has not resigned or provided notice of resignation of employment from the Company, except in order to retire from the workplace;
- (b) the Company has not terminated the employment of the grantee for cause; or
- (c) the board has not determined that the relevant options should lapse as a result of any fraud, gross misconduct or conduct of the grantee which brings the Company into disrepute.

If a grantee has died before a relevant option is exercised, but the performance conditions have been satisfied, the estate of the grantee may exercise the relevant options.

#### Performance Measures to Determine Vesting – Second Tranche of Options issued 29 November 2011

Subject to the terms and conditions of the 2010 Share Option Plan, on 29 November 2011 the Company issued 1,000,000 options to subscribe for 1,000,000 fully paid ordinary shares in the Company, at an exercise price of \$2.03 per option to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith ("Second Tranche of Options").

Each of the options the subject of the Second Tranche of Options is subject to performance conditions. The performance conditions are subject to service conditions and:

- (a) as to 30% - to a financial performance condition ("2012 Financial Performance Condition"); and
- (b) as to 70% - to non-financial performance conditions ("2012 Non-Financial Performance Conditions").

The 2012 Financial Performance Condition (the "2012 EPS Condition") is:

- (a) partly satisfied if the earnings per share growth is 10% per annum or more on a cumulative basis over the earnings per share in respect of the year ended 30 June 2010 ("Base Year"); or
- (b) wholly satisfied if the earnings per share growth is 15% per annum or more on a cumulative basis over the earnings per share in respect of the Base Year; and
- (c) subject to retesting in accordance with the terms and conditions of the 2010 Share Option Plan.

Earnings per share growth was selected as a performance measure in respect of the 2010 Share Option Plan for reasons which included the following:

- (i) rises (or falls) in share prices can often be attributable to general market trends, unrelated to the performance of executives or contribution by executives to the creation of long-term shareholder values;
- (ii) long-term value for shareholders is best created by requiring that the executive director team should focus on, and achieve and execute measures, targets and initiatives critical to the execution of the strategic objectives of the company; and
- (iii) relevant measures, targets and initiatives will involve both financial and non-financial criteria, and flexibility to adjust to changing circumstances, to avoid short-term decision-making.

The 2012 Non-Financial Performance Conditions (the "2012 Critical Success Factors") were weighted:

- (a) as to 20% relating to the achievement of key operating priorities including development of Omni Channel strategic initiatives, improvement in customer engagement and efficiency of systems, and the maintenance, improvement and implementation of risk management programs;
- (b) as to 20% relating to the level of operating working capital, inventory control and cost control generally;
- (c) as to 20% relating to the successful development and deployment of the digital platform of the Company;
- (d) as to 20% relating to improvements in market share and sustainability of retailing operations; and
- (e) as to 20% relating to the maintenance and growth of the retail property portfolio.



### Remuneration Report (Audited) (continued)

The remuneration committee may at any time reduce the number of exercisable options if there is only partial achievement of the performance conditions.

Service conditions in respect of a grantee of the Second Tranche of Options will be deemed to be satisfied if at the time of exercise of an option the subject of the Second Tranche of Options:

- (a) the grantee has not resigned or provided notice of resignation of employment from the Company, except in order to retire from the workplace;
- (b) the Company has not terminated the employment of the grantee for cause; or
- (c) the board has not determined that the relevant options should lapse as a result of any fraud, gross misconduct or conduct of the grantee which brings the Company into disrepute.

If a grantee has died before a relevant option is exercised, but the performance conditions have been satisfied, the estate of the grantee may exercise the relevant options.

### Performance Measures to Determine Vesting – Third Tranche of Options issued 29 November 2012

Subject to the terms and conditions of the 2010 Share Option Plan, on 29 November 2012 the Company issued 1,000,000 options to subscribe for 1,000,000 fully paid ordinary shares in the Company, at an exercise price of \$1.827 per option to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith ("Third Tranche of Options"). Details in respect of the awards are set out in Table 2 on page 34 of this report.

Each of the options the subject of the Third Tranche of Options is subject to performance conditions. The performance conditions are subject to service conditions and:

- (a) as to 30% - to a financial performance condition ("2013 Financial Performance Condition"); and
- (b) as to 70% - to non-financial performance conditions ("2013 Non-Financial Performance Conditions").

The 2013 Financial Performance Condition (the "2013 EPS Condition") is:

- (a) partly satisfied if the earnings per share growth is 10% per annum or more on a cumulative basis over the earnings per share in respect of the year ended 30 June 2010 ("Base Year"); or
- (b) wholly satisfied if the earnings per share growth is 15% per annum or more on a cumulative basis over the earnings per share in respect of the Base Year.

Earnings per share growth was selected as a performance measure in respect of the 2010 Share Option Plan for reasons which included the following:

- (i) rises (or falls) in share prices can often be attributable to general market trends, unrelated to the performance of executives or contribution by executives to the creation of long-term shareholder values;
- (ii) long-term value for shareholders is best created by requiring that the executive director team should focus on, and achieve and execute measures, targets and initiatives critical to the execution of the strategic objectives of the company; and
- (iii) relevant measures, targets and initiatives will involve both financial and non-financial criteria, and flexibility to adjust to changing circumstances, to avoid short-term decision-making.

The 2013 Non-Financial Performance Conditions (the "2013 Critical Success Factors") were weighted:

- (a) as to 25% relating to the achievement of key operating priorities including execution of omni channel strategic initiatives;
- (b) as to 25% relating to the level of operating working capital, inventory control and cost control generally;
- (c) as to 25% relating to the improvements in customer engagement; and
- (d) as to 25% relating to improvements in market share and sustainability of retailing operations.

The remuneration committee may at any time reduce the number of exercisable options if there is only partial achievement of the performance conditions.

Service conditions in respect of a grantee of the Third Tranche of Options will be deemed to be satisfied if at the time of exercise of an option the subject of the Third Tranche of Options:

- (a) the grantee has not resigned or provided notice of resignation of employment from the Company, except in order to retire from the workplace;
- (b) the Company has not terminated the employment of the grantee for cause; or
- (c) the board has not determined that the relevant options should lapse as a result of any fraud, gross misconduct or conduct of the grantee which brings the Company into disrepute.

If a grantee has died before a relevant option is exercised, but the performance conditions have been satisfied, the estate of the grantee may exercise the relevant options.

## DIRECTOR'S REPORT (CONTINUED)

## Remuneration Report (Audited) (continued)

## Termination and Change of Control Provisions

Subject to ASX Listing Rules relevant options may be exercised before their specified exercise date, but only if:

- (a) a change of control of the Company occurs; or
- (b) in special circumstances, including retirement, redundancy, death or permanent disability of the grantee.

Where a participant ceases employment prior to the vesting of their award, the options are forfeited unless the board applies its discretion to allow vesting at or post cessation of employment in appropriate circumstances.

In the event of a change of control of the Group, the performance period end date will generally be brought forward to the date of the change of control and awards will vest subject to performance over this shortened period, subject to ultimate board discretion.

*LTI Awards for 2013 Financial Year*

The Third Tranche of Options under the 2010 Share Option Plan were granted to David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith on 29 November 2012. Details in respect of the awards are set out in Table 2 on page 34 of this report.

*Independent Valuation of the Third Tranche of Options*

The Third Tranche of Options were independently valued by Mercer (Australia) Pty Limited at grant date utilising the assumptions underlying the Black-Scholes methodology. Under this valuation methodology, the value of each option in the Third Tranche of Options was \$0.282 per option or \$846,000 in total.

## LTI Awards for Previous Financial Years

*LTI Awards for 2012 Financial Year*

The Second Tranche of Options under the 2010 Share Option Plan were granted to David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith on 29 November 2011.

*Independent Valuation of the Second Tranche of Options*

The Second Tranche of Options were independently valued by Mercer (Australia) Pty Limited at grant date utilising the assumptions underlying the Black-Scholes methodology. Under this valuation methodology, the value of each option in the Second Tranche of Options was \$0.51 per option or \$1,530,000 in total.

*LTI Awards for 2011 Financial Year*

The First Tranche of Options under the 2010 Share Option Plan were granted to David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith on 29 November 2010.

*Independent Valuation of the First Tranche of Options*

The First Tranche of Options were independently valued by Mercer (Australia) Pty Limited at grant date utilising the assumptions underlying the Black-Scholes methodology. Under this valuation methodology, the value of each option in the First Tranche of Options was \$0.87 per option or \$2,610,000 in total.

*Hedging of Equity Awards*

The Company prohibits executive directors from entering into arrangements to protect the value of unvested LTI awards. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

Adherence to this policy is monitored on an annual basis and involves each KMP signing an annual declaration of compliance with the hedging policy.

*Margin Loans*

If a director or executive, acting reasonably, would believe that there will be an unmet margin call or event of default in relation to any margin loan arrangements, the director or executive must immediately disclose to the chairman, company secretary or chief executive officer, full and complete details of the arrangement as is necessary to ensure the Company can comply with continuous disclosure obligations of the Company under ASX Listing Rules and the law.

*Satisfaction of Performance Conditions in Respect of First Tranche of Options*

The earnings per share in respect of the Company for the year ended 30 June 2011 was \$0.2375c. The 2011 EPS Condition was not satisfied but 30% of the First Tranche of Options was eligible for further testing up to 30 June 2013, subject to the terms and conditions, including service conditions, of the 2010 Share Option Plan.

### Remuneration Report (Audited) (continued)

The remuneration committee had regard to certificates and reports from officers of the Company, other board committees and management, and own enquiries, and determined that the 2011 Critical Success Factors had been satisfied as to 54% of the 70% weighting of those 2011 Critical Success Factors, resulting in the vesting of 37.8% of the First Tranche of Options, subject to the terms and conditions, including service conditions, of the 2010 Share Option Plan.

#### *Satisfaction of Performance Conditions in Respect of Second Tranche of Options*

The earnings per share in respect of the Company for the year ended 30 June 2012 was \$0.1624c. The 2012 EPS Condition was not satisfied.

The remuneration committee had regard to certificates and reports from officers of the Company, other board committees and management, and own enquiries, noted that the 2012 Critical Success Factors had been only partially satisfied, noted that the net profit after tax of the consolidated entity was down 31.6% on the 2011 year, and determined, in accordance with the terms and conditions of the 2010 Share Option Plan that as there had been only partial achievement of the relevant performance conditions, to reduce the aggregate number of exercisable options in the Second Tranche of Options to 750,000, as follows:

- (a) David Matthew Ackery – 250,000 options to subscribe for 250,000 fully paid ordinary shares in the company at an issue price of \$2.03 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan);
- (b) John Evyn Slack-Smith – 250,000 options to subscribe for 250,000 fully paid ordinary shares in the company at an issue price of \$2.03 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan);
- (c) Chris Mentis – 250,000 options to subscribe for 250,000 fully paid ordinary shares in the company at an issue price of \$2.03 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan).

#### *Satisfaction of Performance Conditions in Respect of Third Tranche of Options*

The earnings per share in respect of the Company for the year ended 30 June 2013 was \$0.1339c. The 2013 EPS Condition was not satisfied.

The remuneration committee had regard to certificates and reports from officers of the Company, other board committees and management, and own enquiries, noted that the 2013 Critical Success Factors had been only partially satisfied, noted that the net profit after tax of the consolidated entity was down 17.5% on the 2012 year, and determined, in accordance with the terms and conditions of the 2010 Share Option Plan that as there had been only partial achievement of the relevant performance conditions, to reduce the aggregate number of exercisable options in the Third Tranche of Options to 1,701,000, as follows:

- (a) David Matthew Ackery – 567,000 options to subscribe for 567,000 fully paid ordinary shares in the Company at an issue price of \$1.827 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan);
- (b) John Evyn Slack-Smith – 567,000 options to subscribe for 567,000 fully paid ordinary shares in the Company at an issue price of \$1.827 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan);
- (c) Chris Mentis – 567,000 options to subscribe for 567,000 fully paid ordinary shares in the Company at an issue price of \$1.827 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan).

### Company Performance and the Link to Remuneration

The aggregate amount of PCI/STI remuneration for executive directors in the year ended 30 June 2012 was \$1,455,000. The aggregate amount of PCI/STI for executive directors in respect of the year ended 30 June 2013 was \$1,425,000, a reduction of 2.1% on the prior year. That reduction in PCI/STI for 2013 resulted from the only partial achievement of 2013 Critical Success Factors and the fact that net profit before tax for the year ended 30 June 2013 excluding property revaluation increments and decrements was down approximately 2% on the prior year. The net profit after tax of the consolidated entity in respect of the year ended 30 June 2013 was down 17.5% on the prior year.

The award of 2013 LTI target remuneration in the form of share option awards to certain executive directors, subject to the terms and conditions of the 2010 Share Option Plan, was approved by shareholders at the annual general meeting of the Company held 23 November 2010. The terms and conditions for the award of 2013 LTI target remuneration in the form of share option awards to certain executive directors, required satisfaction and achievement of both financial (weighted as to 30%) and non-financial (weighted as to 70%) performance measures, including the 2013 Critical Success Factors, subject to Service Conditions (as defined in the 2010 Share Option Plan). The financial measure required an increase on a cumulative basis in earnings per share of at least 10% over the base year ("2013 EPS Condition"). The 2013 EPS Condition was not satisfied and is not eligible for further testing. The 2013 LTI non-financial measures included the 2013 Critical Success Factors described on page 28, and were substantially achieved. The terms and conditions of the 2010 Share Option Plan empowered the remuneration committee to determine the question as to whether Non-Financial Performance Conditions have been satisfied.

## DIRECTOR'S REPORT (CONTINUED)

## Remuneration Report (Audited) (continued)

In addition, the remuneration committee may at any time reduce the number of exercisable options if there is only partial achievement of the performance conditions. The remuneration committee took into account all matters that the remuneration committee considered relevant and determined to reduce the aggregate number of the Third Tranche of Options to 1,701,000, as follows:

- (a) David Matthew Ackery – 567,000 options to subscribe for 567,000 fully paid ordinary shares in the Company at an issue price of \$1.827 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan);
- (b) John Evyn Slack-Smith – 567,000 options to subscribe for 567,000 fully paid ordinary shares in the Company at an issue price of \$1.827 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan); and
- (c) Chris Mentis – 567,000 options to subscribe for 567,000 fully paid ordinary shares in the Company at an issue price of \$1.827 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan).

The decision of the remuneration committee to reduce the aggregate number of the Third Tranche of Options, because there has been only partial achievement of 2013 performance conditions, has been accepted by the board and executive directors, despite the fact that apart from the determination by the remuneration committee, the 2013 Non-Financial Performance Conditions were substantially achieved. The reduction in the aggregate amount of the 2013 PCI/STI pool and in the aggregate number of the Third Tranche of Options directly linked the remuneration of executive directors to Company performance.

## Executive Contractual Arrangements

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

## Chief Executive Officer

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

Under the terms of the present contract:

- The CEO receives fixed remuneration of \$1,500,000 per annum
- The CEO's maximum STI opportunity in respect of the year ended 30 June 2013 was 25% of annual TEC
- The CEO did not have an LTI target opportunity under her present contract

The CEO's termination provisions are as follows:

	Notice period	Payment in lieu of notice	Treatment of STI on termination	Treatment of LTI on termination
Employer-initiated termination	4 weeks	4 weeks	Pro-rated for time and performance	Board discretion
Termination for serious misconduct	None	None	Unvested awards forfeited	Unvested awards forfeited
Employee-initiated termination	4 weeks	4 weeks	Unvested awards forfeited, subject to Board discretion	Unvested awards forfeited subject to board discretion

## Minimum Shareholding Requirement

There are no minimum shareholding requirements imposed on the CEO.

## Other KMPs

All other KMPs have rolling contracts.

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

## Relationship between Remuneration and the Performance of the Company

The remuneration policies of the Company are intended to motivate directors and employees to pursue relevant short-term goals, long-term growth and success of the Company. The different remuneration components disclosed in Table 1 on page 33 and Table 3 on page 35 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 dependent upon satisfaction of the respective service conditions and performance conditions under each of the First Tranche of Options, Second Tranche of Options and the Third Tranche of Options.



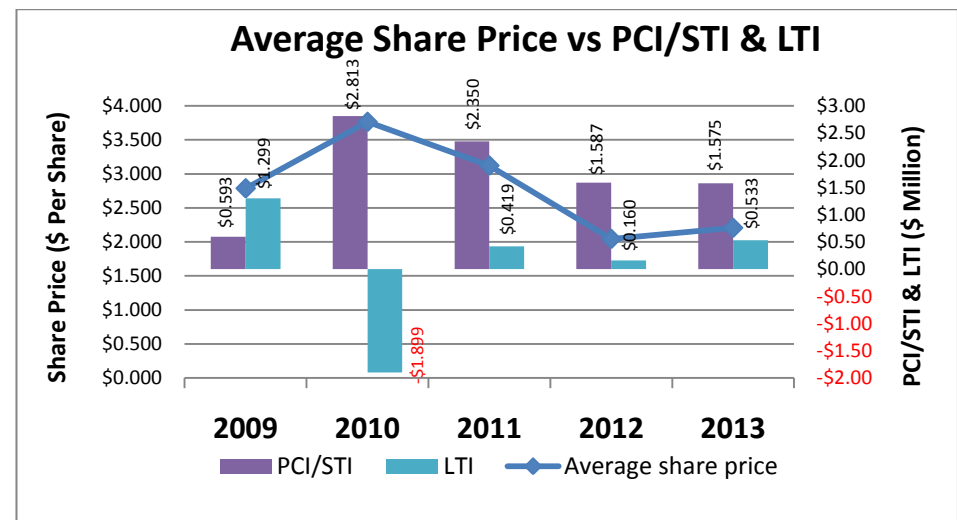
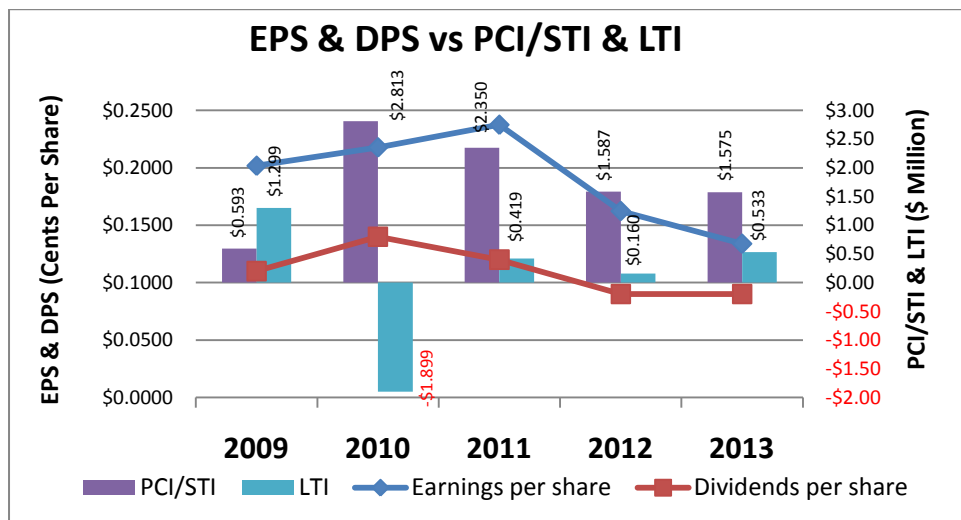
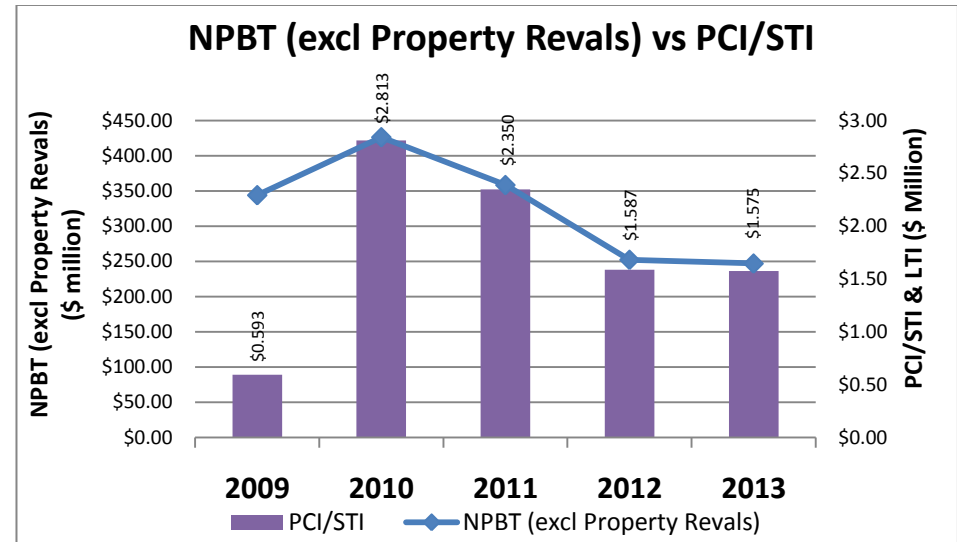
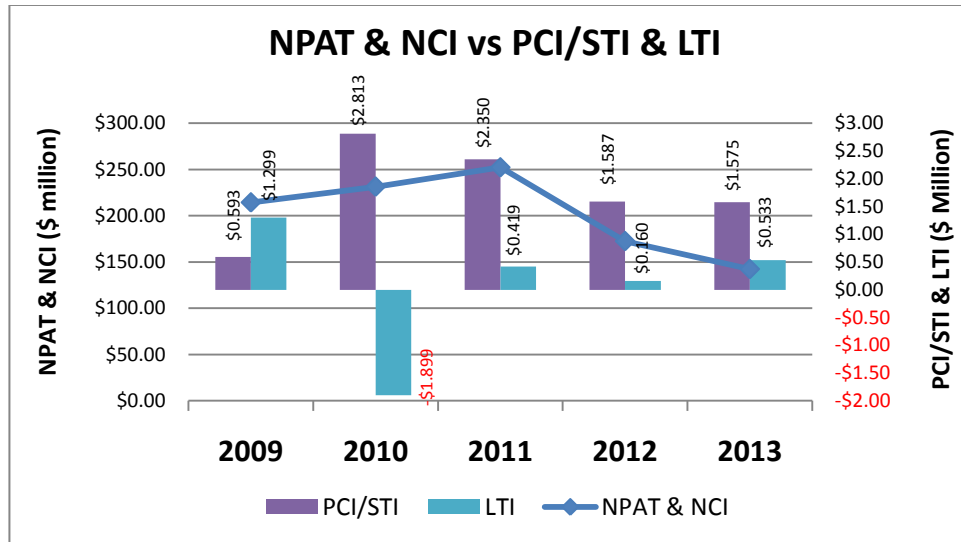
## DIRECTOR'S REPORT (CONTINUED)

### Remuneration Report (Audited) (continued)

#### Relationship between Remuneration and the Performance of the Company (continued)

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

Where: NPAT & NCI = net profit after tax & non-controlling interests; NPBT = net profit before tax; PCI/STI = performance cash incentive/short-term incentive; LTI = long-term incentive; EPS = earnings per share; DPS = dividends per share



## DIRECTOR'S REPORT (CONTINUED)

### Remuneration Report (Audited) (continued)

TABLE 1: Compensation of Key Management Personnel for the Year Ended 30 June 2013 - Directors of Harvey Norman Holdings Limited:

		Short Term Benefits				Post-Employment	Other	Share-Based Payments	Total Remuneration			
		Salary & fees \$	Performance Cash Incentive \$	Other Short-Term \$	Non monetary benefits \$	Super-annuation \$	Long Service Leave (a) \$	Value of Options \$	TOTAL \$	Reversal of Options Expense (b)	TOTAL \$	% of options
G. Harvey	2013	723,130	279,300	10,400	-	16,470	-	-	1,029,300	-	1,029,300	-
Executive Chairman	2012	723,825	285,000	10,400	-	15,775	-	-	1,035,000	-	1,035,000	-
K.L. Page	2013	1,435,925	293,800	-	47,605	16,470	-	-	1,793,800	-	1,793,800	-
Exec Director / CEO	2012	1,442,830	300,000	-	41,395	15,775	-	-	1,800,000	-	1,800,000	-
J.E. Slack-Smith	2013	1,233,359	318,200	-	171	16,470	20,556	177,700	1,766,456	-	1,766,456	10.1%
Exec Director / COO	2012	1,210,525	325,000	-	23,700	15,775	20,175	263,913	1,859,088	(210,617)	1,648,471	3.2%
D.M. Ackery	2013	1,215,530	318,200	18,000	-	16,470	20,259	177,700	1,766,159	-	1,766,159	10.1%
Executive Director	2012	1,216,225	325,000	18,000	-	15,775	20,270	263,913	1,859,183	(210,617)	1,648,566	3.2%
C. Mentis	2013	880,710	215,500	-	52,820	16,470	14,679	177,700	1,357,879	-	1,357,879	13.1%
Exec Director / CFO	2012	882,338	220,000	-	51,887	15,775	14,706	263,913	1,448,619	(210,617)	1,238,002	4.3%
M.J. Harvey	2013	110,092	-	-	-	9,908	-	-	120,000	-	120,000	-
Non-Executive Dir	2012	110,092	-	-	-	9,908	-	-	120,000	-	120,000	-
C.H. Brown	2013	110,092	-	-	-	9,908	-	-	120,000	-	120,000	-
Non-Executive Dir	2012	110,092	-	-	-	9,908	-	-	120,000	-	120,000	-
I.J. Norman	2013	18,349	-	-	-	1,651	-	-	20,000	-	20,000	-
Non-Executive Dir	2012	18,349	-	-	-	1,651	-	-	20,000	-	20,000	-
K.W. Gunderson – Briggs	2013	106,899	-	-	-	13,101	-	-	120,000	-	120,000	-
Non-Executive Dir	2012	110,093	-	-	-	9,907	-	-	120,000	-	120,000	-
G.C.Paton	2013	110,092	-	-	-	9,908	-	-	120,000	-	120,000	-
Non-Executive Dir	2012	110,092	-	-	-	9,908	-	-	120,000	-	120,000	-
TOTAL	2013	5,944,178	1,425,000	28,400	100,596	126,826	55,494	533,100	8,213,594	-	8,213,594	6.5%
TOTAL	2012	5,934,461	1,455,000	28,400	116,982	120,157	55,151	791,739	8,501,890	(631,851)	7,870,039	2.0%

(a) Table 1 has been adjusted to include the accrual for long service leave entitlements in respect of the years ended 30 June 2013 and 30 June 2012. The Chairman (G. Harvey) and Chief Executive Officer (K.L. Page) do not have a long service leave accrual as they have elected to forgo this employee entitlement.

(b) Certain performance conditions in respect of the First Tranche of Options were not satisfied. On 13 June 2012, the Board determined that options over 966,000 shares granted in respect of the First Tranche of Options had lapsed. This resulted in the reversal of the cumulative share based payments expense recognised in respect of the First Tranche of Options totalling \$631,851, of which \$399,388 was recognised in the year ended 30 June 2012 and \$232,463 was recognised in the year ended 30 June 2011.

## DIRECTOR'S REPORT (CONTINUED)

### Remuneration Report (Audited) (continued)

TABLE 2: Options Granted to Executive Directors as Part of Remuneration:

	Options Granted as Remuneration During the Year (a)								Options Lapsed During the Year (b)	
	Grant Date	Grant Number	Value per option at Grant Date \$	Total Value of Options Granted During the Year \$	First Exercise Date	Last Exercise Date	Number of Options Vested During the Year	Value of Options Exercised During the Year	Number of Options Lapsed During the Year	Value of Options Lapsed During the Year \$
J.E. Slack-Smith	29/11/2012	1,000,000	\$0.282	\$282,000	01/01/2016	30/06/2018	-	-	750,000	\$382,500
D.M. Ackery	29/11/2012	1,000,000	\$0.282	\$282,000	01/01/2016	30/06/2018	-	-	750,000	\$382,500
C. Mentis	29/11/2012	1,000,000	\$0.282	\$282,000	01/01/2016	30/06/2018	-	-	750,000	\$382,500
TOTAL	3,000,000			\$846,000			-	-	2,250,000	\$1,147,500

- (a) Subject to the terms and conditions of the 2010 Share Option Plan, the Company issued 1,000,000 options to subscribe for 1,000,000 fully paid ordinary shares in the Company, at an exercise price of \$1.827 per option, on 29 November 2012, to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith ("Third Tranche of Options"). The qualifying period for the Third Tranche of Options is the year ending 30 June 2013. The Third Tranche of Options were independently valued by Mercer (Australia) Pty Limited at grant date utilising the assumptions underlying the Black-Scholes methodology. Under this valuation methodology, the value of each option in the Third Tranche of Options was \$0.282 per option or \$846,000 in total.
- (b) On 29 November 2012 the Company announced that options over 750,000 shares granted to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith, a total of 2,250,000 options over 2,250,000 shares, previously granted on 29 November 2011 ("Second Tranche of Options") have lapsed and will never be exercisable.
- (c) 1,701,000 options over 1,701,000 shares of the Third Tranche of Options may be exercised subject to the satisfaction of service conditions and the terms and conditions of the 2010 Share Option Plan. 1,299,000 options over 1,299,000 shares of the Third Tranche of Options cannot be exercised but remain in existence.

## DIRECTOR'S REPORT (CONTINUED)

### Remuneration Report (Audited) (continued)

TABLE 3: Compensation of Key Management Personnel for the Year Ended 30 June 2013 – Executives of Harvey Norman Holdings Limited:

		Short-Term Benefits				Post-Employment	Share-Based Payments	Other		TOTAL \$	% of options
		Salary & fees \$	Performance Cash Incentive \$	Other Short-Term \$	Non monetary benefits \$	Super-annuation \$	Value of Options \$	Long Service Leave \$	Termination Benefits \$		
<b>R. Orrock</b>	<b>2013</b>	<b>512,943</b>	-	<b>21,162</b>	-	<b>16,470</b>	-	<b>8,549</b>	-	<b>559,124</b>	-
<i>General Manager: Domayne</i>	2012	513,638	82,400	21,162	-	15,775	-	8,561	-	641,536	-
<b>M.L. Anderson</b>	<b>2013</b>	<b>335,215</b>	-	-	<b>23,315</b>	<b>16,470</b>	-	<b>5,587</b>	-	<b>380,587</b>	-
<i>General Manager: Advertising</i>	2012	337,252	-	-	21,973	15,775	-	5,621	-	380,621	-
<b>G.I. Dingwall</b>	<b>2013</b>	<b>334,106</b>	<b>50,000</b>	-	-	<b>16,470</b>	-	<b>5,568</b>	-	<b>406,144</b>	-
<i>General Manager: IT / CIO</i>	2012	334,800	50,000	-	-	15,775	-	5,580	-	406,155	-
<b>T.J. Scott</b>	<b>2013</b>	<b>449,305</b>	<b>100,000</b>	-	-	<b>16,470</b>	-	<b>7,488</b>	-	<b>573,263</b>	-
<i>General Manager: Property</i>	2012	450,000	-	-	-	15,775	-	7,500	-	473,275	-
<b>TOTAL KEY MANAGEMENT PERSONNEL 2013</b>		<b>1,631,569</b>	<b>150,000</b>	<b>21,162</b>	<b>23,315</b>	<b>65,880</b>	-	<b>27,192</b>	-	<b>1,919,118</b>	-
<b>TOTAL KEY MANAGEMENT PERSONNEL 2012</b>		<b>1,635,690</b>	<b>132,400</b>	<b>21,162</b>	<b>21,973</b>	<b>63,100</b>	-	<b>27,262</b>	-	<b>1,901,587</b>	-



### Indemnification of Officers

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

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

### Corporate Governance

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

### Tax Consolidation

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

Details of the amounts paid or payable to the auditor, Ernst & Young, for the provision of non-audit services during the year ended 30 June 2013 are as follows:

- Tax compliance services \$218,670 (2012: \$245,057);
- Other services \$102,502 (2012: \$45,135)

## DIRECTOR'S REPORT (CONTINUED)

## Auditor Independence and Non-Audit Services

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



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

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

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

In relation to our audit of the financial report of Harvey Norman Holdings Limited for the financial year ended 30 June 2013, 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

Katrina Zdrilic  
Partner  
Sydney  
27 September 2013

A member firm of Ernst & Young Global Limited  
Liability limited by a scheme approved under Professional Standards Legislation

Signed in accordance with a resolution of directors.

G. HARVEY  
Executive Chairman  
Sydney  
27 September 2013

K.L. PAGE  
Executive Director / Chief Executive Officer  
Sydney  
27 September 2013

The board of directors of Harvey Norman Holdings Limited ("Company") is responsible for establishing the corporate governance framework of the consolidated entity having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Recommendation		Comply		Reference/ Explanation In Annual Report	ASX Listing Rule/ Recommendation
		Yes	No		
Principle 1 – Lay solid foundations for management and oversight					
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes		Page 40	ASXLR 1.1
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Yes		Pages 22-32 & 41	ASXLR 1.2
1.3	Companies should provide the information indicated in the guide to reporting on Principle 1.	Yes			ASXLR 1.3
Principle 2 – Structure the board to add value					
2.1	A majority of the board should be independent directors.		No	Page 40	ASXLR 2.1
2.2	The chair should be an independent director.		No	Pages 40 & 41	ASXLR 2.2
2.3	The roles of chair and chief executive officer should not be exercised by the same individual.	Yes		Page 41	ASXLR 2.3
2.4	The board should establish a nomination committee.	Yes		Pages 42	ASXLR 2.4
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes		Pages 22-32 & 41	ASXLR 2.5
2.6	Companies should provide the information indicated in the guide to reporting on Principle 2.	Yes			ASXLR 2.6
Principle 3 – Promote ethical and responsible decision-making					
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"><li>The practices necessary to maintain confidence in the company's integrity.</li><li>The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.</li><li>The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li></ul>	Yes		Please refer to the website of the Company.	ASXLR 3.1
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	Yes		Pages 45 & 46	ASXLR 3.2
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress toward achieving them.	Yes		Page 45	ASXLR 3.3
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes		Page 45	ASXLR 3.4
3.5	Companies should provide the information indicated in the guide to reporting on Principle 3.	Yes			ASXLR 3.5

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Recommendation		Comply		Reference/ Explanation in Annual Report	ASX Listing Rule/ Recommendation
		Yes	No		
<b>Principle 4 – Safeguard integrity in financial reporting</b>					
4.1	The board should establish an audit committee.	Yes		Page 42	ASXLR 4.1
4.2	The audit committee should be structured so that it:	Yes		Page 42	ASXLR 4.2
	<ul style="list-style-type: none"> <li>consists only of non-executive directors</li> <li>consists of a majority of independent directors</li> <li>is chaired by an independent chair, who is not chair of the board</li> <li>has at least three members</li> </ul>				ASXLR 12.7
4.3	The audit committee should have a formal charter.	Yes		Page 42	ASXLR 4.3
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	Yes			ASXLR 4.4
<b>Principle 5 – Make timely and balanced disclosures</b>					
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes		Please refer to the website of the Company.	ASXLR 5.1
5.2	Companies should provide the information indicated in the guide to reporting on Principle 5.				ASXLR 5.2
<b>Principle 6 – Respect the rights of shareholders</b>					
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes		Page 44	ASXLR 6.1
6.2	Companies should provide the information indicated in the guide to reporting on Principle 6.	Yes			ASXLR 6.2
<b>Principle 7 – Recognise and manage risk</b>					
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes		Pages 42 & 43	ASXLR 7.1
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes		Pages 42 & 43	ASXLR 7.2
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes		Page 43	ASXLR 7.3
7.4	Companies should provide the information indicated in the guide to reporting on Principle 7.	Yes			ASXLR 7.4
<b>Principle 8 – Remunerate fairly and responsibly</b>					
8.1	The board should establish a remuneration committee.	Yes		Pages 23, 43 & 44	ASXLR 8.1
8.2	The remuneration committee should be structured so that it:			Pages 23, 43 & 44	ASXLR 8.2
	<ul style="list-style-type: none"> <li>consists of a majority of independent directors</li> <li>is chaired by an independent chair</li> <li>has at least three members</li> </ul>	Yes	No		
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes		Pages 22-32, 43 & 44	ASXLR 8.3
8.3	Companies should provide the information indicated in the Guide to reporting on Principle 8.	Yes			ASXLR 8.3

The corporate governance practices of the Company were in place throughout the year ended 30 June 2013.

ASXLR 4.10.3

Various corporate governance practices are discussed within this statement. For further information on corporate governance policies adopted by the Company, refer to the website: [www.harveynormanholdings.com.au](http://www.harveynormanholdings.com.au).

### Board functions

The board seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks.

ASX Rec 1.1

To ensure that the board is well equipped to discharge its responsibilities it has established guidelines for the nomination and selection of directors and for the operation of the board.

The responsibility for the operation and administration of the Company is delegated, by the board, to the CEO and the executive management team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the CEO and the executive management team.

Whilst at all times the board retains full responsibility for guiding and monitoring the Company, in discharging its stewardship it makes use of sub-committees. Specialist committees are able to focus on a particular responsibility and provide informed feedback to the board.

To this end the board has established the following committees: Audit, Nomination, Remuneration and Risk.

The roles and responsibilities of these committees are discussed throughout this corporate governance statement.

The board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risk identified by the board. The board has a number of mechanisms in place to ensure this is achieved including:

- (i) Board approval of strategic plans designed to meet stakeholders' needs and manage business risk.
- (ii) Ongoing development of strategic plans and approving initiatives and strategies designed to ensure the continued growth and success of the entity.
- (iii) Implementation of budgets by management and monitoring progress against budget – via the establishment and reporting of both financial and non financial key performance indicators.

Other functions reserved to the board include:

- (i) Approval of the annual and half-yearly financial reports.
- (ii) Approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures.
- (iii) Ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored.
- (iv) Reporting to shareholders.

### Structure of the board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report are included in the directors' report. The board considers that the present board has an appropriate mix of skills and diversity. Directors of the Company are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

ASX Rec 2.6

In accordance with the definition of independence above, and the materiality thresholds set, the following directors of the Company are considered to be independent:

ASX Rec 2.6

Name	Position
Kenneth William Gunderson-Briggs	Non-Executive Director
Graham Charles Paton	Non-Executive Director



A majority of the board does not consist of independent directors. The majority of the board consists of executive directors. The board recognises the Corporate Governance Council's recommendation that a majority of the board should consist of independent directors. The board believes that each executive director is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of that executive director and that the Company as a whole benefits from the long-standing experience of that director in relation to the operations and business relationships of the Company.

The board recognises the Corporate Governance Council's recommendation that the Chair should be an independent director. The board further recognises that Mr Gerald Harvey does not meet the definition of independence.

ASX Rec 2.1

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

There are procedures in place, agreed by the board, to enable directors in furtherance of their duties to seek independent professional advice at the expense of the Company.

ASX Rec 2.6

The term in office held by each director in office at the date of this report is as follows:

ASX Rec 2.6

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

For additional details regarding board appointments, please refer to our website.

### Performance

The performance of the board and key executives is reviewed regularly against both measurable and qualitative indicators. During the reporting period, the nomination committee conducted performance evaluations that involved an assessment of the performance of each board member against specific and measurable qualitative and quantitative performance criteria.

ASX Rec 2.5

The performance criteria against which directors and executives are assessed are aligned with the financial and non-financial objectives of the Company. Directors whose performance is consistently unsatisfactory may be asked to retire.

### Trading policy

Under the Share Trading Policy of the Company, an executive or director must not trade in any securities of the Company at any time when they are in possession of unpublished, price-sensitive information in relation to those securities.

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

Only in exceptional circumstances will approval be forthcoming outside of the period which is 30 days after:

- (i) One day following the announcement of the half yearly and full year results as the case may be
- (ii) One day following the holding of the Annual General Meeting

As required by the ASX listing rules, the Company notifies the ASX of any transaction conducted by directors in the securities of the Company.

**Nomination committee**

The board has established a nomination committee, which meets at least annually, to ensure that the board continues to operate within the established guidelines, including when necessary, selecting candidates for the position of director. The nomination committee is comprised of non-executive directors, Christopher Herbert Brown (Chairman), Kenneth William Gunderson-Briggs and Graham Charles Paton through the year ended 30 June 2013.

ASX Rec 2.6

The nomination committee recognises the Corporate Governance Council's recommendation that the Chair should be an independent director. The nomination committee further recognises that it can be argued that Mr Christopher Herbert Brown does not meet the definition of independence.

The nomination committee believes that Mr Christopher Herbert Brown is the most appropriate person to lead the nomination committee as non-executive Chairman and that he is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Company as a whole benefits from his long standing experience of its operations and business relationships.

For details of directors' attendance at meetings of the nomination committee, refer to the directors' report.

ASX Rec 2.6

For additional details regarding the nomination committee including its charter please refer to the website of the Company.

**Audit committee**

The board has established an audit committee, which operates under a charter approved by the board. It is the board's responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated responsibility for oversight of the framework of internal control and ethical standards to the audit committee.

The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports. All members of the audit committee are non-executive directors.

The members of the audit committee during the year were:

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

**Qualifications of audit committee members**

ASX Rec 4.4

- Graham Charles Paton is an experienced certified practising accountant, financially literate and Chairman of the audit committee.
- Christopher Herbert Brown is an experienced solicitor, financially literate and has been a Non-Executive Director of the Company since 1987.
- Kenneth William Gunderson-Briggs is an experienced chartered accountant, financially literate and has been an Independent Non-Executive Director of the Company since 2003.

For details on the number of meetings of the audit committee held during the year and the attendees at those meetings, refer to the directors' report.

ASX Rec 4.4

For additional details regarding the audit committee, including a copy of its charter, please refer to the website of the Company.

**Risk**

The board acknowledges the *Revised Supplementary Guidance to Principle 7* issued by the ASX in June 2008 and has continued its proactive approach to risk management. The identification and effective management of risk, including calculated risk-taking is viewed as an essential part of the approach of the Company to creating long-term shareholder value.

ASX Rec 7.1

In recognition of this, the board determines the risk profile of the Company and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The board has established a separate risk committee, to assist the board.

The board oversees an annual assessment of the effectiveness of risk management and internal

compliance and control. The tasks of undertaking and assessing risk management and internal control effectiveness are delegated to management through the Chief Executive Officer, including responsibility for the day to day design and implementation of the risk management and internal control system of the Company. Management reports to the board on the key risks of the Company and the extent to which it believes these risks are being adequately managed.

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

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

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

As part of its duties, the internal audit function of the Company is responsible for the objective assessment of:

- (i) the systems of internal control;
- (ii) the risk and control framework; and
- (iii) generally, objective assessment of compliance by the Company with risk management protocols of the Company.

In order to ensure the independence of the internal audit function, the head of internal audit meets privately with the audit committee without management present on a regular basis and is responsible for making the final decision on the head of internal audit's tenure.

Underpinning these efforts is a comprehensive set of policies and procedures directed towards achieving the following objectives in relation to the requirements of Principle 7:

- (i) Effectiveness and efficiency in the use of the resources of the Company
- (ii) Compliance with applicable laws and regulations
- (iii) Preparation of reliable published financial information

#### CEO and CFO certification

In accordance with section 295A of the *Corporations Act*, the chief executive officer and chief financial officer have provided a written statement to the board that:

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

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

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

#### Remuneration

It is the Company's objective to provide maximum stakeholder benefit from the retention of a high quality board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. To assist in achieving this objective, the remuneration committee links the nature and amount of executive directors' and officers' remuneration to the Company's financial and operational performance. The expected outcomes of the remuneration structure are:

- (i) Retention and motivation of key executives.

ASX Rec 8.2

- (ii) Attraction of high quality management to the Company.
- (iii) Performance incentives that allow executives to share in the success of Harvey Norman Holdings Limited.

For a full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period please refer to the remuneration report, which is contained with the directors' report.

ASX Rec 8.3

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

ASX Rec 8.3

The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the chief executive officer and executive team. The board has established a remuneration committee, comprising three non-executive directors. Members of the remuneration committee throughout the year were Christopher Herbert Brown (Chairman), Kenneth William Gunderson-Briggs and Graham Charles Paton.

ASX Rec 8.1

The remuneration committee recognises the Corporate Governance Council's recommendation that the Chair should be an independent director. The remuneration committee further recognises that it can be argued that Mr Christopher Herbert Brown does not meet the definition of independence.

The remuneration committee believes that Mr Christopher Herbert Brown is the most appropriate person to lead the remuneration committee as non-executive Chairman and that he is able to and does bring quality and independent judgement to all relevant issues falling within the scope of the role of Chairman and that the Company as a whole benefits from his long standing experience of its operations and business relationships.

For details on the number of meetings of the remuneration committee held during the year and the attendees at those meetings, refer to the directors' report.

ASX Rec 8.3

For additional details regarding the remuneration committee, including a copy of its charter, please refer to website of the Company.

### Shareholder communication policy

Pursuant to Principle 6, the objective of the Company is to promote effective communication with its shareholders at all times.

ASX Rec 6.2

The Company is committed to:

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

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

- (i) Through the release of information to the market via the ASX
- (ii) Through the distribution of the annual report and Notices of Annual General Meeting
- (iii) Through shareholder meetings and investor relations presentations
- (iv) Through letters and other forms of communications directly to shareholders
- (v) By posting relevant information to the website of the Company.

The Company's website [www.harveynormanholdings.com.au](http://www.harveynormanholdings.com.au) has a dedicated Investor Relations section for the purpose of publishing all important company information and relevant announcements made to the market (refer to the corporation information section of the website).

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

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

**Diversity**

In accordance with the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations", the Company established a policy concerning diversity which includes requirements for the Board to establish measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them. Present measurements are set out below.

**Diversity Policies**

The Company has established both a Board Diversity Policy and Employee Diversity Policy in the previous financial year.

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

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

In relation to the Board the Company recognises the importance of having a diverse Board and embraces the corporate benefits that a Board comprising members of diverse backgrounds, experiences and perspectives brings to an organisation. The Company views increasing diversity at board level as essential to producing greater value for its shareholders as it allows the Company become more innovative, responsive, productive and competitive.

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

Both policies are available on the Company's website.

**Present Measurements**

The Company presently measures:

- 1) the number of female and male employees;
- 2) the different positions held by female and male employees;
- 3) the number of female and male employees in full time, part time and casual roles; and
- 4) the salaries of female and male employees and whether a pay gap exists in the Company.

**Workforce Gender Profile**

As at 30 June 2013 women represent 42.95% of total employees of the Company (2012: 41.23%), 28.89% of employees in senior executive positions (2012: 31.18%) and 10.00% of the Board (2012: 10.00%).

**Diversity Objectives**

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

During the year ended 30 June 2013, the following measures, targets and initiatives were undertaken in accordance with the diversity objectives of the consolidated entity:

- 1) Formalise a Flexible Work Policy and a Working From Home Policy.
- 2) Review the Company's employee diversity survey to include a wider range of questions to obtain more detailed information about the diversity of the composition of the workforce with a view to assessing the progress of the Company towards achieving greater diversity in the workplace.
- 3) Undertake an annual employee diversity and opinion survey and analyse data collected about the composition of the workforce to assess the progress of the Company towards achieving greater diversity in workplace.
- 4) Review HR policies and processes to ensure that they are inclusive in nature and do not expressly or implicitly operate in a manner contrary to the Employee Diversity Policy or the Board Diversity Policy.
- 5) Conduct an annual internal audit of the bullying and harassment training completed by employees and the Board to eliminate bullying and harassment in the workplace.



## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### Diversity Objectives (continued)

- 6) Membership of Diversity Council Australia to reinforce the Company's commitment to an inclusive culture and diversity in the workplace and to add value to diversity related initiatives.
- 7) An event called "A Taste of Harmony" to celebrate diversity was held in March 2013 to raise awareness of diversity issues in the workplace.
- 8) Continue to develop the Harvey Norman Foundations Program.
- 9) Undertake a pay equity audit for the year ended 30 June 2013 and analyse data to assess whether a gender pay gap exists in the company.
- 10) Continue to develop the Learning Management System which assists managers to identify skill gaps of employees and monitors whether compulsory online sexual harassment training has been completed by employees, to eliminate sexual harassment in the workplace.
- 11) Continue to develop systems to enable regular reporting and assessment of progress towards the adopted gender diversity objectives.
- 12) Wherever possible include:
  - a. at least one female on a short list of applicants for all senior management roles; and
  - b. at least one woman in the selection panel for all senior management roles.

## STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	NOTE	CONSOLIDATED	
		June 2013 \$000	June 2012 \$000
<b>Current Assets</b>			
Cash and cash equivalents	27(a)	161,660	172,459
Trade and other receivables	5	1,054,402	1,017,973
Other financial assets	6	19,072	24,396
Inventories	7	268,781	263,421
Other assets	8	27,655	20,161
Intangible assets	9	343	531
Total current assets		1,531,913	1,498,941
<b>Non-Current Assets</b>			
Trade and other receivables	10	12,646	10,556
Investments accounted for using equity method	36	175,294	157,992
Other financial assets	11	14,223	9,355
Property, plant and equipment	12	548,903	536,277
Investment properties	13	1,694,744	1,653,746
Intangible assets	14	58,913	57,442
Deferred income tax assets	4(d)	28,395	27,507
Total non-current assets		2,533,118	2,452,875
Total Assets		4,065,031	3,951,816
<b>Current Liabilities</b>			
Trade and other payables	15	611,758	647,279
Interest-bearing loans and borrowings	16	172,455	234,876
Income tax payable		23,817	13,487
Other liabilities	17	2,689	1,631
Provisions	18	23,338	20,497
Total current liabilities		834,057	917,770
<b>Non-Current Liabilities</b>			
Interest-bearing loans and borrowings	19	647,821	544,471
Provisions	18	8,900	8,954
Deferred income tax liabilities	4(d)	194,353	198,849
Other liabilities	21	16,045	14,890
Total non-current liabilities		867,119	767,164
Total Liabilities		1,701,176	1,684,934
<b>NET ASSETS</b>		<b>2,363,855</b>	<b>2,266,882</b>
<b>Equity</b>			
Contributed equity	22	259,610	259,610
Reserves	23	61,799	19,376
Retained profits	24	2,008,880	1,956,966
Parent entity interests		2,330,289	2,235,952
Non-controlling interests	25	33,566	30,930
<b>TOTAL EQUITY</b>		<b>2,363,855</b>	<b>2,266,882</b>

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

# ANNUAL REPORT (2013)

## INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	CONSOLIDATED	
		June 2013 \$000	June 2012 \$000
Sales revenue	2	1,323,481	1,407,342
Cost of sales		(944,229)	(1,025,359)
<b>Gross profit</b>		<b>379,252</b>	<b>381,983</b>
Revenues and other income items	2	1,035,551	1,061,233
Distribution expenses		(11,047)	(10,869)
Marketing expenses		(341,460)	(355,456)
Occupancy expenses	3	(286,423)	(242,986)
Administrative expenses		(393,236)	(404,228)
Other expenses from ordinary activities		(177,236)	(164,050)
Finance costs	3	(45,774)	(49,455)
Share of equity accounted entities:			
- Share of net profit of joint venture entities (a)	2, 36	20,523	13,742
- Share of joint venture property revaluation (a)	2, 3, 36	7,796	(2,505)
<b>Profit before income tax</b>		<b>187,946</b>	<b>227,409</b>
Income tax expense	4(a) & 4(c)	(43,469)	(51,094)
<b>Profit after tax</b>		<b>144,477</b>	<b>176,315</b>
Attributable to:			
Owners of the Parent		142,211	172,471
Non-controlling interests		2,266	3,844
		<b>144,477</b>	<b>176,315</b>
<b>Earnings Per Share:</b>			
Basic earnings per share (cents per share)	26	<b>13.39 cents</b>	16.24 cents
Diluted earnings per share (cents per share)	26	<b>13.38 cents</b>	16.24 cents
Dividends per share (cents per share)		<b>9.0 cents</b>	9.0 cents

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

(a) The total share of net profit of joint venture entities, including the share of joint venture property revaluation, was \$28.32 million before tax for the year ended 30 June 2013 (June 2012: \$11.24 million before tax).

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	CONSOLIDATED	
	June 2013 \$000	June 2012 \$000
<b>Profit for the year</b>	<b>144,477</b>	<b>176,315</b>
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	34,416	1,402
Net fair value gains on available-for-sale investments	3,096	1,027
Net movement on cash flow hedges	7,231	(18,646)
Income tax effect on net movement on cash flow hedges	(2,169)	5,624
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Fair value revaluation of land and buildings	8,333	9,040
Income tax effect on fair value revaluation of land and buildings	(4,423)	(3,400)
<b>Other comprehensive income / (loss) for the year (net of tax)</b>	<b>46,484</b>	<b>(4,953)</b>
<b>Total comprehensive income for the year (net of tax)</b>	<b>190,961</b>	<b>171,362</b>
Total comprehensive income attributable to:		
- Owners of the Parent	184,253	166,713
- Non-controlling interests	6,708	4,649
	<b>190,961</b>	<b>171,362</b>

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

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to Equity Holders of the Parent								Non-controlling Interests	TOTAL EQUITY
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2012</b>	259,610	1,956,966	72,229	(35,369)	3,354	(13,886)	7,786	(14,738)	30,930	<b>2,266,882</b>
<b>Other comprehensive income:</b>										
Revaluation of land and buildings	-	-	2,316	-	-	-	-	-	1,594	<b>3,910</b>
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	737	-	-	-	<b>737</b>
Currency translation differences	-	-	-	31,568	-	-	-	-	2,848	<b>34,416</b>
Fair value of interest rate swaps	-	-	-	-	-	4,318	-	-	-	<b>4,318</b>
Fair value of forward foreign exchange contracts	-	-	-	-	-	7	-	-	-	<b>7</b>
Fair value of available for sale financial assets	-	-	-	-	3,096	-	-	-	-	<b>3,096</b>
<b>Other comprehensive income</b>	-	-	2,316	31,568	3,096	5,062	-	-	4,442	<b>46,484</b>
<b>Profit for the year</b>	-	142,211	-	-	-	-	-	-	2,266	<b>144,477</b>
<b>Total comprehensive income for the year</b>	-	<b>142,211</b>	<b>2,316</b>	<b>31,568</b>	<b>3,096</b>	<b>5,062</b>	-	-	<b>6,708</b>	<b>190,961</b>
Cost of share based payments	-	-	-	-	-	-	555	-	-	<b>555</b>
Reversal of share based payments	-	-	-	-	-	-	(174)	-	-	<b>(174)</b>
Dividends paid	-	(90,297)	-	-	-	-	-	-	(1,403)	<b>(91,700)</b>
Distribution to members	-	-	-	-	-	-	-	-	(2,669)	<b>(2,669)</b>
<b>At 30 June 2013</b>	<b>259,610</b>	<b>2,008,880</b>	<b>74,545</b>	<b>(3,801)</b>	<b>6,450</b>	<b>(8,824)</b>	<b>8,167</b>	<b>(14,738)</b>	<b>33,566</b>	<b>2,363,855</b>



## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

	Attributable to Equity Holders of the Parent								Non-controlling Interests	TOTAL EQUITY
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve		
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>At 1 July 2011</b>	259,610	1,901,350	66,557	(35,934)	2,327	(864)	7,452	(6,917)	34,880	<b>2,228,461</b>
<b>Other comprehensive income:</b>										
Revaluation of land and buildings	-	-	5,672	-	-	-	-	-	(32)	<b>5,640</b>
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	95	-	-	-	<b>95</b>
Currency translation differences	-	-	-	565	-	-	-	-	837	<b>1,402</b>
Fair value of interest rate swaps	-	-	-	-	-	(13,091)	-	-	-	<b>(13,091)</b>
Fair value of forward foreign exchange contracts	-	-	-	-	-	(26)	-	-	-	<b>(26)</b>
Fair value of available for sale financial assets	-	-	-	-	1,027	-	-	-	-	<b>1,027</b>
<b>Other comprehensive income</b>	-	-	5,672	565	1,027	(13,022)	-	-	805	<b>(4,953)</b>
Profit for the year	-	172,471	-	-	-	-	-	-	3,844	<b>176,315</b>
<b>Total comprehensive income for the year</b>	-	<b>172,471</b>	<b>5,672</b>	<b>565</b>	<b>1,027</b>	<b>(13,022)</b>	-	-	<b>4,649</b>	<b>171,362</b>
Shareholder equity contribution	-	-	-	-	-	-	-	-	1,500	<b>1,500</b>
Change in control of controlled entities	-	-	-	-	-	-	-	-	(4,521)	<b>(4,521)</b>
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(7,821)	-	<b>(7,821)</b>
Cost of share based payments	-	-	-	-	-	-	334	-	-	<b>334</b>
Dividends paid	-	(116,855)	-	-	-	-	-	-	(4,248)	<b>(121,103)</b>
Distribution to members	-	-	-	-	-	-	-	-	(1,330)	<b>(1,330)</b>
<b>At 30 June 2012</b>	<b>259,610</b>	<b>1,956,966</b>	<b>72,229</b>	<b>(35,369)</b>	<b>3,354</b>	<b>(13,886)</b>	<b>7,786</b>	<b>(14,738)</b>	<b>30,930</b>	<b>2,266,882</b>

# ANNUAL REPORT 2013

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	CONSOLIDATED	
		June 2013 \$000	June 2012 \$000
<b>Cash Flows from Operating Activities</b>			
		Inflows/(Outflows)	
Net receipts from franchisees	A	737,966	757,348
Receipts from customers	B	1,392,607	1,513,730
Payments to suppliers and employees	C	(1,797,476)	(1,955,793)
Distributions received from joint ventures		11,632	12,651
GST paid		(28,425)	(33,963)
Interest received		11,672	9,422
Interest and other costs of finance paid		(45,945)	(49,340)
Income taxes paid		(44,764)	(57,016)
Dividends received		1,316	2,919
Cash flows from operating activities prior to consumer finance related cash flows		238,583	199,958
<i>Consumer finance related cash flows:</i>			
Consumer finance loans granted by the consolidated entity		(494)	(918)
Repayments received from consumers on consumer finance loans granted by the consolidated entity		1,128	1,905
Consumer finance related cash flows		634	987
Net Cash Flows From Operating Activities	27(b)	239,217	200,945
<b>Cash Flows from Investing Activities</b>			
Payments for purchases of property, plant and equipment and intangible assets	D	(73,578)	(108,547)
Payments for purchase of investment properties	D	(101,771)	(88,631)
Proceeds from sale of property, plant and equipment and properties held for resale		4,297	5,322
Payments for purchase of units in unit trusts		(126)	(195)
Payments for purchase of equity accounted investments		(122)	(222)
Proceeds from sale of listed securities		10,993	18,941
Payments for purchase of listed securities		(994)	-
Loans (granted to) / repaid from other entities	E	(46,880)	2,260
Net Cash Flows Used In Investing Activities		(208,181)	(171,072)
<b>Cash Flows from Financing Activities</b>			
Payments for purchase of shares in controlled entities	F	-	(12,101)
Proceeds from Syndicated Facility and Syndicated Working Capital Facility	G	45,000	104,100
Dividends paid		(90,297)	(116,855)
Loans repaid to related parties		(11,831)	(1,211)
Proceeds from other borrowings	G	10,566	17,558
Net Cash Flows Used In Financing Activities		(46,562)	(8,509)
Net (Decrease) / Increase in Cash and Cash Equivalents		(15,526)	21,364
Cash and Cash Equivalents at Beginning of the Year		140,093	118,729
Cash and Cash Equivalents at End of the Year	27(a)	124,567	140,093

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

## Commentary to the Statement of Cash Flows:

- <A> Total revenue received from franchisees decreased from \$945.64 million for the prior year to \$916.24 million for the year ended 30 June 2013, a decrease of \$29.40 million or 3.1% (refer Note 2). The aggregate amount of tactical support for the current year was \$128.46 million compared to \$124.19 million for the prior year, an increase of \$4.27 million or 3.4% (refer Note 3).
- Accordingly, net receipts from franchisees decreased by \$19.38 million compared to the previous year.
- <B> Receipts from customers derived by company-operated stores decreased for the year ended 30 June 2013 due to the closure of seven (7) Clive Peeters and Rick Hart stores and the conversion of eighteen (18) stores to the franchised model in the previous year and due to lower sales in Northern Ireland following the rationalisation of the business resulting in the closure of the electrical and computer categories in both stores during the current year.
- The reductions were offset by the opening of three (3) new stores in offshore markets located in Mt Roskill and Lincoln Centre in New Zealand and Ampang Point in Malaysia and a full year's trading of company-operated stores that commenced trading in the previous year.
- <C> The decrease in payments to suppliers and employees was primarily due to the closure and conversion of Clive Peeters and Rick Hart branded stores in the previous year. During the year the consolidated entity closed two (2) stores in Ireland and the electrical and computer categories in both Northern Ireland stores.
- <D> Payments for purchases of property, plant and equipment and intangible assets decreased by \$34.97 million relative to the prior year predominantly due to higher payments in the prior year attributable to the opening of two (2) new owned stores in offshore markets located in Maribor, Slovenia and Zagreb, Croatia. The reductions were offset by the opening of three (3) new stores located in Mt Roskill and Lincoln Centre, New Zealand and Ampang Point, Malaysia in the current year.
- Payments for purchase of investment properties increased by \$13.14 million mainly due to the acquisition of the remaining 50% interest in a complex in Browns Plains, Queensland, the acquisition of the Cairns complex at Queensland (previously leased) and the new development recently completed at Devonport, Tasmania. The increases were partly offset by the development under construction at Maroochydore, Queensland in the prior year.
- <E> Loans granted to other entities increased by \$49.14 million compared to the prior year due to increased commercial loans advanced to mining camp accommodation joint ventures of \$34.81 million during the year. The consolidated entity's share of profits from mining camp accommodation joint ventures increased from \$3.88 million in the previous year to \$11.55 million in the current year, an increase of \$7.67 million.
- <F> During the previous year, the consolidated entity acquired an additional 12,592,150 shares in Pertama Holdings Limited, Singapore for a total purchase consideration of \$6.32 million and acquired a further 24.9% interest in a controlled entity for a total purchase consideration of \$5.78 million.
- <G> The utilised Syndicated Facility and Syndicated Working Capital Facility increased to \$635.00 million during the year ended 30 June 2013 to fund operating activities (refer to Notes 16 & 19 for further information on these facilities).

## OPERATING SEGMENTS

### OPERATING SEGMENTS – 30 June 2013

The consolidated entity has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the nature of services are provided and country of origin. Discrete financial information about each of these operating segments is reported to the executive management team on a monthly basis. The reportable segments are based on aggregated operating segments determined by the similarity of the services provided or country of origin, as these are the sources of the consolidated entity's major risks and have the most effect on the rates of return.

### SEGMENT REVENUE

	Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Share of Net Profit/(Loss) of Equity Accounted Investments	Share of Joint Venture Property Revaluations	Segment Revenue
	June 2013 \$000	June 2013 \$000	June 2013 \$000	June 2013 \$000	June 2013 \$000
FRANCHISING OPERATIONS	3,849	822,201	-	-	826,050
Retail – New Zealand	587,917	12,432	-	-	600,349
Retail – Asia	350,112	3,818	-	-	353,930
Retail – Slovenia & Croatia	80,246	568	-	-	80,814
Retail – Ireland & Northern Ireland	181,260	3,167	-	-	184,427
Non-Franchised Retail – Clive Peeters & Rick Hart	-	8	-	-	8
Other Non-Franchised Retail	117,291	2,251	(242)	-	119,300
<b>TOTAL RETAIL</b>	<b>1,316,826</b>	<b>22,244</b>	<b>(242)</b>	<b>-</b>	<b>1,338,828</b>
Retail Property	128	197,062	21,057	8,145	226,392
Property Under Construction for Retail	-	-	(288)	(349)	(637)
Property Developments for Resale	2,678	642	(4)	-	3,316
<b>TOTAL PROPERTY</b>	<b>2,806</b>	<b>197,704</b>	<b>20,765</b>	<b>7,796</b>	<b>229,071</b>
Equity Investments	-	7,235	-	-	7,235
Other	-	16,859	-	-	16,859
Inter-company eliminations	-	(30,692)	-	-	(30,692)
<b>Total Segment Revenue</b>	<b>1,323,481</b>	<b>1,035,551</b>	<b>20,523</b>	<b>7,796</b>	<b>2,387,351</b>

## OPERATING SEGMENTS (CONTINUED)

*Operating Segments – 30 June 2013 (continued)*

### SEGMENT RESULT

	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	Segment Result Before Tax
	June 2013 \$000	June 2013 \$000	June 2013 \$000	June 2013 \$000	June 2013 \$000
FRANCHISING OPERATIONS	178,869	(12,302)	(42,643)	(10,492)	113,432
Retail – New Zealand	49,270	(3)	(7,322)	(27)	41,918
Retail – Asia	9,587	(30)	(6,587)	(31)	2,939
Retail – Slovenia & Croatia	4,688	(1,130)	(1,566)	(78)	1,914
Retail – Ireland & Northern Ireland	(25,028)	(3,109)	(2,378)	-	(30,515)
Non-Franchised Retail – Clive Peeters & Rick Hart	(4,843)	(697)	-	-	(5,540)
Other Non-Franchised Retail	4,717	(1,331)	(1,513)	(60)	1,813
<b>TOTAL RETAIL</b>	<b>38,391</b>	<b>(6,300)</b>	<b>(19,366)</b>	<b>(196)</b>	<b>12,529</b>
Retail Property	99,881	(25,266)	(12,108)	-	62,507
Property Under Construction for Retail	(653)	(36)	-	-	(689)
Property Developments for Resale	(2,871)	(426)	(2)	-	(3,299)
<b>TOTAL PROPERTY</b>	<b>96,357</b>	<b>(25,728)</b>	<b>(12,110)</b>	<b>-</b>	<b>58,519</b>
Equity Investments	7,234	(262)	-	-	6,972
Other	3,291	(2,007)	(4,724)	(66)	(3,506)
Inter-company eliminations	(825)	825	-	-	-
<b>Total Segment Result Before Tax</b>	<b>323,317</b>	<b>(45,774)</b>	<b>(78,843)</b>	<b>(10,754)</b>	<b>187,946</b>
Income tax expense					(43,469)
Profit attributable to non-controlling interests					(2,266)
<b>Net Profit for the Year Attributable to Owners of the Parent</b>					<b>142,211</b>



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## OPERATING SEGMENTS (CONTINUED)

*Operating Segments – 30 June 2013 (continued)*

	SEGMENT ASSETS			SEGMENT LIABILITIES		
	Segment Assets	Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-company Eliminations	Segment Liabilities After Eliminations
	June 2013 \$000	June 2013 \$000	June 2013 \$000	June 2013 \$000	June 2013 \$000	June 2013 \$000
FRANCHISING OPERATIONS	3,208,043	(1,970,249)	1,237,794	1,242,032	(467,944)	774,088
Retail – New Zealand	172,537	-	172,537	50,773	(1,261)	49,512
Retail – Asia	140,401	(1,536)	138,865	77,986	(28,008)	49,978
Retail – Slovenia & Croatia	38,852	(1,922)	36,930	34,683	(367)	34,316
Retail – Ireland & Northern Ireland	46,939	-	46,939	263,782	(186,532)	77,250
Non-Franchised Retail – Clive Peeters and Rick Hart	13,634	(13,634)	-	52,110	(52,333)	(223)
Other Non-Franchised Retail	79,656	(16,696)	62,960	102,615	(68,297)	34,318
<b>TOTAL RETAIL</b>	<b>492,019</b>	<b>(33,788)</b>	<b>458,231</b>	<b>581,949</b>	<b>(336,798)</b>	<b>245,151</b>
Retail Property	2,211,098	(45,949)	2,165,149	1,560,792	(1,132,226)	428,566
Property Under Construction for Retail	9,477	(15)	9,462	1,979	(1,494)	485
Property Developments for Resale	31,222	(29)	31,193	45,004	(38,911)	6,093
<b>TOTAL PROPERTY</b>	<b>2,251,797</b>	<b>(45,993)</b>	<b>2,205,804</b>	<b>1,607,775</b>	<b>(1,172,631)</b>	<b>435,144</b>
Equity Investments	31,523	-	31,523	4,041	-	4,041
Other	150,652	(47,368)	103,284	144,607	(120,025)	24,582
<b>CONSOLIDATED</b>	<b>6,134,034</b>	<b>(2,097,398)</b>	<b>4,036,636</b>	<b>3,580,404</b>	<b>(2,097,398)</b>	<b>1,483,006</b>
Unallocated			28,395			218,170
<b>TOTAL</b>			<b>4,065,031</b>			<b>1,701,176</b>

## OPERATING SEGMENTS (CONTINUED)

OPERATING SEGMENTS – 30 June 2012

## SEGMENT REVENUE

	Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Share of Net Profit/(Loss) of Equity Accounted Investments	Segment Revenue
	June 2012 \$000	June 2012 \$000	June 2012 \$000	June 2012 \$000
FRANCHISING OPERATIONS	4,546	853,466	-	858,012
Retail – New Zealand	544,324	10,180	-	554,504
Retail – Asia	342,213	3,308	-	345,521
Retail – Slovenia & Croatia	84,136	731	-	84,867
Retail – Ireland & Northern Ireland	191,340	3,654	-	194,994
Non-Franchised Retail – Clive Peeters and Rick Hart	134,412	9,496	-	143,908
Other Non-Franchised Retail	106,260	3,282	-	109,542
<b>TOTAL RETAIL</b>	<b>1,402,685</b>	<b>30,651</b>	<b>-</b>	<b>1,433,336</b>
Retail Property	111	180,650	13,558	194,319
Property Under Construction for Retail	-	11	479	490
Property Developments for Resale	-	10,913	(295)	10,618
<b>TOTAL PROPERTY</b>	<b>111</b>	<b>191,574</b>	<b>13,742</b>	<b>205,427</b>
Equity Investments	-	4,095	-	4,095
Other	-	12,872	-	12,872
Inter-company eliminations	-	(31,425)	-	(31,425)
<b>Total Segment Revenue</b>	<b>1,407,342</b>	<b>1,061,233</b>	<b>13,742</b>	<b>2,482,317</b>

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## OPERATING SEGMENTS (CONTINUED)

Operating Segments – 30 June 2012 (continued)

### SEGMENT RESULT

	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	Segment Result Before Tax
	June 2012 \$000	June 2012 \$000	June 2012 \$000	June 2012 \$000	June 2012 \$000
FRANCHISING OPERATIONS	202,813	(15,274)	(50,943)	(9,613)	126,983
Retail – New Zealand	46,077	(70)	(6,839)	(36)	39,132
Retail – Asia	13,763	637	(4,932)	(28)	9,440
Retail – Slovenia & Croatia	5,242	(1,495)	(1,271)	(48)	2,428
Retail – Ireland & Northern Ireland	(27,501)	(3,385)	(2,641)	(509)	(34,036)
Non-Franchised Retail – Clive Peeters and Rick Hart	(13,120)	(776)	(895)	-	(14,791)
Other Non-Franchised Retail	10,653	(1,461)	(1,516)	(149)	7,527
<b>TOTAL RETAIL</b>	<b>35,114</b>	<b>(6,550)</b>	<b>(18,094)</b>	<b>(770)</b>	<b>9,700</b>
Retail Property	124,814	(25,611)	(4,749)	-	94,454
Property Under Construction for Retail	(18,254)	(1,250)	-	-	(19,504)
Property Developments for Resale	9,974	(489)	-	-	9,485
<b>TOTAL PROPERTY</b>	<b>116,534</b>	<b>(27,350)</b>	<b>(4,749)</b>	<b>-</b>	<b>84,435</b>
Equity Investments	4,784	(375)	-	-	4,409
Other	9,742	(963)	(4,455)	(2,442)	1,882
Inter-company eliminations	(1,057)	1,057	-	-	-
<b>Total segment result before tax</b>	<b>367,930</b>	<b>(49,455)</b>	<b>(78,241)</b>	<b>(12,825)</b>	<b>227,409</b>
Income tax expense					(51,094)
Profit attributable to non-controlling interests					(3,844)
<b>Net Profit for the Year Attributable to Owners of the Parent</b>					<b>172,471</b>

## OPERATING SEGMENTS (CONTINUED)

*Operating Segments – 30 June 2012 (continued)*

	SEGMENT ASSETS			SEGMENT LIABILITIES		
	Segment Assets	Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-company Eliminations	Segment Liabilities After Eliminations
	June 2012 \$000	June 2012 \$000	June 2012 \$000	June 2012 \$000	June 2012 \$000	June 2012 \$000
FRANCHISING OPERATIONS	3,098,231	(1,852,155)	<b>1,246,076</b>	1,341,590	(494,960)	<b>846,630</b>
Retail – New Zealand	192,793	-	<b>192,793</b>	45,136	(960)	<b>44,176</b>
Retail – Asia	129,060	-	<b>129,060</b>	76,666	(28,009)	<b>48,657</b>
Retail – Slovenia & Croatia	36,994	(1,578)	<b>35,416</b>	33,650	(5)	<b>33,645</b>
Retail – Ireland & Northern Ireland	46,585	-	<b>46,585</b>	210,840	(163,010)	<b>47,830</b>
Non-Franchised Retail – Clive Peeters and Rick Hart	11,179	(10,042)	<b>1,137</b>	52,889	(52,333)	<b>556</b>
Other Non-Franchised Retail	71,002	(14,160)	<b>56,842</b>	96,432	(64,770)	<b>31,662</b>
<b>TOTAL RETAIL</b>	<b>487,613</b>	<b>(25,780)</b>	<b>461,833</b>	<b>515,613</b>	<b>(309,087)</b>	<b>206,526</b>
Retail Property	2,055,693	(53,867)	<b>2,001,826</b>	1,361,110	(980,995)	<b>380,115</b>
Property Under Construction for Retail	84,505	(142)	<b>84,363</b>	91,631	(75,970)	<b>15,661</b>
Property Developments for Resale	33,049	(44)	<b>33,005</b>	44,433	(38,306)	<b>6,127</b>
<b>TOTAL PROPERTY</b>	<b>2,173,247</b>	<b>(54,053)</b>	<b>2,119,194</b>	<b>1,497,174</b>	<b>(1,095,271)</b>	<b>401,903</b>
Equity Investments	32,290	-	<b>32,290</b>	4,659	-	<b>4,659</b>
Other	112,418	(47,502)	<b>64,916</b>	93,052	(80,172)	<b>12,880</b>
<b>CONSOLIDATED</b>	<b>5,903,799</b>	<b>(1,979,490)</b>	<b>3,924,309</b>	<b>3,452,088</b>	<b>(1,979,490)</b>	<b>1,472,598</b>
Unallocated			<b>27,507</b>			<b>212,336</b>
<b>TOTAL</b>			<b>3,951,816</b>			<b>1,684,934</b>

The consolidated entity operates predominantly in twelve (12) primary segments:

Operating 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 the retail trading operations in New Zealand under the Harvey Norman and Norman Ross brand names. The Norman Ross stores were rebranded to Harvey Norman in February 2013.
<b>Retail – Asia</b>	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman and Space brand names.
<b>Retail – Slovenia &amp; Croatia</b>	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Slovenia and Croatia under the Harvey Norman brand name.
<b>Retail – Ireland &amp; Northern Ireland</b>	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Ireland and Northern Ireland under the Harvey Norman brand name.
<b>Non-Franchised Retail – Clive Peeters &amp; Rick Hart</b>	Consists of the wholly-owned operations of the consolidated entity under the Clive Peeters and Rick Hart brand names prior to the restructure.
<b>Non-Franchised Retail</b>	Consists of the retail trading operations in Australia which are controlled by the consolidated entity and do not include any operations of Harvey Norman franchisees. This segment includes the Space brand in Malaysia.
<b>Retail Property</b>	Consists of land and buildings for each retail site and mining accommodation operation that is fully operational or is ready and able to be tenanted. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement for each site that is owned by the consolidated entity which is fully operational (or ready for operations) as at year end.
<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 operations.
<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.
<b>Equity Investments</b>	This segment refers to the trading of, and investment in, listed securities.
<b>Other</b>	This segment primarily relates to credit facilities provided to unrelated parties and other unallocated income and expense items.



## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

## 1. Statement of Significant Accounting Policies

## (a) Corporate Information

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

## (b) Basis of Preparation

The financial report has been prepared on a historical cost basis, except for investment properties, completed land and buildings, derivative financial instruments, listed shares held for trading and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are 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.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

The financial report of the consolidated entity for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 27 September 2013.

## (c) Statement of Compliance

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2013. For details on the impact of future accounting standards, refer to page 75.

## (d) Summary of Significant Accounting Policies

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

Significant Accounting Judgements:

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

*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.

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (I) Significant accounting judgements, estimates and assumptions (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:

#### *Revaluation of investment properties*

The consolidated entity values investment properties at fair value. The valuations are determined by either appropriately qualified independent valuers or directors' valuations. The properties are valued using market rental returns and capitalisation rates deemed appropriate for a 30-day rental agreement. Refer to Note 13 for further details.

#### *Revaluation of investment properties under construction*

Investment property under construction is valued at fair value if it can be reliably determined. If a fair value cannot be determined, then investment property under construction is measured at cost. The fair value of investment property under construction is calculated using the capitalisation method of valuation.

#### *Impairment of non-financial assets other than goodwill*

The consolidated entity assesses impairment of all assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

#### *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.

#### *Make good provisions*

Provision is made for the anticipated costs of future restoration of leased premises. The provision includes future cost estimates associated with dismantling and removing the assets and restoring the leased premises according to contractual arrangements. These future cost estimates are discounted to their present value. The related carrying amounts are disclosed in Note 18.

#### *Allowance for impairment loss on trade receivables*

Where receivables are outstanding beyond the normal trading terms or beyond the terms specified in the loan agreement, the likelihood of the recovery of these receivables are assessed by management.

For trade receivables, due to the large number of debtors, this assessment is based on supportable past collection history and historical write-offs of bad debts. Non-trade debts receivable are assessed on an individual basis if impairment indicators are present. The impairment loss is disclosed in Note 3.

### (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.

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies so as to obtain benefits from their activities.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(ii) Basis of consolidation (continued)**

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.

Investments in subsidiaries held by Harvey Norman Holdings Limited are accounted for at cost in the separate financial statements of the Parent less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the Parent, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the Parent will assess whether any indicators of impairment of the carrying value of the investment in subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

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

The acquisition method of accounting involves recognising at acquisition date, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The identifiable assets acquired and the liabilities assumed are measured at their acquisition date fair values.

The difference between the above items and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or a discount on acquisition.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the consolidated entity's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed, 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. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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

A change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income.

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

Interests in associated and joint venture entities are brought to account using the equity method of accounting in the consolidated financial statements. 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 distributions received. After application of the equity method, the consolidated entity determines whether it is necessary to recognise any impairment loss with respect to the entity's net investment in the joint venture entities.

**(iv) Foreign currency translation**

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

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

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (iv) Foreign currency translation (continued)

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.

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 prevailing at the balance date and the income statements are translated at the weighted average exchange rates for the period. The exchange differences arising on retranslation for consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### (v) Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are measured at fair value less accumulated depreciation on buildings and leasehold land and any impairment losses recognised at the date of the revaluation. Valuations are performed frequently to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

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

- Land – not depreciated
- Leasehold land – lease term
- Buildings under construction – not depreciated
- Buildings – 20 to 40 years
- Owned plant and equipment – 3 to 20 years
- Plant and equipment under finance lease – 1 to 10 years

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

#### 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 leasehold land 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. Properties in New Zealand, Slovenia and Singapore owned by the consolidated entity, upon any revaluation, are valued at fair value, determined by independent licensed valuers, in accordance with the respective local statutory requirements.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (v) Property, plant and equipment (continued)

Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the Statement of Financial Position 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.

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 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 when the asset is derecognised.

## (vi) Borrowing costs

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

## (vii) Investment properties

*Investment Properties*

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

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

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

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



## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (vii) Investment properties (continued)

The capitalisation method of valuation was used for all valuations. A discounted cash flow valuation was undertaken in respect of all properties for means of comparison.

#### *Investment Properties under Construction*

Investment properties under construction are valued at fair value if fair value can be reliably determined. The assessment of fair value may be based on an internal assessment conducted by the consolidated entity which may engage independent, qualified valuers to assist in the valuation process.

The capitalisation method of valuation was used for all investment properties under construction during the year. A discounted cash flow valuation was undertaken in respect of all properties for means of comparison.

### (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 recognised at the date of acquisition.

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 seven and a half (7.5) years.

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

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

### (x) Impairment of non-financial 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 (CGU) 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.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (x) Impairment of non-financial assets (continued)

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

The consolidated entity bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the consolidated entity's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five (5) years.

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

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

## (xi) Financial Instruments – Initial recognition and subsequent measurement

Financial Assets

Financial assets in the scope of *AASB 139 Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The consolidated entity determines the classification of its financial assets at initial recognition.

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

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.

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

The subsequent measurement of financial assets depends on their classification as described below:

- Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term with the intention of making a profit. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

- Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the consolidated entity has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment with revenue recognised on an effective yield basis.

- Loans and receivables

Loans and receivables including loan notes and loans to key management personnel are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process. Interest income is recognised by applying the effective interest rate.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (xi) Financial Instruments – Initial recognition and subsequent measurement (continued)

- Available-for-sale investments:

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition, available-for-sale investments are measured at fair value with gains or losses recognised as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for-sale reserve to the income statement in finance costs. The fair values of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business at balance date. For investments with no active market, fair values are determined using valuation techniques. Dividends on available-for-sale equity instruments are recognised in the income statement when the consolidated entity's right to receive the dividends is established.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The consolidated entity has transferred its rights to receive cash flows from the asset or has transferred substantially all the risks and rewards of the asset.

Impairment of financial assets

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

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

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

Financial liabilities

Financial liabilities within the scope of AASB 139 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The consolidated entity determines the classification of its financial liabilities at initial recognition.

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

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (xi) Financial instruments – Initial recognition and subsequent measurement (continued)

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

- Financial liabilities at fair value through profit or loss:

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on liabilities held for trading are recognised in the income statement. Financial liabilities designated upon initial recognition at fair value through profit and loss only if the criteria of AASB 139 are satisfied. The consolidated entity has not designated any financial liability as at fair value through profit or loss.

- Loans and borrowings:

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

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 34(e).

## (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 include the acquisition cost, freight, duty and other inward charges. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

## (xiii) Cash and cash equivalents

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

During the year the consolidated entity reassessed the classification of certain cash flow transactions. This resulted in a reclassification within the Statement of Cash Flows for the current year. The prior year comparative balances have been restated for consistency.

## (xiv) 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.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (xiv) Provisions (continued)

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

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

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.

### (xvi) Share-based payment transactions

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

The cost of 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. 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 present 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.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

### (xvii) Leases

#### Consolidated entity as lessor

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

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



## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (xvii) Leases (continued)

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 basis 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.

## (xviii) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the consolidated entity and the revenue can be reliably measured. 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 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 terms and is included in revenue due to its operating nature. Contingent rental income is recognised as income in the periods in which it is earned.

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.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

## (xix) Income tax

Current income 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, at the reporting date in the countries where the consolidated entity operates and generates taxable income.

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

Deferred income tax is provided on all temporary differences at balance 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, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised, except:

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

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

- when 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 reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

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

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.

## (xx) Other taxes

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

- when 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
- when receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows in the Statement of Cash Flows exclude GST. The GST component of cash flows arising from operating, investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**(xxi) Derivative financial instruments**

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.

Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

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

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

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 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 other comprehensive income and the ineffective portion is recognised in the income statement. Amounts recognised as other comprehensive income are transferred to profit or loss when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast purchase occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

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 other comprehensive income is kept in other comprehensive income until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in other comprehensive income is transferred to the income statement.

**(xxii) 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.

**(xxiii) Contributed equity**

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

**(xxiv) Investment in controlled entities**

Investments in controlled entities are carried at cost.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (xxv) Operating Segments

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

Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The consolidated entity aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- nature of the production processes,
- type or class of customer for the products and services,
- methods used to distribute the products or provide the services, and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

### (xxvi) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred, and included in administrative expenses.

When the consolidated entity acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 139 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

## 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 year ended 30 June 2013.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 10	Consolidated Financial Statements	<p>AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.</p> <p>The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.</p>	1 January 2013	The amendments are not expected to have any material impact on the consolidated entity's financial statements and disclosures.	1 July 2013
AASB 11	Joint Arrangements	<p>AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.</p>	1 January 2013	<p>The amendments are not expected to have any material impact on the consolidated entity's net asset position or profit after tax and non-controlling interests.</p> <p>The consolidated entity anticipates that land and buildings assets presently accounted for using the equity method will be classified as investment properties accounted for using proportionate consolidation in the statement of financial position. This will primarily result in a reclassification of assets from Investments Accounted for Using Equity Method to Property, Plant and Equipment.</p>	1 July 2013



## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 12	Disclosure of Interests in Other Entities	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.	1 January 2013	The amendments are not expected to have any material impact on the consolidated entity's financial statements and disclosures.	1 July 2013
AASB 13	Fair Value Measurement	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.  AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.	1 January 2013	The amendments are not expected to have any material impact on the consolidated entity's financial statements and disclosures.	1 July 2013
AASB 119	Employee Benefits	The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets. The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	1 January 2013	The amendments are not expected to have any material impact on the consolidated entity's financial statements.	1 July 2013
AASB 2012-2	Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.	1 January 2013	The amendments are not expected to have any material impact on the consolidated entity's financial statements and disclosures.	1 July 2013

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle; and	<p>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The Standard addresses a range of improvements, including the following:</p> <ul style="list-style-type: none"> <li>• repeat application of AASB 1 is permitted (AASB 1); and</li> <li>• clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).</li> </ul>	1 January 2013	The amendments are not expected to have any material impact on the consolidated entity's financial statements and disclosures.	1 July 2013
AASB 2011-4	Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)	This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.	1 July 2013	The amendments are not expected to have any material impact on the consolidated entity's financial statements and disclosures.	1 July 2013
AASB 2012-3	Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities;	AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	The amendments are not expected to have any material impact on the consolidated entity's financial statements and disclosures.	1 July 2014
AASB 9	Financial Instruments	<p>AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below.</p> <ul style="list-style-type: none"> <li>▪ Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.</li> <li>▪ Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not</li> </ul>	1 January 2015	The consolidated entity is in the process of assessing the impact on the consolidated entity's financial statements and disclosures.	1 July 2015

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
		<p>held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.</p> <ul style="list-style-type: none"> <li>Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.</li> </ul> <p>Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:</p> <ul style="list-style-type: none"> <li>The change attributable to changes in credit risk are presented in other comprehensive income (OCI)</li> <li>The remaining change is presented in profit or loss</li> </ul> <p>If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.</p>			

\*designates the beginning of the applicable annual reporting period

### (f) New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of amendments contained in the following new accounting standards that are effective for current financial reporting periods.

#### AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (AASB 112)

These amendments address the determination of deferred tax on investment property measured at fair value and introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that the carrying amount will be recoverable through sale. The amendments also incorporate SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into AASB 112.

The amended accounting standard does not have impact on the consolidated entity's financial statements.

#### AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income

This standard requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.

The amended accounting standard has a disclosure impact in the Statement of Comprehensive Income that results in separate grouping for items that may be reclassified subsequently to profit or loss and for items that will not be reclassified subsequently to profit or loss. This amendment was applied retrospectively.

## NOTES TO THE FINANCIAL STATEMENTS

	CONSOLIDATED	
	June 2013 \$000	June 2012 \$000

## 2. Revenues

Revenue from the sale of products	1,323,481	1,407,342
Gross revenue from franchisees:		
- Franchise fees	659,252	690,141
- Rent	227,355	222,586
- Interest	29,628	32,909
Total revenue received from franchisees	916,235	945,636
Rent received from other unrelated parties	57,772	50,492
Interest received from other unrelated parties	11,672	9,422
Dividends received from other unrelated parties	1,644	2,919
Total other revenues	71,088	62,833
Share of net profit from joint venture entities (Note 36)	20,523	13,742
Share of joint venture property revaluations (Note 36)	7,796	-
Total revenues	2,339,123	2,429,553
<b>Other Income Items:</b>		
Property revaluation adjustment for overseas controlled entity	1,232	-
Reversal of a previous property revaluation decrement	-	2,775
Net profit on the revaluation of equity investments to fair value	5,590	1,866
Net foreign exchange gains	1,336	1,318
Other revenue	40,070	46,805
Total other income items	48,228	52,764
<b>Total revenues and other income items</b>	<b>2,387,351</b>	<b>2,482,317</b>
Total revenue is disclosed on the Income Statement as follows:		
Sales revenue	1,323,481	1,407,342
Other revenues	987,323	1,008,469
Other income items	48,228	52,764
Total other revenues and income items	1,035,551	1,061,233
Share of net profit of joint venture entities	20,523	13,742
Share of joint venture property revaluations	7,796	-
<b>Total revenues and other income items</b>	<b>2,387,351</b>	<b>2,482,317</b>

	CONSOLIDATED	
	June 2013 \$000	June 2012 \$000
<b>3. Expenses and Losses</b>		
In arriving at profit before income tax, the following items were taken into account:		
<b>Tactical support:</b>		
Tactical support provided to franchisees	128,460	124,186
<b>Depreciation, amortisation and impairment:</b>		
Depreciation of:		
- Buildings	5,339	4,749
- Plant and equipment	73,504	73,492
Amortisation of:		
- Leased plant and equipment	-	39
- Computer software	10,688	9,782
Impairment of (included in administrative expenses line in the Income Statement):		
- Plant and equipment - Ireland	-	509
- Capitalised IT Projects	60	2,356
- Other assets	6	139
Total depreciation, amortisation and impairment	89,597	91,066
<b>Finance costs:</b>		
Interest paid or payable:		
- Loans from directors and director-related entities	1,789	2,672
- Bank interest paid to financial institutions	42,505	43,017
- Other	1,480	3,766
Total finance costs	45,774	49,455
<b>Employee benefits expense:</b>		
- Wages and salaries	185,209	200,092
- Workers' compensation costs	506	786
- Superannuation contributions expense	9,752	10,659
- Payroll tax expense	7,710	8,977
- Share-based payments expense	380	334
- Other employee benefits expense	5,424	4,660
Total employee benefits expense	208,981	225,508
<b>Property revaluation decrements:</b>		
- Net revaluation decrement for Australian investment properties (included in occupancy expenses)	68,143	25,263
- Share of joint venture property revaluations	-	2,505
Total property revaluation decrements	68,143	27,768
<b>Other expense items:</b>		
- Net bad debts - provided for or written off	7,571	1,438
- Net charge to provision for doubtful debts	2,943	1,324
- Net loss on disposal of plant and equipment	4,879	5,491
- Minimum lease payments	154,198	157,707
- Provision for obsolescence of inventories	108	(1,901)



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>4. Income Tax</b>		
<b>(a) Income tax recognised in the Income Statement</b>		
The major components of income tax expense are:		
<i>Current income tax:</i>		
Current income tax charge	73,165	79,494
Adjustments in respect of current income tax of previous years	150	(361)
Adjustment of income tax on exempt foreign transactions in prior years	(13,601)	-
Support payments provided to Harvey Norman Holdings (Ireland) Limited during 2010 - 2013 as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012	(3,741)	(16,292)
<i>Deferred income tax:</i>		
Relating to the origination and reversal of temporary differences	(12,504)	(5,436)
Reversals of deferred tax balances raised in previous years	-	(6,311)
<b>Total income tax expense reported in the income statement</b>	<b>43,469</b>	<b>51,094</b>
<b>(b) Income tax recognised in the Statement of Changes in Equity</b>		
The following deferred amounts were charged directly to equity during the year:		
<i>Deferred income tax:</i>		
Net loss on revaluation of cash flow hedges	2,169	(5,624)
Net gain on revaluation of land and buildings	4,423	3,400
<b>Total income tax expense reported in equity</b>	<b>6,592</b>	<b>(2,224)</b>
<b>(c) Reconciliation between income tax expense and prima facie income tax:</b>		
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:		
<b>Accounting profit before tax</b>	<b>187,946</b>	<b>227,409</b>
<b>At the consolidated entity's statutory income tax rate of 30% (2012: 30%)</b>	<b>56,384</b>	<b>68,223</b>
<i>Adjustments to arrive at total income tax expense recognised for the year:</i>		
Adjustment of income tax on exempt foreign transactions in prior years	(13,601)	-
Support payments provided to Harvey Norman Holdings (Ireland) Limited during 2010 - 2013 as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012	(3,741)	(16,292)
Adjustments in respect of current income tax of previous years	150	(361)
Share-based payment expenses	114	100
Expenditure not allowable for income tax purposes	57	306
Income not assessable for income tax purposes	(2,326)	23
Unrecognised tax losses	9,165	10,363
Utilisation of tax losses	(40)	(321)
Reversal of deferred tax balances raised in previous years	-	(6,311)
Tax concession for research and development expenses	(742)	(885)
Difference between tax capital gain and accounting profit on asset sales	365	(227)
Non-allowable building and motor vehicle depreciation	(5)	270
Receipt of fully franked dividends	(518)	(919)
Sundry items	(590)	(547)
Effect of different rates of tax on overseas income and exchange rate differences	(1,203)	(2,328)
<b>Total adjustments</b>	<b>(12,915)</b>	<b>(17,129)</b>
<b>Total income tax expense reported in the income statement</b>	<b>43,469</b>	<b>51,094</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 4. Income Tax (continued)

	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>(d) Deferred income tax assets and liabilities:</b>				
Deferred income tax at 30 June relates to the following:				
<b>CONSOLIDATED</b>				
<b>Deferred tax liabilities:</b>				
Revaluations of investment properties to fair value	(102,689)	(127,715)	(17,928)	(8,306)
Adjustments in respect of deferred tax liabilities of previous years	-	6,311	-	(6,311)
Revaluations of owner-occupied land and buildings to fair value	(16,213)	(10,467)	-	-
Non-allowable building depreciation due to a legislative change in New Zealand	(18,989)	(18,605)	435	(814)
Reversal of building depreciation expense for investment properties	(39,943)	(31,864)	7,137	6,345
Differences between accounting carrying amount and tax cost base of computer software assets	(772)	(746)	26	46
Unrealised profits on investments	-	(352)	(369)	(3,762)
Accretion of FAST receivables	(3,576)	(3,542)	34	46
Research and development	(11,366)	(10,827)	539	673
Other items	(805)	(1,042)	(187)	(552)
	<b>(194,353)</b>	<b>(198,849)</b>		
<b>CONSOLIDATED</b>				
<b>Deferred tax assets:</b>				
Employee provisions	4,904	4,752	(70)	1,692
Unused tax losses and tax credits	350	308	(37)	(75)
Other provisions	2,791	2,016	(755)	26
Provision for lease makegood	184	215	31	(80)
Provision for deferred lease expenses	1,592	1,489	(102)	144
Lease incentives	596	443	(153)	68
Provision for executive remuneration	437	437	-	238
Inventory valuation adjustments	1,565	1,565	-	-
Unearned income for accounting purposes	-	-	-	7
Unrealised foreign exchange losses	-	35	-	93
Unrealised losses on investments	114	-	(114)	-
Revaluations of owner-occupied land and buildings to fair value	908	-	-	-
Finance leases	2,694	2,699	(35)	(1,282)
Discount interest-free receivables	3,599	3,589	(10)	(25)
Equity-accounted investments	2,131	2,127	(4)	(11)
Provisions for onerous leases	1,114	633	(480)	95
Revaluation of interest rate swaps to fair value	3,777	5,966	-	(8)
Other items	1,639	1,233	(462)	6
	<b>28,395</b>	<b>27,507</b>	<b>(12,504)</b>	<b>(11,747)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 4. Income Tax (continued)

The consolidated entity has not recognised deferred tax assets relating to tax losses of \$257.94 million (2012: \$228.10 million) which are available for offset against taxable profits of the companies in which the losses arose. The tax losses of \$257.94 million as at 30 June 2013 do not include the adjustments relating to support payments provided to Harvey Norman Holdings (Ireland) Limited during 2010 - 2013 as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012.

At 30 June 2013, there is no recognised or unrecognised deferred income tax liability (2012: \$0) for taxes that would be payable on the unremitted earnings of certain 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 are members of a tax consolidated group. 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 standalone basis in accordance with the principles 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.

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>5. Trade and Other Receivables (Current)</b>		
Trade debtors (a)	979,722	985,542
Provision for doubtful debts (a)	(713)	(845)
Trade debtors, net	979,009	984,697
Consumer finance loans (b)	1,938	2,874
Amounts receivable in respect of finance leases (c)	13,018	9,907
Provision for doubtful debts	(6,523)	-
Finance leases, net	6,495	9,907
Non-trade debts receivable from: (d)		
- Related parties	51,698	20,442
- Unrelated parties	16,142	4,916
- Provision for doubtful debts (d)	(880)	(4,863)
Non-trade debts receivable, net	66,960	20,495
<b>Total trade and other receivables (current)</b>	<b>1,054,402</b>	<b>1,017,973</b>

**(a) Trade receivables and allowance for doubtful debts**

Trade receivables are non-interest bearing and are generally on 30 day terms. An allowance has been made for estimated irrecoverable trade receivable amounts arising from the past sale of goods and rendering of services when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$0.50 million (2012: an impairment reversal of \$0.22 million) has been recognised by the consolidated entity in the current year for the current trade receivables. These amounts have been included in the other expenses line item in the Income Statement.

Included in the consolidated entity's trade receivable balance are debtors with a carrying amount of \$11.81 million (2012: \$16.88 million) which are past due at the reporting date for which the consolidated entity has not provided for as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances as at 30 June 2013 (2012: \$3.87 million).

Other balances within trade receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

At 30 June, the ageing analysis of current and non-current trade debtors is as follows:

	Neither past due nor impaired	Past due but not impaired			Past due and impaired			Total
		31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	
2013 (\$000)	967,532	4,494	1,845	5,467	51	194	468	980,051
2012 (\$000)	968,205	4,937	1,501	10,439	32	12	800	985,926

	CONSOLIDATED	
	2013	2012
	\$000	\$000
Reconciled to:		
Trade debtors (Current)	979,722	985,542
Trade debtors (Non-Current – Note 10)	329	384
<b>Total trade debtors</b>	<b>980,051</b>	<b>985,926</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5. Trade and Other Receivables (Current) (continued)

## (a) Trade receivables and allowance for doubtful debts (continued)

Movements in the allowance for doubtful debts for trade debtors were as follows:

	CONSOLIDATED	
	2013	2012
	\$000	\$000
At 1 July	845	990
Charge for the year	498	(22)
Foreign exchange translation	44	(2)
Amounts written off	(674)	(121)
At 30 June	713	845

## (b) Consumer finance loans

For terms and conditions, allowance for doubtful debts and collateral held for consumer finance loans refer to Note 10.

## (c) Finance lease receivables and allowance for doubtful debts

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	13,975	11,610
Later than one year but not later than five years	4,710	9,687
	18,685	21,297
Future finance revenue:		
Not later than one year	(957)	(1,703)
Later than one year but not later than five years	(394)	(808)
Net finance lease receivables	17,334	18,786
Reconciled to:		
Amounts receivable in respect of finance leases (Current)	13,018	9,907
Amounts receivable in respect of finance leases (Non-current - Note 10)	4,316	8,879
	17,334	18,786

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

	CONSOLIDATED	
	2013	2012
	\$000	\$000
At 1 July	-	-
Charge for the year	7,065	-
At 30 June	7,065	-

The consolidated entity offers finance lease arrangements as part of the consumer finance business. Finance leases are offered in respect of motor vehicles and livestock with lease terms not exceeding 4 years. All finance leases are at fixed rates for the term of the lease. An allowance has been made for estimated irrecoverable finance lease receivable amounts when there is objective evidence that a finance lease receivable is impaired. An impairment loss of \$7.07 million (2012: nil) has been recognised by the consolidated entity in the current year. The amounts have been included in the other expenses line item in the Income Statement.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. Trade and Other Receivables (Current) (continued)

#### (c) Finance lease receivables and allowance for doubtful debts (continued)

There are no lease receivables that are past due at the reporting date for which the consolidated entity has not provided for. Any defaults in repayments by customers are secured by the leased assets. The collateral that is held by the consolidated entity relates to the underlying leased assets. As at balance date, there are no events that require the consolidated entity to sell or re-pledge the leased assets.

Finance receivables are reconciled to amounts receivable in respect of finance leases.

#### (d) Non trade debts receivable and allowance for doubtful debts

Non trade receivables are generally interest bearing and are normally payable at call. An allowance has been made for estimated irrecoverable non trade receivable amounts. An impairment reversal of \$3.98 million (2012: an impairment loss of \$1.45 million) has been recognised by the consolidated entity in the current year for the non trade debtors. These amounts have been included in the other expenses line item in the Income Statement.

Included in the consolidated entity's non trade receivable balance are debtors with a carrying amount of \$0.41 million (2012: \$1.15 million) which are past due at the reporting date for which the consolidated entity has not provided for based on the assessment that the amounts are still recoverable. The fair value of the collateral held over the past due not impaired non-trade receivables is \$0.54 million (2012: \$0.85 million).

Other balances within non trade receivables do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

At 30 June, the ageing analysis of non trade debts receivable is as follows:

	Neither past due nor Impaired	Past due but not impaired			Past due and impaired			Total
		31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	
2013 (\$000)	74,364	409	-	-	-	-	880	75,653
2012 (\$000)	19,349	-	-	1,146	-	-	4,863	25,358

Reconciled to:

Non-trade debts receivable (Current)	67,840	25,358
Non-trade debts receivable (Non-current – Note 10)	7,813	-
	<b>75,653</b>	<b>25,358</b>

Movements in the allowance for doubtful debts for current non-trade debts receivable were as follows:

	CONSOLIDATED	
	2013 \$000	2012 \$000
At 1 July	4,863	3,392
Charge for the year	-	1,447
Amounts written off	(3,983)	24
At 30 June	<b>880</b>	<b>4,863</b>

### 6. Other Financial Assets (Current)

Listed shares held for trading at fair value	17,837	23,346
Derivatives receivable	185	-
Other investments	1,050	1,050
Total other financial assets (current)	<b>19,072</b>	<b>24,396</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>7. Inventories (Current)</b>		
Finished goods at cost	249,490	241,071
Provision for obsolescence	(4,497)	(4,389)
Finished goods at cost, net	244,993	236,682
Finished goods at net realisable value	23,788	26,739
Total current inventories at the lower of cost and net realisable value	268,781	263,421
<b>8. Other Assets (Current)</b>		
Prepayments	19,344	10,753
Other current assets	8,311	9,408
Total other assets (current)	27,655	20,161
<b>9. Intangible Assets (Current)</b>		
Net Licence Property	343	531
<b>10. Trade and Other Receivables (Non-Current)</b>		
Trade debtors (a)	329	384
Consumer finance loans (b)	737	1,307
Provision for doubtful debts (b)	(7)	(14)
Trade debtors and consumer finance loans, net	1,059	1,677
Amounts receivable in respect of finance leases	4,316	8,879
Provision for doubtful debts	(542)	-
Finance leases, net	3,774	8,879
Non-trade debts receivable from:		
- Related parties	45	-
- Unrelated parties	7,768	-
Non-trade debts receivable, net	7,813	-
Total trade and other receivables (non-current)	12,646	10,556

**(a) Trade debtors**

For terms and conditions, allowance for doubtful debts and collateral held for trade debtors refer to Note 5.

**(b) Consumer finance loans and allowance for doubtful debts**

Majority of the consumer finance loans are non-interest bearing and are generally on 6 to 48 months interest free terms.

An impairment loss of \$0.007 million (2012: \$0.014 million) has been recognised by the consolidated entity in the current year for the consumer finance loans. These amounts have been included in the other expenses line item in the Income Statement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. Trade and Other Receivables (Non-Current) (continued)

#### (b) Consumer finance loans and allowance for doubtful debts (continued)

If a customer has missed a repayment in a consumer finance loan, the remaining balance of the consumer finance loan is treated as past due. Included in the consolidated entity's consumer finance loans, \$0.25 million (2012: \$0.47 million) are past due at the reporting date for which the consolidated entity has not provided for. It is the consolidated entity's responsibility to collect the outstanding receivables from customers. In an event where the consolidated entity cannot collect the outstanding receivables from customers, the consolidated entity has recourse to franchisees for reimbursement of receivables. For consumer finance loans initiated from the consolidated owned stores, there has not been a significant change in credit quality and therefore the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances.

Other balances within consumer finance loans do not contain impaired assets and are not past due. It is expected that these balances will be received when due.

At 30 June, the ageing analysis of current and non-current consumer finance loans is as follows:

	Neither past due nor impaired	Past due but not impaired			Past due and impaired			Total
		31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	
2013 (\$000)	2,422	127	33	86	-	-	7	2,675
2012 (\$000)	3,695	247	50	175	-	-	14	4,181

	CONSOLIDATED	
	2013 \$000	2012 \$000
Reconciled to:		
Consumer finance loans (Current – Note 5)	1,938	2,874
Consumer finance loans (Non – Current)	737	1,307
Total consumer finance loans	2,675	4,181

Movements in the allowance for doubtful debts for non-current consumer finance loans were as follows:

At 1 July	14	16
Charge for the year	7	14
Amounts written off	(14)	(16)
At 30 June	7	14

### 11. Other Financial Assets (Non-Current)

Listed shares held for trading	2,850	1,750
Listed shares held as available for sale	10,835	7,194
Units in unit trusts held as available for sale	204	204
Other non-current financial assets	334	207
Total other financial assets (non-current)	14,223	9,355

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>12. Property, Plant and Equipment (Non-Current)</b>		
<i>Summary</i>		
Land		
- At fair value	122,825	121,497
<b>Total Land</b>	<b>122,825</b>	<b>121,497</b>
Buildings		
- At fair value	188,911	159,220
<b>Total buildings</b>	<b>188,911</b>	<b>159,220</b>
<b>Net land and buildings</b>	<b>311,736</b>	<b>280,717</b>
Plant and equipment		
- At cost	783,628	768,731
- Accumulated depreciation	(547,796)	(514,724)
<b>Net plant and equipment</b>	<b>235,832</b>	<b>254,007</b>
Lease make good asset		
- At cost	4,128	3,713
- Accumulated depreciation	(2,793)	(2,160)
<b>Net lease make good asset</b>	<b>1,335</b>	<b>1,553</b>
<b>Total plant and equipment</b>	<b>237,167</b>	<b>255,560</b>
<b>Total property, plant and equipment</b>		
- Land and buildings at cost and fair value	311,736	280,717
- Plant and equipment at cost	787,756	772,444
<b>Total Property, plant and equipment</b>	<b>1,099,492</b>	<b>1,053,161</b>
<b>Accumulated depreciation and amortisation</b>	<b>(550,589)</b>	<b>(516,884)</b>
<b>Total written down amount</b>	<b>548,903</b>	<b>536,277</b>

*Reconciliations*

Reconciliations of the carrying amounts of property, plant and equipment are as follows:

**Land (at fair value):**

Opening balance	121,497	95,928
(Decrease) / increase resulting from revaluation	(8,635)	5,923
Transfers to investment property	(1,465)	-
Transfers from land under construction at cost	-	20,509
Net foreign currency differences arising from foreign operations	11,428	(863)
<b>Closing balance</b>	<b>122,825</b>	<b>121,497</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

#### Reconciliations (continued)

	CONSOLIDATED	
	2013	2012
	\$000	\$000
Accumulated Depreciation		
Opening balance	-	-
Depreciation for the year (a)	464	-
Transfers from land under construction at cost	-	468
Reversal upon revaluation	(503)	(468)
Net foreign currency differences arising from foreign operations	39	-
Closing balance	-	-
Net book value of land	122,825	121,497
<b>Land under construction (at cost):</b>		
Opening balance	-	20,565
Transfers to land at fair value	-	(20,509)
Net foreign currency differences arising from foreign operations	-	(56)
Closing balance	-	-
Accumulated Depreciation		
Opening balance	-	240
Depreciation for the year (a)	-	230
Transfers to land at fair value	-	(468)
Net foreign currency differences arising from foreign operations	-	(2)
Closing balance	-	-
Net book value of land under construction	-	-
<b>Buildings (at fair value):</b>		
Opening balance	159,220	127,940
Additions	-	11,575
Disposals	(1,194)	-
Increase resulting from revaluation	19,188	3,525
Reversal of depreciation upon revaluation	(3,215)	(948)
Transfers from buildings under construction at cost	-	19,367
Transfers to investment property	(38)	-
Net foreign currency differences arising from foreign operations	14,950	(2,239)
Closing balance	188,911	159,220
Accumulated Depreciation		
Opening balance	-	-
Depreciation for the year	5,339	4,749
Reversal upon revaluation	(5,719)	(4,712)
Net foreign currency differences arising from foreign operations	380	(37)
Closing balance	-	-
Net book value of buildings	188,911	159,220

(a) The depreciation charge relates to a leasehold land located in Singapore.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

*Reconciliations (continued)*

	CONSOLIDATED	
	2013 \$000	2012 \$000
<b>Buildings under construction (at cost):</b>		
Opening balance	-	13,572
Additions	-	5,518
Transfers to buildings at fair value	-	(19,367)
Net foreign currency differences arising from foreign operations	-	277
Closing balance	-	-
Net book value of land and buildings	311,736	280,717
Had the consolidated entity's land and buildings (other than land and buildings classified as investment properties, owner occupied land and buildings under construction and land and buildings owned under joint ventures) been measured on a historical cost basis, the net book value of land and buildings would have been \$219.50 million (2012: \$207.43 million).		
<b>Plant and equipment (at cost):</b>		
Opening balance	768,435	755,328
Additions	76,652	84,475
Disposals	(47,888)	(67,555)
Transfers from leased plant and equipment	296	123
Transfers to investment property	(31,706)	-
Impairment	-	(139)
Net foreign currency differences arising from foreign operations	17,839	(3,797)
Closing balance	783,628	768,435
Accumulated Depreciation		
Opening balance	514,519	501,267
Depreciation for the year	72,564	72,922
Disposals	(39,185)	(56,887)
Transfers from leased plant and equipment	205	100
Transfers to investment property	(13,733)	-
Impairment (a)	-	509
Net foreign currency differences arising from foreign operations	13,426	(3,392)
Closing balance	547,796	514,519
Net book value	235,832	253,916

*(a) Impairment of Fixed Assets – Republic of Ireland and Northern Ireland*

No impairment expense was recognised in the Republic of Ireland for the year ended 30 June 2013.

During the year ended 30 June 2012, an impairment loss of \$0.51 million was recognised in the Republic of Ireland to reduce the carrying amount of plant and equipment to recoverable amount. This has been recognised in the Income Statement in the "other expenses" line item and in the "Retail – Ireland & Northern Ireland" reportable segment for the prior year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

#### Reconciliations (continued)

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Lease make good asset (at cost):</b>		
Opening balance	3,713	2,723
Additions	678	1,909
Disposals	(571)	(950)
Net foreign currency differences arising from foreign operations	308	31
Closing balance	4,128	3,713
<i>Accumulated Depreciation</i>		
Opening balance	2,160	2,223
Amortisation for the year	940	569
Disposals	(543)	(659)
Net foreign currency differences arising from foreign operations	236	27
Closing balance	2,793	2,160
Net book value	1,335	1,553
<b>Leased Plant and Equipment (at cost):</b>		
Opening balance	296	443
Disposals	-	(25)
Transfers to plant and equipment	(296)	(123)
Net foreign currency differences arising from foreign operations	-	1
Closing balance	-	296
<i>Accumulated Depreciation</i>		
Opening balance	205	290
Amortisation for the year	-	39
Disposals	-	(25)
Transfers to plant and equipment	(205)	(100)
Net foreign currency differences arising from foreign operations	-	1
Closing balance	-	205
Net book value	-	91
Total plant and equipment	237,167	255,560
Total property, plant and equipment	548,903	536,277

The financing facilities as disclosed in Note 20 to the financial statements are secured by charges over all of the assets of the consolidated entity and by mortgages over certain assets of the consolidated entity.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 13. Investment Properties (Non-Current)

*Reconciliations*

	CONSOLIDATED					
	Completed investment property	Investment property under construction	Total	Completed investment property	Investment property under construction	Total
	2013 \$000	2013 \$000	2013 \$000	2012 \$000	2012 \$000	2012 \$000
Opening balance	1,578,659	75,087	1,653,746	1,403,181	198,420	1,601,601
Additions	49,188	44,826	94,014	14,110	78,909	93,019
Transfers from property, plant and equipment	16,449	-	16,449	-	-	-
Transfer from / (to) completed investment property	107,581	(107,581)	-	183,807	(183,807)	-
Adjustment to fair value	(55,811)	(12,332)	(68,143)	(6,828)	(18,435)	(25,263)
Disposals	(1,322)	-	(1,322)	(15,611)	-	(15,611)
<b>Closing balance</b>	<b>1,694,744</b>	<b>-</b>	<b>1,694,744</b>	<b>1,578,659</b>	<b>75,087</b>	<b>1,653,746</b>

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 \$171.02 million for the year ended 30 June 2013 (2012: \$154.46 million). Operating expenses recognised in the income statement in relation to investment properties amounted \$41.56 million for the year ended 30 June 2013 (2012: \$34.31 million).

**Investment Properties**

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

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

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

The consolidated entity obtained external, independent valuations in respect of thirty-nine (39) properties during the year ended 30 June 2013. Based on the results of these independent valuations, a further seventeen (17) properties were identified by management for further review by management. The seventeen properties had been similarly affected by the same factors or characteristics of the properties which were independently valued, particularly in relation to yields and market rentals.

The capitalisation method of valuation was used for all valuations. A discounted cash flow valuation was undertaken in respect of all properties for means of comparison. There were no material differences between the capitalisation method result and the discounted cash flow method result.

**Investment Properties under Construction**

Investment properties under construction are valued at fair value if fair value can be reliably determined. The

### 13. Investment Properties (Non-Current) (continued)

assessment of fair value is based on an internal assessment conducted by the consolidated entity which may engage independent, qualified valuers to assist in the valuation process.

The capitalisation method of valuation was used for all investment properties under construction during the year. A discounted cash flow valuation was undertaken in respect of all properties for means of comparison. There were no material differences between the capitalisation method result and the discounted cash flow method result.

#### Property Portfolio in Australia (Inclusive of Joint Venture and Development Properties)

Primary sites (as determined by management), which have been operating for greater than a twelve-month period, totalling \$1.52 billion (2012: \$1.44 billion) generally have capitalisation rates within the range of 8.50% to 10.0% (2012: 8.50% to 10.0%). Secondary sites (as determined by management), which have been operating for greater than a twelve-month period, totalling \$271.70 million (2012: \$233.69 million) generally have capitalisation rates within the range of 8.75% to 11.00% (2012: 8.75% to 11.50%). The consolidated entity has a strict property maintenance program to ensure that all investment properties are continuously maintained to a high standard. The vacancy rate of the investment property portfolio in Australia is 3.10% (2012: 3.06%).

Investment properties can be analysed as follows:

	CONSOLIDATED	
	2013	2012
	\$000	\$000
Completed investment properties at fair value	1,694,744	1,578,659
Investment properties under construction at fair value	-	75,087
Total investment properties	1,694,744	1,653,746

### 14. Intangible Assets (Non-Current)

#### Computer Software (summary)

Cost (gross carrying amount)	115,479	106,052
Accumulated amortisation and impairment	(56,947)	(49,104)
Net carrying amount	58,532	56,948

#### Computer Software (a):

Net of accumulated amortisation and impairment		
Opening balance	56,948	57,791
Additions	12,497	12,133
Disposals	(207)	(847)
Impairment (b)	(58)	(2,356)
Amortisation	(10,688)	(9,782)
Net foreign currency differences arising from foreign operations	40	9
Net book value	58,532	56,948

#### Goodwill (c)

Opening balance	10	9
Net foreign currency differences arising from foreign operations	-	1
Carrying value	10	10

#### Licence property:

Net book value	371	484
Total intangible assets	58,913	57,442

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 14. Intangible Assets (Non-Current) (continued)

*(a) Computer Software*

Computer software is carried at cost less accumulated amortisation and accumulated impairment losses. 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 7.5 years. If impairment indicators are present, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

*(b) Impairment of Computer Software*

During the year ended 30 June 2012, the consolidated entity reviewed the capitalised software costs incurred in relation to the merchandising and supply-chain improvements program. During this review management identified certain specific elements of design and scope of the program that no longer contained future economic benefits for the consolidated entity. The consolidated entity had written off \$2.36 million of specific costs that were no longer aligned with the current design and strategic direction of the program in the previous year. There was no impairment expense recognised in respect of this merchandising and supply-chain improvements program for the year ended 30 June 2013.

*(c) Goodwill*

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis whenever there is an indication of impairment.

*Pertama Holdings Limited, Singapore*

The recoverable amount of the cash generating unit of Pertama Holdings Limited, Singapore 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 Pertama Holdings Limited, Singapore, are traded in an active market. Based on the annual impairment review, the goodwill recognised in respect of Pertama Holdings Limited, Singapore is not impaired.

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>15. Trade and Other Payables (Current)</b>		
Trade creditors	517,416	553,570
Accruals	44,378	49,957
Other creditors	49,964	43,752
<b>Total trade and other payables (current)</b>	<b>611,758</b>	<b>647,279</b>

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

## Secured:

Non trade amounts owing to:

- Bank overdraft (a)	37,093	32,366
- Commercial bills payable (b)	9,750	9,750
- Other short-term borrowings (c)	92,592	146,675

## Unsecured:

Derivatives payable	81	1,199
Lease liabilities (d) Note 32 (b)(i)	-	117
Non trade amounts owing to:		
- Directors (e)	26,374	32,406
- Other related parties (e)	5,602	12,253
- Other unrelated persons	963	110

<b>Total interest-bearing loans and borrowings (current)</b>	<b>172,455</b>	<b>234,876</b>
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*(a) Bank Overdraft*

Of the total bank overdraft of \$37.09 million:

- a total of \$36.46 million relates to a fully-drawn bank overdraft due by Harvey Norman Trading (Ireland) Limited to Bank of Ireland ("BOI") (the "BOI Overdraft Facility"). Australia and New Zealand Banking Group Limited ("ANZ") has provided an Indemnity/Guarantee/Stand-by Letter of Credit Facility in favour of BOI in support of the BOI Overdraft



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Facility, at the request of the Company ("ANZ-BOI Facility"). The ANZ-BOI Facility is further secured by the Syndicated Facility Agreement described in Note 19(a).

- a total of \$0.28 million relates to a bank overdraft facility with AmBank (M) Berhad in Malaysia which is subject to periodic review. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.
- a total of \$0.35 million relates to a bank overdraft facility with ANZ which is subject to annual review and secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 19(a)).

*(b) Commercial Bills Payable*

The commercial bills payable form part of facilities granted by ANZ. The payment of each commercial bill is secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 19(a)), and subject to annual review by ANZ. Each commercial bill has a tenure not exceeding 180 days but is repayable on demand by ANZ, upon the occurrence of any event of default or Relevant Event (as defined in Note 19(a)) under the Syndicated Facility Agreement, or after any annual review date.

*(c) Other Short-Term Borrowings*

Of the total other short-term borrowings of \$92.59 million:

- a total of \$85.00 million is secured by the securities given pursuant to a separate further facility agreement that was established on 17 February 2012 by a subsidiary of the Company (as borrower), and several other subsidiaries of the Company (as guarantors), with certain banks totalling \$85.00 million (the "Syndicated Working Capital Facility"). Refer to further details below on the Syndicated Working Capital Facility.
- a total of \$6.31 million relates to a revolving credit facility with ANZ in Singapore. This facility is subject to periodic review and is secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 19(a)).
- a total of \$0.77 million relates to a revolving credit facility with Hypo Alpe-Adria-Bank d.d. in Slovenia. This facility will be repaid in full on 1 October 2013. The Company has granted an independent first demand guarantee to Hypo Alpe-Adria-Bank d.d. in Slovenia in respect of the obligations of Harvey Norman Trading d.o.o.
- a total of \$0.51 million relates to a revolving credit facility with AmBank (M) Berhad in Malaysia which is subject to periodic review. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.

**Syndicated Working Capital Facility**

The Syndicated Working Capital Facility is a twelve (12) month revolving facility, secured by properties located in Australia and New Zealand. The utilised portion of \$85.00 million is secured by the securities given pursuant to the Syndicated Working Capital Facility.

The Syndicated Working Capital Facility was originally due for repayment on 17 February 2013. On 23 January 2013, the Syndicated Working Capital Facility was renegotiated and is repayable:

- (a) on 16 February 2014;
- (b) otherwise on demand by or on behalf of the lenders under the Syndicated Working Capital Facility (the "Syndicated Working Capital Facility Lenders") upon the occurrence of any one of a number of events (each a "Syndicated Working Capital Facility Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Syndicated Working Capital Facility Relevant Event:
  - (i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;
  - (ii) if any change in law or other event makes it illegal or impractical for a Syndicated Working Capital Facility Lender to perform its obligations under the Syndicated Working Capital Facility Agreement or fund or maintain the amount committed by that Syndicated Working Capital Facility Lender to the provision of the Syndicated Working Capital Facility ("Syndicated Working Capital Facility Commitment"), the Syndicated Working Capital Facility Lender may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Syndicated Working Capital Facility Commitment of that Syndicated Working Capital Facility Lender, in full on the date which is forty (40) business days after the date of that notice.

The Company has not received notice of the occurrence of any Relevant Event from any Financier.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

*(d) Lease Liabilities*

There were no lease liabilities payable as at 30 June 2013. In the prior year, the implicit interest rate on lease liabilities was within a range of 3.24% to 9.5% over a term of three (3) years.

*(e) Directors and Other Related Parties*

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

*(f) Defaults and Breaches*

During the current and prior years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>17. Other Liabilities (Current)</b>		
Lease incentives	1,667	1,503
Unearned revenue	1,022	128
Total other liabilities (current)	2,689	1,631

**18. Provisions**

Current:		
Employee entitlements (Note 28)	16,793	15,843
Lease make good	1,529	1,061
Deferred lease expenses	538	737
Onerous lease costs	3,718	2,110
Other	760	746
Total provisions (current)	23,338	20,497
Non-Current:		
Employee entitlements (Note 28)	1,418	1,278
Lease make good	2,638	3,028
Deferred lease expenses	4,844	4,648
Total provisions (non-current)	8,900	8,954

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 18. Provisions (continued)

Movements in the provisions for the year are as follows:

CONSOLIDATED	Make Good Provision \$000	Deferred Lease Expenses \$000	Onerous Lease Costs \$000	Other \$000	Total \$000
At 1 July 2012	4,089	5,385	2,110	746	12,330
Arising during the year	1,425	734	4,532	733	7,424
Utilised	(1,686)	(749)	(2,924)	(773)	(6,132)
Discount rate adjustment	7	-	-	-	7
Exchange rate variance	332	12	-	54	398
At 30 June 2013	4,167	5,382	3,718	760	14,027
Current 2013	1,529	538	3,718	760	6,545
Non-current 2013	2,638	4,844	-	-	7,482
Total provisions 2013	4,167	5,382	3,718	760	14,027
Current 2012	1,061	737	2,110	746	4,654
Non-current 2012	3,028	4,648	-	-	7,676
Total provisions 2012	4,089	5,385	2,110	746	12,330

#### *Make good provision*

In accordance with certain lease agreements, the consolidated entity is obligated to restore certain leased premises to a specified condition at the end of the lease term. The balance of the make good provision as at 30 June 2013 was \$4.17 million representing the expected costs to be incurred in restoring the leased premises to the condition specified in the lease. The provision has been calculated using a discount rate of 3 per cent.

#### *Onerous lease costs*

The provision for onerous lease costs represents the present value of the future lease payments that the consolidated entity is presently obligated to make in respect of onerous lease contracts under non-cancellable operating lease agreements. This obligation may be reduced by the revenue expected to be earned on the lease including estimated future sub-lease revenue, where applicable. The estimate may vary as a result of changes in the utilisation of the leased premises and sub-lease arrangements where applicable. The unexpired term of the leases range from 1 to 8 years.

#### *Deferred lease expenses*

Deferred lease expenses represent the present value of the future lease payments that the consolidated entity is presently obligated to make under non-cancellable operating lease agreements to enable the even recognition of lease payments as an expense on a straight-line basis over the lease term.

#### *Other*

The other provisions relates to provisions for employees' day in lieu incurred by a controlled entity within the consolidated entity.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	2013 \$000	2012 \$000
<b>19. Interest-Bearing Loans and Borrowings (Non-Current)</b>		
Secured:		
Non trade amounts owing to:		
Other borrowings		
- Syndicated Facility Agreement (a)	550,000	525,000
- Other non-current borrowings (b)	85,282	675
Unsecured:		
- Derivatives payable	12,539	18,784
- Lease liabilities – Note 32 (b)(i)	-	12
<b>Total interest-bearing liabilities (non-current)</b>	<b>647,821</b>	<b>544,471</b>

*(a) Non-Current Borrowings – Syndicated Facility Agreement*

On 2 December 2009, the Company, a subsidiary of the Company ("Borrower") and certain other subsidiaries of the Company ("Guarantors") entered into a Syndicated Facility Agreement with certain banks ("Financiers" and each a "Financier") in relation to a loan facility of \$435.00 million (the "Original Facility"). The Original Facility was to be otherwise repayable on 3 December 2012.

On 22 December 2011, the Borrower and Guarantors entered into arrangements to increase the amount of the Original Facility to \$610.00 million (the "Increased Facility") and to further secure the liability of the Company to ANZ pursuant to the ANZ-BOI Facility (refer to Note 16(a)).

The Increased Facility is secured by:

- (a) a fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers; and
- (b) real estate mortgages granted by certain Guarantors in favour of the security trustee for the Financiers over various real properties owned by those Guarantors.

Under the terms of the Syndicated Facility Agreement, the Increased Facility is repayable:

- (a) as to \$370 million, on 22 December 2014;
- (b) as to \$240 million, on 22 December 2016;
- (c) otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:
  - (i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;
  - (ii) if any change in law or other event makes it illegal or impractical for a Financier to perform its obligations under the Syndicated Facility Agreement or fund or maintain the amount committed by that Financier to the provision of the Increased Facility ("Commitment"), the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

The Company has not received notice of the occurrence of any Relevant Event from any Financier.

*(b) Other Non-Current Borrowings*

Of the total non-current borrowings of \$85.28 million:

- a total of \$48.18 million is secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 19(a)). The facilities are located in Slovenia and Croatia and have a maturity date of 2 December 2015.
- a total of \$37.10 million is secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 19(a)). The facility is located in Singapore and has a maturity date of 30 November 2015.

During the current and prior years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 20. Financing Facilities Available

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

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Total facilities:</b>		
- Bank overdraft	41,900	38,114
- Other borrowings	187,457	175,467
- Commercial bank bills	9,750	11,832
- Syndicated Facility Agreement	610,000	610,000
<b>Total Available Facilities</b>	<b>849,107</b>	<b>835,413</b>
<b>Facilities used at reporting date:</b>		
- Bank overdraft	37,093	32,366
- Other borrowings - current	92,592	146,675
- Other borrowings - non-current	85,282	
- Commercial bank bills - current	9,750	9,750
- Commercial bank bills - non-current	-	675
- Syndicated Facility Agreement	550,000	525,000
<b>Total Used Facilities</b>	<b>774,717</b>	<b>714,466</b>
<b>Facilities unused at reporting date:</b>		
- Bank overdraft	4,807	5,748
- Other borrowings	9,583	28,792
- Commercial bank bills	-	1,407
- Syndicated Facility Agreement	60,000	85,000
<b>Total Unused Facilities</b>	<b>74,390</b>	<b>120,947</b>

Refer to Note 16 Interest-Bearing Loans and Borrowings (Current) and Note 19 Interest-Bearing Loans and Borrowings (Non-Current) for details regarding the security provided by the consolidated entity over each of the financing facilities disclosed above.

### 21. Other Liabilities (Non-Current)

Lease incentives	16,045	14,868
Unearned revenue	-	22
<b>Total other liabilities (non-current)</b>	<b>16,045</b>	<b>14,890</b>

### 22. Contributed Equity

Ordinary shares	259,610	259,610
<b>Total contributed equity</b>	<b>259,610</b>	<b>259,610</b>
	2013	2012
	Number	number
Ordinary shares:		
Issued and fully paid	1,062,316,784	1,062,316,784

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 22. Contributed Equity (continued)

	CONSOLIDATED No.	\$'000
Movements in ordinary shares on issue		
At 1 July 2011	1,062,316,784	259,610
Issue of shares under executive share option plan	-	-
At 1 July 2012	1,062,316,784	259,610
Issue of shares under executive share option plan	-	-
At 30 June 2013	1,062,316,784	259,610

## 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.

## Share Options

*Harvey Norman Holdings Limited***Options Issued on 29 November 2011 ("Second Tranche of Options")**

Subject to the terms and conditions of the 2010 Share Option Plan, the Company issued 1,000,000 options to subscribe for 1,000,000 fully paid ordinary shares in the Company, at an exercise price of \$2.03 per option, on 29 November 2011, to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith ("Second Tranche of Options"). The qualifying period for the second tranche of options is the two years ending 30 June 2013. The second tranche of options were independently valued at grant date by Mercer (Australia) Pty Limited utilising the assumptions underlying the Black-Scholes methodology. These assumptions included the following:

- dividend yield 4.6%
- expected volatility 37.0%
- risk free rate as derived from the yield on Australian Government Bonds of the appropriate term

Under this valuation methodology, the value of each option in the Second Tranche of Options was \$0.51 per option or \$1,530,000 in total.

On 29 November 2012 the Company announced that options over 750,000 shares granted to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith, a total of 2,250,000 options over 2,250,000 shares, have lapsed and will never be exercisable. The Remuneration Committee had regard to certificates and reports from officers of the Company, other board committees and management, and own enquiries, noted that the 2012 Critical Success Factors had been only partially satisfied, noted that the net profit after tax of the consolidated entity was down 31.6% on the 2011 year, and determined, in accordance with the terms and conditions of the 2010 Share Option Plan that as there had been only partial achievement of the relevant performance conditions, to reduce the aggregate number of exercisable options in the Second Tranche of Options to 750,000 in total.

Refer to detailed information in the Remuneration Report for the terms and conditions of the Second Tranche of Options.

**Options Issued on 29 November 2012 ("Third Tranche of Options")**

Subject to the terms and conditions of the 2010 Share Option Plan, the Company issued 1,000,000 options to subscribe for 1,000,000 fully paid ordinary shares in the Company, at an exercise price of \$1.827 per option, on 29 November 2012, to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith ("Third Tranche of Options"). The qualifying period for the third tranche of options is the year ending 30 June 2013. The third tranche of options were independently valued at grant date by Mercer (Australia) Pty Limited utilising the assumptions underlying the Black-Scholes methodology. These assumptions included the following:

- dividend yield 4.5%
- expected volatility 26.0%
- risk free rate as derived from the yield on Australian Government Bonds of the appropriate term

Under this valuation methodology, the value of each option in the Third Tranche of Options was \$0.282 per option or \$846,000 in total. Refer to detailed information in the Remuneration Report for the terms and conditions of the Third Tranche of Options.



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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 23. Reserves

CONSOLIDATED \$000	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2011	66,557	(35,934)	2,327	(864)	7,452	(6,917)	32,621
Revaluation of land and buildings	9,072	-	-	-	-	-	9,072
Tax effect of revaluation of land and buildings	(3,400)	-	-	-	-	-	(3,400)
Unrealised gains on available-for-sale investments	-	-	1,027	-	-	-	1,027
Net loss on interest rate swap	-	-	-	(18,704)	-	-	(18,704)
Tax effect of net loss on swap	-	-	-	5,613	-	-	5,613
Reverse expired or realised cash flow hedge reserves	-	-	-	95	-	-	95
Net loss on forward foreign exchange contracts	-	-	-	(37)	-	-	(37)
Tax effect of net loss on forward foreign exchange contracts	-	-	-	11	-	-	11
Currency translation differences	-	565	-	-	-	-	565
Acquisition of non-controlling interests	-	-	-	-	-	(7,821)	(7,821)
Share based payment	-	-	-	-	966	-	966
Reversal of share expenses	-	-	-	-	(632)	-	(632)
At 30 June 2012	72,229	(35,369)	3,354	(13,886)	7,786	(14,738)	19,376
At 1 July 2012	72,229	(35,369)	3,354	(13,886)	7,786	(14,738)	19,376
Revaluation of land and buildings	6,739	-	-	-	-	-	6,739
Tax effect of revaluation of land and buildings	(4,423)	-	-	-	-	-	(4,423)
Unrealised gains on available-for-sale investments	-	-	3,096	-	-	-	3,096
Net gain on interest rate swap	-	-	-	6,168	-	-	6,168
Tax effect of net gain on swap	-	-	-	(1,850)	-	-	(1,850)
Reverse expired or realised cash flow hedge reserves	-	-	-	737	-	-	737
Net gain on forward foreign exchange contracts	-	-	-	10	-	-	10
Tax effect of net gain on forward foreign exchange contracts	-	-	-	(3)	-	-	(3)
Currency translation differences	-	31,568	-	-	-	-	31,568
Share based payment	-	-	-	-	555	-	555
Reversal of share expenses	-	-	-	-	(174)	-	(174)
At 30 June 2013	74,545	(3,801)	6,450	(8,824)	8,167	(14,738)	61,799

#### Nature and purpose of reserves:

##### (a) Asset revaluation reserve

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

##### (b) Foreign currency translation reserve

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

##### (c) Available for sale reserve

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

##### (d) Cash flow hedge reserve

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

##### (e) 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.

##### (f) Acquisition reserve

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	June 2013 \$000	June 2012 \$000
<b>24. Retained Profits and Dividends</b>		
Movements in retained earnings were as follows:		
Balance 1 July	1,956,966	1,901,350
Profit for the year	142,211	172,471
Dividends paid	(90,297)	(116,855)
Balance at end of the year	2,008,880	1,956,966
Dividends declared and paid during the year:		
Dividends on ordinary shares:		
Final franked dividend for 2012: 4.0 cents (2011: 6.0 cents)	42,493	63,739
Interim franked dividend for 2013: 4.5 cents (2012: 5.0 cents)	47,804	53,116
Total dividends paid	90,297	116,855
The final dividend for the year ended 30 June 2012 was paid on 3 December 2012.		
The interim dividend for the year ended 30 June 2013 was paid on 6 May 2013.		
<b>Franking credit balance</b>		
The amount of franking credits available for the subsequent financial years are:		
- franking account balance as at the end of the financial year at 30%	660,743	665,794
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	18,522	7,673
- franking credits that will be utilised in the payment of proposed dividend	(20,488)	(18,211)
The amount of franking credits available for future reporting periods	658,777	655,256
<b>25. Non-Controlling Interests</b>		
Interest in:		
- Ordinary shares	12,404	12,404
- Reserves	10,188	5,746
- Retained earnings	10,974	12,780
Total non-controlling interests	33,566	30,930

	CONSOLIDATED	
	June 2013 \$000	June 2012 \$000
<b>26. Earnings Per Share</b>		
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax	144,477	176,315
Profit after tax attributable to non-controlling interests	(2,266)	(3,844)
Profit after tax attributable to the Parent	142,211	172,471
	NUMBER OF SHARES	
	June 2013	June 2012
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	1,062,316,784	1,062,316,784
Effect of dilutive securities (b):		
- Share Options	662,918	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,062,979,702	1,062,316,784

*(a) Weighted Average Number of Ordinary Shares*

The number of ordinary shares on issue at 30 June 2013 was 1,062,316,784 (June 2012: 1,062,316,784).

There has been no movement in the weighted average number of ordinary shares used in calculating basic earnings per share as there has been no movement in the number of shares on issue since the previous reporting period. There has been no exercise of share options granted under any executive option plans in respect of previous years.

*(b) Effect of Dilutive Securities*

On 29 November 2010, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the "First Tranche"). These options are capable of exercise from 1 January 2014 to 30 June 2016 at an exercise price of \$3.02 per option. The options were valued at grant date utilising the assumptions underlying the Black-Scholes methodology. Under this valuation methodology, the value of each option was \$0.87 per option or \$2,610,000 in total.

On 13 June 2012, the consolidated entity announced that a total of 966,000 options over 966,000 shares in respect of the First Tranche had lapsed and will never be exercisable by the participants.

On 29 November 2011, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the "Second Tranche"). These options are capable of exercise from 1 January 2015 to 30 June 2017 at an exercise price of \$2.03 per option. The options were valued at grant date utilising the assumptions underlying the Black-Scholes methodology. Under this valuation methodology, the value of each option was \$0.51 per option or \$1,530,000 in total.

On 29 November 2012, the consolidated entity announced that a total of 2,250,000 options over 2,250,000 shares in respect of the Second Tranche had lapsed and will never be exercisable by the participants.

On 29 November 2012, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the "Third Tranche"). These options are capable of exercise from 1 January 2016 to 30 June 2018 at an exercise price of \$1.827 per option. The options were valued at grant date utilising the assumptions underlying the Black-Scholes methodology. Under this valuation methodology, the value of each option was \$0.282 per option or \$846,000 in total.

Options issued pursuant to the First Tranche were excluded from the calculation of diluted earnings per share as the exercise price of each of the options granted was higher than the average market price of an ordinary share as calculated during the year. Options issued pursuant to the Second Tranche and Third Tranche 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 for the year ended 30 June 2013. The unexercised options of the Second and Third Tranche are considered to be dilutive as their conversion to ordinary shares would decrease the net profit per share.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	June 2013 \$000	June 2012 \$000
<b>27. Cash and Cash Equivalents</b>		
(a) Reconciliation to Cash Flow Statement:		
<i>Cash and cash equivalents comprise the following at end of the year:</i>		
Cash at bank and on hand	110,819	141,159
Short term money market deposits	50,841	31,300
	161,660	172,459
Bank overdraft (Note 16)	(37,093)	(32,366)
Cash and cash equivalents at end of the year	124,567	140,093
(b) Reconciliation of profit after income tax to net operating cash flows:		
Profit after tax	144,477	176,315
Adjustments for:		
Net foreign exchange gains	(1,336)	(1,318)
Bad and doubtful debts	7,571	1,438
Provision for inventory obsolescence	108	(1,901)
Share of net profit from joint venture entities	(20,523)	(13,742)
Depreciation of property, plant and equipment	78,843	78,241
Amortisation	10,688	9,821
Impairment of fixed assets and IT projects	66	3,004
Revaluation of investment properties and properties held under joint ventures	60,347	27,768
Property revaluation adjustment for overseas controlled entity	(1,232)	-
Reversal of a previous property revaluation decrement	-	(2,775)
Profit on property development	-	(10,000)
Deferred lease expenses	341	(477)
Provision for onerous leases	3,488	2,912
Other provisions	-	104
Discount of interest-free long term receivables	31	83
Accretion of interest-free long term receivables	(114)	(152)
Executive remuneration expenses	1,835	1,789
Accrued income items	(2,495)	(5,511)
Transfers to provisions:		
- Employee entitlements	1,104	(5,672)
- Doubtful debts	2,943	1,324
(Profit) / loss on disposal and revaluation of:		
- Property, plant and equipment, and listed securities	(711)	3,625
Changes in assets and liabilities net of effects from purchase and sale of controlled entities:		
(Increase)/decrease in assets:		
Receivables	5,322	47,331
Inventory	(5,470)	75,222
Other current assets	(7,494)	879
Deferred tax assets	(888)	(5,026)
Increase/(decrease) in liabilities:		
Payables and other current liabilities	(48,014)	(188,458)
Income tax payable	10,330	6,121
Net cash from operating activities	239,217	200,945

CONSOLIDATED  
2013  
number  
2012  
Number

### 28. Employee Benefits

The number of full-time equivalent employees employed as at 30 June are:	4,950	4,937
	2013 \$000	2012 \$000
The aggregate employee benefit liability is comprised of:		
Accrued wages, salaries and on-costs	8,171	8,087
Provisions (Current – Note 18)	16,793	15,843
Provisions (Non-current – Note 18)	1,418	1,278
Total employee benefit provisions	26,382	25,208

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	
			2013	2012	2013	2012
29/11/2010	30/06/2016	\$3.02	2,034,000	2,034,000	-	-
29/11/2011	30/06/2017	\$2.03	750,000	3,000,000	-	-
29/12/2012	30/06/2018	\$1.827	3,000,000	-	-	-
			5,784,000	5,034,000	-	-

Refer to Note 30 Key Management Personnel for further information.

CONSOLIDATED  
2013  
\$  
2012  
\$

### 29. 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	1,469,701	1,434,377
- tax services in relation to the entity and any other entity in the consolidated entity	218,670	245,057
- other services in relation to the entity and any other entity in the consolidated entity	102,502	45,135
Total received by Ernst & Young	1,790,873	1,724,569

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. Key Management Personnel

## (a) Details of Key Management Personnel

(i) DIRECTORS	Title	(ii) EXECUTIVES	Title
Gerald Harvey	Executive Chairman	Martin Anderson	General Manager – Generic Publications Pty Limited
Kay Lesley Page	Executive Director and Chief Executive Officer	Rodney Orrock	General Manager – Domayne
John Eryn Slack-Smith	Executive Director and Chief Operating Officer	Thomas James Scott	General Manager – Property
David Ackery	Executive Director	Gordon Ian Dingwall	Chief Information Officer
Chris Mentis	Chief Financial Officer and Company Secretary		
Christopher Herbert Brown OAM	Non-Executive Director		
Michael John Harvey	Non-Executive Director		
Ian John Norman	Non-Executive Director		
Kenneth William Gunderson-Briggs	Non-Executive Director (Independent)		
Graham Charles Paton AM	Non-Executive Director (Independent)		

## (b) Compensation of Key Management Personnel

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

	CONSOLIDATED	
	2013	2012
	\$	\$
Short – term	9,324,220	9,346,068
Post employment	192,706	183,257
Other – long service leave accrual	82,686	82,413
Share – based payment	533,100	791,739
Reversal of share-based payment expenses	-	(631,851)
	10,132,712	9,771,626



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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30. Key Management Personnel (continued)

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

30 June 2013	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Net Change Other (i)	Balance at End of Period	Vested at 30 June 2013		
						Total	Exercisable	Not Exercisable
	01/07/2012				30/06/2013			
<b>Directors</b>								
G. Harvey	-	-	-	-	-	-	-	-
K.L. Page	-	-	-	-	-	-	-	-
J.E. Slack-Smith	1,678,000	1,000,000	-	(750,000)	1,928,000	-	-	-
D.M. Ackery	1,678,000	1,000,000	-	(750,000)	1,928,000	-	-	-
C. Mentis	1,678,000	1,000,000	-	(750,000)	1,928,000	-	-	-
M.J. Harvey	-	-	-	-	-	-	-	-
C.H. Brown	-	-	-	-	-	-	-	-
I.J. Norman	-	-	-	-	-	-	-	-
K.W. Gunderson-Briggs	-	-	-	-	-	-	-	-
G.C. Paton	-	-	-	-	-	-	-	-
<b>Executives</b>								
R. Orrock	-	-	-	-	-	-	-	-
M.L. Anderson	-	-	-	-	-	-	-	-
T.J. Scott	-	-	-	-	-	-	-	-
G.I. Dingwall	-	-	-	-	-	-	-	-
	5,034,000	3,000,000	-	(2,250,000)	5,784,000	-	-	-

#### (i) Explanation of Net Change Other Column:

The remuneration committee had regard to certificates and reports from officers of the Company, other board committees and management, and own enquiries, noted that the 2012 Critical Success Factors had been only partially satisfied, noted that the net profit after tax of the consolidated entity was down 31.6% on the 2011 year, and determined, in accordance with the terms and conditions of the 2010 Share Option Plan that as there had been only partial achievement of the relevant performance conditions, to reduce the aggregate number of exercisable options in the Second Tranche of Options to 750,000, as follows:

- (a) David Matthew Ackery – 250,000 options to subscribe for 250,000 fully paid ordinary shares in the Company at an issue price of \$2.03 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan);
- (b) John Evyn Slack-Smith – 250,000 options to subscribe for 250,000 fully paid ordinary shares in the Company at an issue price of \$2.03 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan);
- (c) Chris Mentis – 250,000 options to subscribe for 250,000 fully paid ordinary shares in the Company at an issue price of \$2.03 per share, subject only to Service Conditions (as defined in the 2010 Share Option Plan).

Accordingly, on 29 November 2012 the Company announced that options over 750,000 shares granted to each of David Matthew Ackery, Chris Mentis and John Evyn Slack-Smith, a total of 2,250,000 options over 2,250,000 shares, previously granted on 29 November 2011 ("Second Tranche of Options") have lapsed and will never be exercisable.

30 June 2012	Balance at Beginning of Period	Granted as Remuneration	Options Exercised	Net Change Other (ii)	Balance at End of Period	Vested at 30 June 2012		
						Total	Exercisable	Not Exercisable
	01/07/2011				30/06/2012			
<b>Directors</b>								
G. Harvey	-	-	-	-	-	-	-	-
K.L. Page	-	-	-	-	-	-	-	-
J.E. Slack-Smith	1,000,000	1,000,000	-	(322,000)	1,678,000	-	-	-
D.M. Ackery	1,000,000	1,000,000	-	(322,000)	1,678,000	-	-	-
C. Mentis	1,000,000	1,000,000	-	(322,000)	1,678,000	-	-	-
M.J. Harvey	-	-	-	-	-	-	-	-
C.H. Brown	-	-	-	-	-	-	-	-
I.J. Norman	-	-	-	-	-	-	-	-
K.W. Gunderson-Briggs	-	-	-	-	-	-	-	-
G.C. Paton	-	-	-	-	-	-	-	-
<b>Executives</b>								
R. Orrock	-	-	-	-	-	-	-	-
M.L. Anderson	-	-	-	-	-	-	-	-
T.J. Scott	-	-	-	-	-	-	-	-
G.I. Dingwall	-	-	-	-	-	-	-	-
	3,000,000	3,000,000	-	(966,000)	5,034,000	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. Key Management Personnel (continued)

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

## (ii) Explanation of Net Change Other Column:

The Remuneration Committee assessed each component of the 2011 Critical Success Factors to determine whether the non-financial performance conditions of the First Tranche of Options (weighted as to 70%) were met. The Remuneration Committee had regard to certificates and reports from officers of the Company, other board committees and management, and own enquires, and determined that the 2011 Critical Success Factors had been satisfied as to 54% of the 70% weighting, resulting in the resolution that 966,000 options over 966,000 shares in the First Tranche of Options had lapsed and will never be exercisable.

## (d) Shareholdings of Key Management Personnel

Shares held in Harvey Norman Holdings Limited (number):

30 June 2013	Balance 1 July 2012	Granted as Remuneration	On Exercise of Options	Net Change Other (i)	Balance 30 June 2013
<b>Directors</b>					
G. Harvey	312,509,532	-	-	975,039	313,484,571
K.L. Page	16,995,133	-	-	-	16,995,133
J.E. Slack-Smith	259,999	-	-	-	259,999
D. Ackery	146,667	-	-	-	146,667
C. Mentis	7,450	-	-	11,050	18,500
M.J. Harvey	2,845,553	-	-	-	2,845,553
C.H. Brown	103,467	-	-	-	103,467
I.J. Norman	175,249,660	-	-	-	175,249,660
K.W. Gunderson-Briggs	3,000	-	-	-	3,000
G.C. Paton	15,000	-	-	-	15,000
<b>Executives</b>					
R. Orrock	-	-	-	-	-
M.L. Anderson	-	-	-	-	-
T.J. Scott	-	-	-	-	-
G.I. Dingwall	-	-	-	-	-
<b>Total</b>	<b>508,135,461</b>	<b>-</b>	<b>-</b>	<b>986,089</b>	<b>509,121,550</b>

## (i) Explanation of Net Change Other Column:

Net change other includes the market acquisitions and market disposals of ordinary shares in the Company as well as any off-market trades and off-market transfers of ordinary shares.

During the year ended 30 June 2013, G. Harvey acquired 975,039 shares in the Company thereby increasing his shareholding to 313,484,571 ordinary shares in Harvey Norman Holdings Limited as at 30 June 2013.

On 28 March 2013, G. Harvey announced a correction of share holdings between his direct holding (under Gerald Harvey) and his indirect holdings (a reallocation of share parcels held in a trustee capacity under G. Harvey Nominees Pty Limited). There was no change in the total number of ordinary shares held by G. Harvey pursuant to the announcement on 28 March 2013. The correction can be explained as follows:

- a disposal of 85,837,186 ordinary shares which were directly held by G. Harvey and an acquisition of 3,690,039 ordinary shares beneficially held by Gerald Harvey (as trustee for Harvey 2003 Option Trust) and an acquisition of 82,147,147 ordinary shares beneficially held by Gerald Harvey (as trustee for Harvey Option Trust); and
- a disposal of 140,629,301 ordinary shares beneficially held by G. Harvey Nominees Pty Limited and an acquisition of 5,752,486 ordinary shares beneficially held by G. Harvey Nominees Pty Limited (as trustee for Harvey 1995 No. 2 Trust) and an acquisition of 134,876,815 ordinary shares beneficially held by G. Harvey Nominees Pty Limited (as trustee for Harvey Lamino No. 1 Trust).

On 29 November 2012, C. Mentis acquired 11,050 shares in the Company thereby increasing his shareholding to 18,500 ordinary shares in Harvey Norman Holdings Limited as at 30 June 2013.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 30. Key Management Personnel (continued)

#### (d) Shareholdings of Key Management Personnel (continued)

30 June 2012

#### Directors

	Balance 1 July 2011	Granted as Remuneration	On Exercise of Options	Net Change Other (ii)	Balance 30 June 2012
G. Harvey	311,959,532	-	-	550,000	312,509,532
K.L. Page	16,995,133	-	-	-	16,995,133
J.E. Slack-Smith	259,999	-	-	-	259,999
D. Ackery	146,667	-	-	-	146,667
C. Mentis	7,450	-	-	-	7,450
M.J. Harvey	2,845,553	-	-	-	2,845,553
C.H. Brown	103,467	-	-	-	103,467
I.J. Norman	175,249,660	-	-	-	175,249,660
K.W. Gunderson-Briggs	3,000	-	-	-	3,000
G.C. Paton	15,000	-	-	-	15,000
<b>Executives</b>					
R. Orrock	-	-	-	-	-
M.L. Anderson	-	-	-	-	-
T.J. Scott	-	-	-	-	-
G.I. Dingwall	-	-	-	-	-
<b>Total</b>	<b>507,585,461</b>	<b>-</b>	<b>-</b>	<b>550,000</b>	<b>508,135,461</b>

#### (ii) Explanation of Net Change Other Column:

Net change other includes the market acquisitions and market disposals of ordinary shares in the Company as well as any off-market trades and off-market transfers of ordinary shares.

On 6 October 2011, K. L. Page conducted several off-market transfers to dispose of 138,196 ordinary shares which were directly held and disposed of her beneficial interest in 30,210 ordinary shares held by K. Page Pty Limited. These ordinary shares were acquired by her beneficial interest in K. Page Superannuation Fund Pty Limited. There was no change in the total number of ordinary shares either directly or indirectly held by K. L. Page during the year ended 30 June 2012.

On 19 December 2011, G. Harvey acquired 550,000 shares in the Company thereby increasing his shareholding to 312,509,532 ordinary shares in Harvey Norman Holdings Limited as at 30 June 2012.

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>2013</b>						
Directors	-	-	-	-	-	-
Executives	-	-	-	-	-	-
	-	-	-	-	-	-
<b>2012</b>						
Directors	200	4	-	-	-	1
Executives	-	-	-	-	-	-
	200	4	-	-	-	1

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. Key Management Personnel (continued)

## (e) Loans to Key Management Personnel (continued)

## Terms and Conditions of Loans

No new loans were granted to key management personnel during the year ended 30 June 2013. The loan to a director of the Company disclosed in the previous year was repaid in full in August 2011.

(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.
2013						
Directors	-	-	-	-	-	-
Executives	-	-	-	-	-	-
2012						
Directors	200	4	-	-	-	201
Executives	-	-	-	-	-	-

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

	CONSOLIDATED	
	2013	2012
	\$	\$

## (i) Loans from directors to subsidiaries of Harvey Norman Holdings Limited:

Derni Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited) borrowed money from entities associated with I.J. Norman, M.J. Harvey and G. Harvey. Interest is payable at commercial rates. These loans are unsecured and repayable at call.

26,374,038 32,406,368

Net amounts paid to entities associated with the above mentioned directors and their related parties.

(6,032,330) (4,537,444)

Interest paid/payable

1,458,605 2,122,905

## (ii) Legal fees paid to a director-related entity:

Legal fees were paid to the firm of which Mr C.H. Brown is a partner for professional services rendered to the consolidated entity in the normal course of business.

2,103,361 2,242,169

## (iii) Lease of business premises from Ruzden Pty Limited:

The consolidated entity leases business premises at Bundall, Queensland from Ruzden Pty Limited. Mr G. Harvey, Ms K.L. Page, Mr M.J. Harvey and Mr I.J. Norman 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:

4,200,620 4,087,523

## (iv) Other income derived by related entities of key management personnel:

Certain franchises are operated by entities owned or controlled by relatives of key management personnel under normal franchisee terms and conditions. Aggregated net income derived by entities owned or controlled by relatives of key management personnel is:

1,081,836 1,148,527

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. Key Management Personnel (continued)

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

## (v) Perth City West Retail Complex

By a contract for sale dated 31 October 2000, Gerald Harvey, as to a one half share as tenant in common, and a subsidiary of Harvey Norman Holdings Limited, as to a one half share as tenant in common, purchased the Perth City West retail complex for a purchase price of \$26.60 million. In the financial report for the year ended 30 June 2013 this has been accounted for as a joint venture entity as disclosed in Note 36 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 2013 was \$1.79 million each and for the year ended 30 June 2012 was \$1.73 million.

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

By a contract for sale dated 15 May 2002, a company (of which Gerald Harvey was a director) acting in its capacity as trustee of a trust, as to a one half share as tenant in common (the "GH entity"), and a subsidiary of Harvey Norman Holdings Limited, as to a one half share as tenant in common, purchased the Byron at Byron Resort, Spa and Conference Centre (the "Byron Bay JV"). In the financial report for the year ended 30 June 2013, this has been accounted for as a joint venture entity as disclosed in Note 36. 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. Each of the GH entity and a subsidiary of Harvey Norman Holdings Limited received capital distributions in the sum of \$0.05 million (2012: \$0.65 million). Each of the GH entity and a subsidiary of Harvey Norman Holdings Limited made additional capital contributions to the Byron Bay JV of \$0.10 million (2012: \$0.20 million).

A subsidiary of Harvey Norman Holdings Limited held a conference at The Byron at Byron Resort and paid the Byron Bay JV conference fees amounting to \$0.11 million for the year ended 30 June 2013 (2012: \$0.11 million).

## (vii) Gepps Cross Retail Complex

By a contract for sale dated 18 December 2007, a subsidiary of the Company ("HNHL G.C. Entity") and Axiom Properties Fund Limited ("G.C. Co-Owner") purchased land located in Gepps Cross, South Australia ("G.C. Land") in equal shares as tenants in common, for the purpose of constructing and subsequently managing a retail complex on the G.C. Land ("the Gepps Cross Joint Venture"). In November 2009, HNHL G.C. Entity and the G.C. Co-Owner granted a lease of part of the G.C. Land and retail complex to a subsidiary of the Company ("G.C. Lessee") on arm's length commercial terms ("G.C. Lease"). In August 2010, the G.C. Co-Owner informally advised the Company that the G.C. Co-Owner intended or wished to dispose of its interest in the Gepps Cross Joint Venture, triggering first and last rights of refusal in the HNHL G.C. Entity. At a meeting of the Company held 26 August 2010, it was resolved that the Company not purchase the share of the G.C. Co-Owner in the Gepps Cross Joint Venture (including G.C. Land). On 6 October 2010, HNHL G.C. Entity formally waived the right to purchase the interest of the G.C. Co-Owner in the Gepps Cross Joint Venture (including the G.C. Land). By a contract for sale dated 23 December 2010, GH Gepps Cross Pty Limited, an entity associated with Gerald Harvey ("Gerald Harvey Entity") and MJH Gepps Cross Pty Limited, an entity associated with Michael Harvey ("Michael Harvey Entity") and, M&S Gepps Cross Pty Limited, purchased the one half share as tenant in common of the G.C. Co-Owner in the G.C. Land and retail complex. The sale was subject to the G.C. Lease. The Gerald Harvey Entity is entitled to one quarter of the rental and outgoings paid by the G.C. Lessee amounting to \$0.66 million for the year ended 30 June 2013 (2012: \$0.64 million). The Michael Harvey Entity is entitled to one eighth of the rental and outgoings paid by the G.C. Lessee amounting to \$0.33 million for the year ended 30 June 2013 (2012: \$0.32 million).

The Gepps Cross Joint Venture has been accounted for as equity accounted investment as disclosed in Note 36. The Gerald Harvey Entity is entitled to one quarter of the profits generated by the retail complex on the G.C. Land amounting to \$1.41 million for the year ended 30 June 2013 (2012: \$1.37 million). The Michael Harvey Entity is entitled to one eighth of the profits generated by the retail complex on the G.C. Land amounting to \$0.70 million for the year ended 30 June 2013 (2012: \$0.68 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 30. Key Management Personnel (continued)

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

## (viii) National Rugby League Limited

Ms. K.L. Page was a director of National Rugby League Limited and resigned in February 2012. During the year ended 30 June 2012, wholly owned subsidiaries of Harvey Norman Holdings Limited paid for advertising and sponsorships totalling \$3.91 million to National Rugby League Limited. All dealings with that entity are in the ordinary course of business and on arm's length commercial terms and conditions.

## (ix) Gazal Corporation Limited

Mr. G.C. Paton is an independent, non-executive director of Gazal Corporation Limited, a public company listed on the Australian Stock Exchange. A wholly-owned subsidiary of the consolidated entity owns 1.0 million shares in Gazal Corporation Limited with a market value of \$2.85 million as at 30 June 2013 (2012: \$1.75 million). The consolidated entity received dividends from Gazal Corporation Limited amounting to \$0.18 million for the year ended 30 June 2013 (2012: \$0.18 million).

During the year ended 30 June 2012 Harvey Norman Shopfitting Pty Limited, a wholly-owned subsidiary of Harvey Norman Holdings Limited, provided shopfitting services on normal commercial terms and conditions to Gazal Corporation Limited. The value of the shopfitting sales to Gazal was \$0.087 million for the year ended 30 June 2012. Mr. G.C. Paton did not direct, manage or otherwise participate in any of the arrangements between Harvey Norman Shopfitting Pty Limited and Gazal Corporation Limited.

There were no transactions between Harvey Norman Shopfitting Pty Limited and Gazal Corporation Limited during the year ended 30 June 2013.

## 31. 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	
	2013	2012
	\$	\$
<b>(b) Transactions with Other Related Parties</b>		
- Several controlled entities of Harvey Norman Holdings Limited operate inter-company loan accounts with other wholly owned subsidiaries. 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, marketing support, courier costs, other miscellaneous expenses and to provide working capital funding from time to time. Inter-company loans have been eliminated on consolidation.		
The amount of such inter-company loans at balance date were:	221,009,511	217,589,235
- Network Consumer Finance Pty Limited (a wholly owned subsidiary of Harvey Norman Holdings Limited) acts as financier to several controlled partnerships and controlled entities. These controlled partnerships and controlled entities 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 arm's length terms and conditions and have been eliminated on consolidation.		
- The amount of inter-company loans at balance date was:	39,643,679	40,284,121
- The aggregate amount of interest charged by Network Consumer Finance Pty Limited to controlled partnerships and controlled entities was at arm's length terms and conditions. The aggregate amount of interest charged was:	811,724	988,415
- Several controlled entities of Harvey Norman Holdings Limited operate loan accounts with other related parties, mainly consisting of joint venture entities and the other joint venturer to joint venture entities. Refer to Notes 5 and 10.		
The amount of other related party loans at balance date was:	51,742,927	20,442,118
- The consolidated entity has a payable to other related parties at arm's length terms and conditions amounting to the following at balance date:	5,602,210	12,253,069



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 32. Commitments

	CONSOLIDATED	
	2013	2012
	\$000	\$000
(a) <i>Capital expenditure contracted but not provided is payable as follows:</i>		
Not later than one year	3,661	37,589
Later than one year but not later than five years	-	2,893
<b>Total capital expenditure commitments</b>	<b>3,661</b>	<b>40,482</b>

The consolidated entity had contractual obligations to purchase property, plant and equipment, investment properties and joint venture properties of \$3.66 million (2012: \$40.48 million). The contractual obligations relating to property, plant and equipment are mainly for the fixtures and fittings of new stores of overseas controlled entities. Included in the above disclosure are the contractual obligations relating to joint venture properties of \$1.48 million for the year ended 30 June 2013 (2012: \$1.28 million).

#### (b) *Lease expenditure commitments:*

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

Not later than one year	-	131
Later than one year but not later than five years	-	12
<b>Minimum finance lease payments</b>	<b>-</b>	<b>143</b>
<b>Deduct future finance charges</b>	<b>-</b>	<b>(14)</b>
<b>Total finance lease liabilities</b>	<b>-</b>	<b>129</b>
Disclosed as follows:		
Current liabilities (refer Note 16)	-	117
Non-current liabilities (refer Note 19)	-	12
<b>Total finance lease liabilities</b>	<b>-</b>	<b>129</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 12 for net book value of capitalised lease assets).

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

Not later than one year	150,722	152,976
Later than one year but not later than five years	404,012	413,202
Later than five years	261,233	268,814
<b>Total operating lease liabilities</b>	<b>815,967</b>	<b>834,992</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 32. Commitments (continued)

(iii) Geographic representation of operating lease expenditure:

30 June 2013	Australia \$000	New Zealand \$000	Asia \$000	Ireland and Northern Ireland \$000	Slovenia and Croatia \$000	Total \$000
Not later than one year	105,801	9,119	15,562	19,500	740	150,722
Later than one year but not later than five years	281,531	22,248	17,524	80,212	2,497	404,012
Later than five years	93,808	6,993	-	159,250	1,182	261,233
Total operating lease liabilities	481,140	38,360	33,086	258,962	4,419	815,967

30 June 2012	Australia \$000	New Zealand \$000	Asia \$000	Ireland and Northern Ireland \$000	Slovenia and Croatia \$000	Total \$000
Not later than one year	111,838	8,441	13,440	17,738	1,519	152,976
Later than one year but not later than five years	301,055	22,549	13,334	71,213	5,051	413,202
Later than five years	110,870	4,335	-	153,609	-	268,814
Total operating lease liabilities	523,763	35,325	26,774	242,560	6,570	834,992

## 33. Contingent Liabilities

## Guarantees

As at 30 June 2013, Harvey Norman Holdings Limited had guaranteed the performance of a number of controlled entities which have entered into operating leases and facilities with other parties totalling \$295.43 million (2012: \$274.93 million).

## 34. Financial Risk Management

(a) *Financial Risk Management Objectives and Policies*

The consolidated entity's principal financial instruments are comprised of:

- receivables
- payables
- bills payable
- available for sale investments
- shares held for trading; and
- derivatives

The consolidated entity manages its exposure to key financial risks, such as interest rate and currency risk in accordance with the consolidated entity's financial risk management policy, as outlined in the Treasury Policy. The objective of the policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security.

The consolidated entity enters into derivative transactions, principally interest rate swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the consolidated entity's operations and its sources of finance.

The main risks arising from the consolidated entity's financial instruments are:

- foreign currency risk
- interest rate risk
- equity price risk
- credit risk; and
- liquidity risk

The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include:

- monitoring levels of exposure to interest rate and foreign exchange risk;
- monitoring assessments of market forecasts for interest rate, foreign exchange and commodity prices;
- ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk; and
- liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and endorses policies for managing each of these risks as summarised below:

- the setting of limits for trading in derivatives; and
- hedging cover of foreign currency and interest rate risk, credit allowances, and future cash flow forecast projections.

(b) *Market Risk*

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which the consolidated entity are exposed are discussed below.

(i) *Foreign Currency Risk Management*

Foreign currency risk refers to the risk that the value of financial instruments, recognised asset or liability will fluctuate due to changes in foreign currency rates. The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The consolidated entity's foreign currency exchange risk arises primarily from:

- receivables or payables denominated in foreign currencies; and
- firm commitments or highly probable forecast transactions for payments settled in foreign currencies.

The consolidated entity is exposed to foreign exchange risk from various currency exposures, primarily with respect to:

- United States dollars;
- New Zealand dollars;
- Euro;
- Singapore dollars;
- Malaysian ringgit; and
- Croatian kuna

The consolidated entity minimises its exposure to foreign currency risk by initially seeking contracts effectively denominated in the consolidated entity's functional currency where possible and economically favourable to do so. Foreign exchange risk that arises from firm commitments or highly probable transactions is managed principally through the use of forward foreign currency exchange contracts. The consolidated entity hedges a proportion of these transactions in each currency in accordance with the Treasury Policy.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 34. Financial Risk Management (continued)

## (i) Foreign Currency Risk Management (continued)

At 30 June 2013, the consolidated entity had the following exposure to foreign currency risk that is not denominated in the functional currency of the relevant subsidiary. All amounts have been converted to Australian dollars using applicable rates.

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Financial assets</b>		
Cash and cash equivalents	11,387	4,838
Trade and other receivables	5,018	1,413
Other financial assets	-	1,292
Derivatives receivable	185	-
	<b>16,590</b>	<b>7,543</b>
<b>Financial liabilities</b>		
Trade and other payables	20,882	12,149
Interest bearing loans and borrowings	8,915	7,106
Derivatives payable	3	184
	<b>29,800</b>	<b>19,439</b>
<b>Net exposure</b>	<b>(13,210)</b>	<b>(11,896)</b>

The following sensitivity analysis is calculated based on the foreign currency risk exposures that are not denominated in the functional currency of the relevant subsidiary at balance date. At 30 June 2013, had the various currencies moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	Post Tax Profit		Other comprehensive income	
	increase/(decrease)		increase/(decrease)	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
<b>Consolidated</b>				
Australian subsidiaries				
AUD/EURO + 10% (2012: + 5%)	69	14	(224)	(51)
AUD/EURO - 5% (2012: - 10%)	(40)	(33)	130	118
AUD/USD + 10% (2012: + 5%)	(25)	4	(10)	(8)
AUD/USD - 5% (2012: - 5%)	15	(5)	6	9
Slovenia and Ireland subsidiaries				
EURO/USD + 5% (2012: + 15%)	(12)	(37)	-	-
EURO/USD - 10% (2012: - 5%)	27	15	-	-
Croatia subsidiaries				
HRK/EURO + 5% (2012: + 5%)	446	400	-	-
HRK/EURO - 5% (2012: - 5%)	(493)	(442)	-	-
HRK/USD + 5% (2012: + 15%)	1	39	-	-
HRK/USD - 5% (2012: - 5%)	(1)	(16)	-	-
Singapore subsidiaries				
SGD/USD + 5% (2012: + 5%)	10	1	-	-
SGD/USD - 5% (2012: - 5%)	(11)	(1)	-	-
SGD/EURO + 5% (2012: + 5%)	(50)	(71)	-	-
SGD/EURO - 5% (2012: - 10%)	55	165	-	-
SGD/MYR + 5% (2012: + 5%)	(82)	14	-	-
SGD/MYR - 5% (2012: - 5%)	91	(15)	-	-
SGD/AUD + 5% (2012: + 5%)	1	-	-	-
SGD/AUD - 10% (2012: - 5%)	(3)	-	-	-
New Zealand subsidiaries/branches				
NZ/EURO + 5% (2012: + 5%)	(14)	(6)	-	-
NZ/EURO - 5% (2012: - 10%)	16	13	-	-
NZ/USD + 10% (2012: + 10%)	1	2	-	-
NZ/USD - 5% (2012: - 10%)	-	(2)	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34. Financial Risk Management (continued)

#### (i) Foreign Currency Risk Management (continued)

The sensitivity increases and decreases in exchange rates have been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a 5-year historical data basis and market expectations for potential future movement. The sensitivities of post tax profit and other comprehensive income in 2013 are comparable to 2012.

#### (ii) Interest Rate Risk Management

Interest rate risk refers to the risk that movements in variable interest rates will affect financial performance by increasing interest expenses or reducing interest income.

Interest rate risk arises from financial assets and liabilities that are subject to floating interest rates. The consolidated entity's exposure to market interest rates relates primarily to:

- Cash and cash equivalents;
- Non-trade debts receivable from related parties and other unrelated parties;
- Bank overdraft;
- Non-trade amounts owing to directors, related parties and other unrelated parties;
- Borrowings; and
- Bills payable.

The consolidated entity manages the interest rate exposure by adjusting the ratio of fixed interest debt to variable interest debt to management's desired level based on current market conditions. Where the actual interest rate profile on the physical debt profile differs substantially from the desired target, the consolidated entity uses derivatives, principally interest rate swaps, to adjust towards the target net debt profile. Under the interest rate swaps the consolidated entity agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

30 June 2013	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	93,805	48,509	-	-	19,346	161,660	0.35%-3.50%	0.07%-4.00%	
Consumer finance loans	-	83	32	-	2,560	2,675	-	9.00%	
Finance lease receivables	-	6,857	4,316	-	6,161	17,334	-	10.50%-12.50%	
Trade debtors	-	-	-	-	980,051	980,051	-	-	
Other financial assets	-	-	-	-	33,295	33,295	-	-	
Non-trade debtors & loans	17,763	48,566	6,758	1,055	1,511	75,653	5.07%-13.20%	7.50%-12.00%	
	111,568	104,015	11,106	1,055	1,042,924	1,270,668			
<b>Financial liabilities</b>									
Bank overdraft	37,093	-	-	-	-	37,093	2.22%-6.14%	-	
Borrowings (*)	727,874	-	-	-	-	727,874	0.47%-5.52%	-	
<i>Interest rate swaps (notional amount)</i>	-	(50,000)	(200,000)	-	-	(250,000)		4.97%-5.54%	
<i>Net exposure</i>	764,967	(50,000)	(200,000)	-	-	514,967	0.47%-6.14%	4.97%-5.54%	
Trade creditors	-	-	-	-	611,758	611,758	-	-	
Other loans	32,935	-	-	-	4	32,939	3.82%-5.20%	-	
Bills payable (*)									
- Australia	9,750	-	-	-	-	9,750	2.88%-3.70%	-	
Other financial liabilities	-	78	12,539	-	3	12,620	-	4.97%-5.54%	
	807,652	78	12,539	-	611,765	1,432,034	2.88%-5.20%	4.97%-5.54%	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 34. Financial Risk Management (continued)

## (II) Interest Rate Risk Management (continued)

30 June 2012	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	126,245	31,300	-	-	14,914	172,459	0.20%-5.96%	0.045%-0.86%
Consumer finance loans	-	96	44	-	4,041	4,181	-	9.00%-12.50%
Finance lease receivables	-	9,907	8,879	-	-	18,786	-	10.50%-12.50%
Trade debtors	-	-	-	-	985,926	985,926	-	-
Other financial assets	-	-	-	-	33,751	33,751	-	-
Non-trade debtors & loans	19,511	4,144	673	-	1,030	25,358	6.65%-9.46%	5.00%-12.50%
	145,756	45,447	9,596	-	1,039,662	1,240,461		
<b>Financial liabilities</b>								
Bank overdraft	32,366	-	-	-	-	32,366	2.22%-3.47%	-
Borrowings (*)	671,211	464	-	-	-	671,675	0.63%-6.65%	3.67%-5.47%
Interest rate swaps (notional amount)	-	(100,000)	(350,000)	-	-	(450,000)	-	4.97%-5.54%
Net exposure	671,211	(99,536)	(350,000)	-	-	221,675	0.63%-6.65%	3.67%-5.54%
Trade creditors	-	-	-	-	647,279	647,279	-	-
Finance lease liabilities	-	117	12	-	-	129	-	3.24%-9.50%
Other loans	44,578	107	-	-	84	44,769	4.50%-6.46%	5.00%-12.00%
Bills payable (*)								
- Australia	9,750	-	-	-	-	9,750	3.69%-4.96%	-
- Slovenia	675	-	-	-	-	675	1.70%-3.57%	-
Other financial liabilities	-	1,015	18,784	-	184	19,983	-	4.97%-5.54%
	758,580	1,703	18,796	-	647,547	1,426,626		

\* 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.

**Sensitivity analysis**

The following sensitivity is based on interest rate risk exposures in existence at balance date:

A sensitivity of 50 basis points increase and 50 basis points decrease has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates.

At 30 June 2013, if interest rates had moved, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34. Financial Risk Management (continued)

#### (II) Interest Rate Risk Management (continued)

	CONSOLIDATED			
	Post Tax Profit		Other comprehensive income	
	increase/(decrease)		increase/(decrease)	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
If there was 50 (2012: 50) basis points higher in interest rates with all other variables held constant	(2,804)	(2,320)	1,972	(2,542)
If there was 50 (2012: 50) basis points lower in interest rates with all other variables held constant	2,804	2,320	(1,972)	(8,673)

The movements in post tax profit are due to higher/lower interest costs from variable rate debt and cash balances. The movements in other comprehensive income are due to increase/decrease in the fair value of derivative instruments designated as cash flow hedges.

The movements in post tax profit in 2013 are more sensitive than the movements in 2012 because of an increase in financial liabilities that are subject to variable interest rates. The movements in other comprehensive income in 2013 are less sensitive than the movements in 2012 because of the decreased use of interest rate swaps which are designated as cash flow hedges.

#### (III) Equity Price Risk Management

The consolidated entity is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The consolidated entity does not actively trade these investments. The exposure to the risk of a general decline in equity market values is not hedged as the consolidated entity believes such a strategy is not cost effective. The fair value of the equity investments publicly traded on the ASX was \$20.69 million as at 30 June 2013 (2012: \$25.10 million). The fair value of the equity investments publicly traded on the NZX was \$10.84 million as at 30 June 2013 (2012: \$9.19 million).

As at 30 June 2013, if equity prices had been 10% higher/lower while all other variables are held constant, post tax profit and other comprehensive income would have been affected as follows:

	CONSOLIDATED			
	Post Tax Profit		Other comprehensive income	
	increase/(decrease)		increase/(decrease)	
	2013	2012	2013	2012
	\$000	\$000	\$000	\$000
If there was 10% (2012: 10%) increase movement in equity prices with all other variables held constant	1,657	1,832	1,084	719
If there was 10% (2012: 10%) decrease movement in equity prices with all other variables held constant	(1,657)	(1,832)	(1,084)	(719)

A sensitivity of 10% has been selected as this is considered reasonable given the current level of equity prices, the volatility observed on a historic basis and market expectations for future movement.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 34. Financial Risk Management (continued)

## (c) Credit Risk

Credit risk refers to the loss that the consolidated entity would incur if a debtor or other counterparty fails to perform under its contractual obligations.

Credit risk arises from the financial assets of the consolidated entity, which comprise trade and non-trade debtors, consumer finance loans and finance lease receivables. The consolidated entity's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

The consolidated entity's policies to limit its exposure to credit risks are as follows:

- Conducting appropriate due diligence on counterparties before entering into an arrangement with them. It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored; and
- For finance lease receivables or non-trade debts receivable from related parties and other unrelated persons, the consolidated entity obtains collateral with a value equal or in excess of the counterparties' obligation to the consolidated entity.

The consolidated entity minimises concentrations of credit risk by undertaking transactions with a large number of debtors in various countries and industries. In addition, receivable balances are monitored on an ongoing basis.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The 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:

Location of credit risk	CONSOLIDATED	
	2013 \$000	2012 \$000
Australia	1,023,980	992,199
New Zealand	24,207	20,973
Asia	13,619	10,362
Slovenia and Croatia	3,616	2,963
Ireland and Northern Ireland	1,626	2,032
Total	1,067,048	1,028,529

## (d) Liquidity Risk

Liquidity risk includes the risk that, as a result of the consolidated entity's operational liquidity requirements:

- the consolidated entity will not have sufficient funds to settle a transaction on the due date;
- the consolidated entity will be forced to sell financial assets at a value which is less than what they are worth; or
- the consolidated entity may be unable to settle or recover a financial asset at all.

To help reduce these risks, the consolidated entity:

- has readily accessible standby facilities and other funding arrangements in place; and
- maintains instruments that are tradeable in highly liquid markets.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34. Financial Risk Management (continued)

#### (d) Liquidity Risk (continued)

The Board reviews this exposure on a monthly basis from a projected 12 month cash flow forecast, listing of banking facilities, explanations of variances from the prior month reports and current funding positions of the overseas controlled entities provided by the Finance Department.

The following table details the consolidated entity's remaining contractual maturity for its financial assets and financial liabilities. The financial assets have been disclosed based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The financial liabilities have been disclosed based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the consolidated entity can be required to pay.

Year ended 30 June 2013 CONSOLIDATED	Less than 1 year \$000	1 to 2 years \$000	2 to 5 years \$000	Over 5 years \$000	Total \$000
<b>Non derivative financial assets</b>					
Cash and cash equivalents	161,660	-	-	-	161,660
Trade and other receivables	1,055,415	9,440	2,237	1,384	1,068,476
Other financial assets	18,887	-	-	14,223	33,110
<b>Derivative financial assets</b>					
Derivatives	185	-	-	-	185
<b>Total financial assets</b>	<b>1,236,147</b>	<b>9,440</b>	<b>2,237</b>	<b>15,607</b>	<b>1,263,431</b>
<b>Non derivative financial liabilities</b>					
Trade and other payables	611,758	-	-	-	611,758
Interest bearing loans and borrowings	198,949	388,193	278,670	-	865,812
<b>Derivative financial liabilities</b>					
Derivatives	81	-	12,539	-	12,620
<b>Total financial liabilities</b>	<b>810,788</b>	<b>388,193</b>	<b>291,209</b>	<b>-</b>	<b>1,490,190</b>
<b>Net maturity</b>	<b>425,359</b>	<b>(378,753)</b>	<b>(288,972)</b>	<b>15,607</b>	<b>(226,759)</b>
<b>Year ended 30 June 2012 CONSOLIDATED</b>	<b>Less than 1 year \$000</b>	<b>1 to 2 years \$000</b>	<b>2 to 5 years \$000</b>	<b>Over 5 years \$000</b>	<b>Total \$000</b>
<b>Non derivative financial assets</b>					
Cash and cash equivalents	172,459	-	-	-	172,459
Trade and other receivables	1,019,785	8,159	2,872	384	1,031,200
Other financial assets	24,396	-	-	9,355	33,751
<b>Total financial assets</b>	<b>1,216,640</b>	<b>8,159</b>	<b>2,872</b>	<b>9,739</b>	<b>1,237,410</b>
<b>Non derivative financial liabilities</b>					
Trade and other payables	647,279	-	-	-	647,279
Interest bearing loans and borrowings	261,337	28,310	555,332	-	844,979
<b>Derivative financial liabilities</b>					
Derivatives	1,199	984	17,800	-	19,983
<b>Total financial liabilities</b>	<b>909,815</b>	<b>29,294</b>	<b>573,132</b>	<b>-</b>	<b>1,512,241</b>
<b>Net maturity</b>	<b>306,825</b>	<b>(21,135)</b>	<b>(570,260)</b>	<b>9,739</b>	<b>(274,831)</b>

For detailed information on financing facilities available as at 30 June 2013 refer to Note 20.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 34. Financial Risk Management (continued)

## (e) Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- The fair value of current trade receivables and payables is assessed to equal carrying value due to the short-term nature of the assets.
- The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-option derivatives and option pricing models for option derivatives.

The consolidated entity uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Quoted market price	Valuation technique – market observable inputs	Valuation technique – non market observable inputs	Total
Year ended 30 June 2013 CONSOLIDATED	(Level 1) \$000	(Level 2) \$000	(Level 3) \$000	\$000
<b>Financial Assets</b>				
Listed investments	31,522	-	-	31,522
Foreign exchange contracts	-	185	-	185
<b>Total Financial Assets</b>	31,522	185	-	31,707
<b>Financial Liabilities</b>				
Foreign exchange contracts	-	3	-	3
Interest rate swaps	-	12,617	-	12,617
<b>Total Financial Liabilities</b>	-	12,620	-	12,620

	Quoted market price	Valuation technique – market observable inputs	Valuation technique – non market observable inputs	Total
Year ended 30 June 2012 CONSOLIDATED	(Level 1) \$000	(Level 2) \$000	(Level 3) \$000	\$000
<b>Financial Assets</b>				
Listed investments	32,290	-	-	32,290
<b>Total Financial Assets</b>	32,290	-	-	32,290
<b>Financial Liabilities</b>				
Foreign exchange contracts	-	183	-	183
Interest rate swaps	-	19,800	-	19,800
<b>Total Financial Liabilities</b>	-	19,983	-	19,983

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 34. Financial Risk Management (continued)

#### (e) Fair Value of Financial Instruments (continued)

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices and are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Foreign currency forward contracts are measured using quoted forward exchange rates. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. These instruments are included in level 2. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

#### (f) Capital Risk Management Policy

When managing capital, management's objective is to create long-term sustainable value for shareholders and avoid adverse short-term decision making, whilst maintaining optimal returns to shareholders and benefits to other stakeholders. The aim is to maintain a capital structure utilising the lowest cost of capital available to the entity.

The consolidated entity is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the consolidated entity may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in Note 16 and 19, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 22, 23 and 24 respectively. None of the consolidated entity's entities are subject to externally imposed capital requirements.

Capital management is monitored through the debt to equity ratio (borrowings / total equity). The target for the consolidated entity's debt to equity ratio is a tolerance level of up to 50%. The debt to equity ratios based on continuing operations at 30 June 2013 and 2012 were as follows:

	CONSOLIDATED	
	2013	2012
	\$000	\$000
Borrowings (a)	820,276	779,347
Less: Cash and cash equivalents	(161,660)	(172,459)
Net Debt (c)	658,616	607,888
Total equity (b)	2,378,593	2,281,620
Debt to equity ratio ((a)/(b))	34.49%	34.16%
Net debt to equity ratio ((c)/(b))	27.69%	26.60%

(a) Borrowings for the purpose of calculating this debt to equity ratio consists of:

- Bank overdraft;
- Borrowings (current and non-current);
- Commercial bills payable (current and non-current);
- Derivatives payable (current and non-current);
- Lease liabilities (current and non-current); and
- Non trade amounts owing to directors, other related parties and other unrelated persons.

(b) For the purpose of calculating this debt to equity ratio, total equity excludes the negative acquisition reserve of \$14.74 million (2012: \$14.74 million).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 35. Derivative Financial Instruments

*Hedging Instruments*

The following table details the derivative hedging instruments as at balance date. The fair value of a hedging derivative is classified as a non current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

	CONSOLIDATED	
	2013	2012
	\$000	\$000
<b>Current Assets</b>		
Forward currency contracts – held for trading	174	-
Forward currency contracts – cash flow hedges	11	
<b>Current Liabilities</b>		
Interest swap contracts – cash flow hedges	78	1,015
Forward currency contracts – held for trading	3	147
Forward currency contracts – cash flow hedges	-	37
<b>Non-current Liabilities</b>		
Interest swap contracts – cash flow hedges	12,539	18,784

(a) *Forward currency contracts – held for trading*

The consolidated entity has entered into forward currency contracts which are economic hedges but do not satisfy the requirements of hedge accounting.

		CONSOLIDATED			
		2013		2012	
Currency	Average Exchange Rate	Buy	Sell	Buy	Sell
	2013 2012	\$000	\$000	\$000	\$000
Euro (0-12 months)	72.69 79.79	7,263	-	4,660	-
US Dollar (0-12 months)	92.89 -	568	-	-	-
Total		7,831	-	4,660	-

These contracts are fair valued by comparing the contracted rate to the market rates at balance date. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value losses on foreign currency derivatives during the year were \$0.17 million for the consolidated entity (2012: \$0.15 million).

(b) *Forward currency contracts – cash flow hedges*

The consolidated entity purchases inventories from various overseas countries. As such, the consolidated entity is exposed to foreign exchange risk from various currency exposures, primarily with respect to:

- United States dollars; and
- Euro.

In order to protect against exchange rate movements and to manage the inventory costing process, the consolidated entity has entered into forward exchange contracts to purchase US dollars and Euro. These contracts are hedging highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made. The following table details the forward foreign currency contracts outstanding as at reporting date:

		CONSOLIDATED			
		2013		2012	
Currency	Average Exchange Rate	Buy	Sell	Buy	Sell
	2013 2012	\$000	\$000	\$000	\$000
Euro (0-12 months)	71.10 79.21	3,071	-	1,553	-
US Dollar (0-12 months)	95.65 100.31	138	-	241	-
Total		3,209	-	1,794	-



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 35. Derivative Financial Instruments (continued)

#### (c) Forward currency contracts – cash flow hedges (continued)

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast inventory purchases and firm committed invoice payments for inventory purchases. During the year the hedges were 100% effective (2012: 100% effective), therefore the gain or loss on the contracts attributable to the hedged risk is taken directly to equity. When the inventory is delivered the amount recognised in equity is adjusted to the inventory account in the Statement of Financial Position.

Movement in the forward currency contract cash flow hedge reserve:

	CONSOLIDATED	
	2013	2012
	\$000	\$000
	Increase/(Decrease)	
Opening balance	(26)	4
Transferred to inventory	26	(4)
Charged to other comprehensive income	7	(26)
Closing balance	7	(26)

#### (d) Interest rate swap contracts – cash flow hedges

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 on the cash flow exposures on the issued variable rate debt held.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date:

Outstanding interest rate swap contracts	Average contracted fixed interest rate	Notional principal amount \$000	Fair value loss \$000
<b>30 June 2013</b>			
Less than 1 year	4.97%	50,000	(78)
2 to 5 years	5.38%	200,000	(12,539)
<b>30 June 2012</b>			
Less than 1 year	5.51%	100,000	(1,015)
1 to 2 years	4.97%	50,000	(984)
2 to 5 years	5.38%	300,000	(17,800)

The floating rate on the Australian interest rate swap is the Australian BBSY. The interest rate swap settles on a monthly basis and the settlement dates coincide with the dates on which interest is payable on the underlying debt. The swap is matched directly against the appropriate loan and interest expense and is considered to be highly effective. The swap is settled on a net basis. The swap is measured at fair value and the gain or loss attributable to the hedged risk is taken directly to equity and reclassified into profit and loss when the interest expense is recognised.

Movement in interest rate swap contract cash flow hedge reserve:

	CONSOLIDATED	
	2013	2012
	\$000	\$000
	Increase/(Decrease)	
Opening balance	(13,860)	(866)
Transferred to interest expense	711	97
Charged to equity	4,318	(13,091)
Closing balance	(8,831)	(13,860)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 36. Investments Accounted for Using Equity Method

Investments Accounted for Using Equity Method	CONSOLIDATED Investment		CONSOLIDATED Share of pre tax profit	
	June 2013	June 2012	June 2013	June 2012
	\$000	\$000	\$000	\$000
Total joint venture entities accounted for using equity method	175,294	157,992	20,523	13,742

Name and Principal Activities	Ownership Interest	Contribution to Pre Tax Profit / (Loss)		Contribution to Property Revaluation		
	June 2013	June 2012	June 2013	June 2012	June 2013	June 2012
	%	%	\$000	\$000	\$000	\$000
Noarlunga (Shopping complex)	50%	50%	906	1,012	(1,971)	1,193
Perth City West (Shopping complex)	50%	50%	3,375	3,954	12,474	-
Kelso (Residential development)	-	50%	-	(2)	-	-
Tweed Heads Expo Park (Shopping complex)	50%	50%	1,040	1,102	4	(1,519)
Warrawong King St (a) (Shopping complex)	62.5%	62.5%	967	1,015	14	250
Tweed Heads Traders Way (Shopping complex)	50%	50%	54	73	-	(1,398)
Mentone (Development of land for resale)	-	50%	-	(295)	-	-
Byron Bay (Residential / convention development)	50%	50%	(705)	(702)	(2,696)	-
Byron Bay – 2 (Resort operations)	50%	50%	172	434	-	-
Dubbo (Shopping complex)	50%	50%	595	540	4	(1,031)
Cubitt (Showroom and warehouse)	-	50%	-	1	-	-
Bundaberg (Warehouse)	50%	50%	(5)	(5)	-	-
Bundaberg – 2 (Land held for investment)	50%	50%	(4)	(3)	-	-
Gepps Cross (Shopping complex) QCV (b)	50%	50%	2,818	2,737	(33)	-
(Miners residential complex)	50%	50%	11,552	3,881	-	-
KEH Partnership (Retailer)	50%	-	(242)	-	-	-
			20,523	13,742	7,796	(2,505)

- (a) This joint venture has not been consolidated as the consolidated entity does not have control over operating and financing decisions and all joint venture parties participate equally in decision making.
- (b) A number of wholly-owned subsidiaries of Harvey Norman Holdings Limited ("HNHL") have entered into joint ventures with an unrelated party to provide mining camp accommodation. The respective joint ventures have been granted finance facilities as follows:
- (i) a finance facility from the Commonwealth Bank of Australia ("CBA") for the amount of \$2.40 million plus interest and costs. HNHL has granted a joint and several guarantee to CBA in respect of this facility.
  - (ii) a finance facility from ANZ for the amount of \$13.70 million plus interest and costs. HNHL has granted a joint and several guarantee to ANZ in respect of this facility.
  - (iii) a finance facility from CBA for the amount of \$12.40 million plus interest and costs. HNHL has granted a joint and several guarantee to CBA in respect of this facility.
  - (iv) a finance facility from Network Consumer Finance Pty Ltd ("NCF"), a wholly owned subsidiary of HNHL, for the amount of \$14.65 million plus interest and costs.
  - (v) a finance facility from NCF for the amount of \$13.54 million, plus interest and costs.
  - (vi) a finance facility from NCF for the amount of \$5.67 million, plus interest and costs.

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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### Aggregate carrying amounts of joint venture entities

	CONSOLIDATED 2013			
	Retained Profits \$000	Other Reserves \$000	Cost \$000	Total Carrying Amount \$000
Balance at the beginning of the year	-	28,909	129,083	157,992
<i>Movements during the year:</i>				
Capital contributions	-	-	122	122
Revaluation increment	-	7,796	-	7,796
Distributions received	(20,523)	-	8,892	(11,631)
Share of net profit	20,523	-	-	20,523
Net foreign currency differences arising from foreign operations	-	492	-	492
Balance at the end of the year	-	37,197	138,097	175,294

	CONSOLIDATED 2012			
	Retained Profits \$000	Other Reserves \$000	Cost \$000	Total carrying amount \$000
Balance at the beginning of the year	-	31,323	127,655	158,978
<i>Movements during the year:</i>				
Capital contributions	-	-	338	338
Revaluation decrement	-	(2,505)	-	(2,505)
Distributions received	(13,742)	-	1,090	(12,652)
Share of net profit	13,742	-	-	13,742
Net foreign currency differences arising from foreign operations	-	91	-	91
Balance at the end of the year	-	28,909	129,083	157,992

### Financial summary of joint venture entities

	CONSOLIDATED	
	2013 \$000	2012 \$000
Current assets	43,239	23,350
Non-current assets	335,870	292,513
Current liabilities	(80,861)	(35,131)
Non-Current liabilities	(29,032)	(37,269)
Net Assets	269,216	243,463
Revenues	93,740	57,524
Expenses	(50,125)	(30,268)
Net profit	43,615	27,256
Share of net profit of joint venture entities	20,523	13,742

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 37. 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 Company.

A.C.N. 098 004 570 Pty Limited	Calardu Horsham Pty Limited	Calardu Vicfun Pty Limited
ABSC Online Pty Limited <sup>27</sup>	Calardu Innisfail Pty Limited	Calardu Victoria Pty Limited <sup>1</sup>
Achiever Computers Pty Ltd	Calardu Jandakot No. 1 Pty Limited	Calardu Warrawong (Homestarters) Pty Limited
Aloku Pty Limited <sup>1</sup>	Calardu Jandakot Pty Limited	Calardu Warrawong Pty Limited
Anwarah Pty Limited <sup>1</sup>	Calardu Joondalup Pty Limited <sup>1</sup>	Calardu Warrnambool Pty Limited <sup>1</sup>
Arisit Pty Limited <sup>1, 2</sup>	Calardu Kalgoorlie Oswald St Pty Limited	Calardu Warwick Pty Limited
Arlenu Pty Limited <sup>1</sup>	Calardu Kalgoorlie Pty Limited	Calardu West Gosford Pty Limited
Armidale Holdings Pty Limited <sup>21</sup>	Calardu Karana Downs Pty Limited	Calardu Whyalla Pty Limited
Arpayo Pty Limited <sup>1</sup>	Calardu Karratha Pty Limited	Calardu Wivenhoe Pty Limited
Aubdirect Pty Limited	Calardu Kawana Waters Pty Limited	Cannoneel Recovery Pty Limited <sup>7</sup>
Australian Business Skills Centre Pty Limited <sup>23</sup>	Calardu Kemblawarra Pty Limited	Carlando Pty Limited <sup>1</sup>
Balwonda Pty Limited <sup>1</sup>	Calardu Kingaroy Pty Limited	Charmela Pty Limited <sup>1</sup>
Barryork Pty Limited	Calardu Kotara Pty Limited	Clambruno Pty Limited <sup>1</sup>
Becto Pty Limited <sup>1</sup>	Calardu Launceston Pty Limited	Consolidated Design Group Pty Ltd
Bellevue Hill Pty Limited	Calardu Lismore Pty Limited	Contemporary Design Group Pty Limited <sup>1, 2</sup>
Bencoolen Properties Pte Limited <sup>11, 16</sup>	Calardu Loganholme Pty Limited	CP Aspley Pty Limited
Bestest Pty Limited <sup>1</sup>	Calardu Mackay No. 1 Pty Limited	CP Belmont Pty Limited
Bossee Pty Limited	Calardu Mackay No. 2 Pty Limited	CP Bendigo Pty Limited
Bradiz Pty Limited <sup>1</sup>	Calardu Maitland Pty Limited	CP Braybrook Pty Limited
Braxpine Pty Limited <sup>1</sup>	Calardu Malaga Pty Limited	CP Bundaberg Leasing Pty Limited
Byron Bay Facilities Pty Limited <sup>24</sup>	Calardu Mandurah Pty Limited	CP Bundaberg Pty Limited
Byron Bay Management Pty Limited <sup>25</sup>	Calardu Maribyrnong Pty Limited <sup>1</sup>	CP Burleigh Waters Pty Limited
Caesar Mosaics Pty Limited	Calardu Marion Pty Limited <sup>1</sup>	CP Coburg Pty Limited
Calardu Albany Pty Limited	Calardu Maroochydore Pty Limited	CP Commercial Division Pty Limited
Calardu Albury Pty Limited	Calardu Maroochydore Warehouse Pty Limited	CP Corporate VIC Pty Limited
Calardu Alexandria DM Pty Limited <sup>1</sup>	Calardu Maryborough Pty Limited	CP Dandenong Pty Limited
Calardu Alexandria WH Pty Limited	Calardu Melville Pty Limited <sup>1</sup>	CP Joondalup Pty Limited
Calardu Alice Springs Pty Limited	Calardu Mentone Pty Limited	CP Loganholme Pty Limited
Calardu Armadale WA Pty Limited	Calardu Midland Pty Limited	CP Macgregor Pty Limited
Calardu Armidale Pty Limited	Calardu Milton Pty Limited	CP Mackay Pty Limited
Calardu Auburn Pty Limited	Calardu Morayfield Pty Limited	CP Malvern Pty Limited
Calardu Ballarat Pty Limited	Calardu Morwell Pty Limited	CP Mandurah Pty Limited
Calardu Ballina No. 1 Pty Limited	Calardu Moss Vale Pty Limited	CP Maroochydoore Pty Limited
Calardu Ballina Pty Limited	Calardu Mount Isa Pty Limited	CP Maryborough Leasing Pty Limited
Calardu Bathurst Pty Limited	Calardu Mt Gambier Pty Limited	CP Maryborough Pty Limited
Calardu Beaufort Street Pty Limited	Calardu Mudgee Pty Limited	CP Midland Pty Limited
Calardu Belrose DM Pty Limited	Calardu Munno Para Pty Limited	CP Moonah Pty Limited
Calardu Berri (SA) Pty Limited	Calardu Noarlunga Pty Limited	CP Moorabbin Pty Limited
Calardu Berrimah Pty Limited	Calardu Noble Park WH Pty Limited	CP Morayfield Pty Limited
Calardu Broadmeadow Pty Limited	Calardu Noosa Pty Limited <sup>1</sup>	CP Mornington Pty Limited
Calardu Broadmeadows VIC Pty Limited	Calardu North Ryde No. 1 Pty Limited	CP Mt Druitt Leasing Pty Limited
Calardu Browns Plains No. 1 Pty Limited	Calardu North Ryde Pty Limited	CP Mt Druitt Pty Limited
Calardu Browns Plains Pty Limited	Calardu Northbridge Pty Limited <sup>1</sup>	CP O'Connor Pty Limited
Calardu Bunbury (WA) Pty Limited <sup>1</sup>	Calardu Nowra Pty Limited	CP Online Pty Limited
Calardu Bundaberg Pty Limited	Calardu Penrith Pty Limited <sup>1</sup>	CP Osborne Park CL Pty Limited
Calardu Bundaberg WH Pty Limited	Calardu Perth City West Pty Limited	CP Osborne Park Pty Limited
Calardu Bundall Pty Limited	Calardu Port Macquarie Pty Limited <sup>1</sup>	CP Richmond Pty Limited
Calardu Burnie Pty Limited	Calardu Preston Pty Limited <sup>1</sup>	CP Ringwood Pty Limited
Calardu Cairns Pty Limited <sup>7</sup>	Calardu Pty Limited <sup>1</sup>	CP Thomastown Pty Limited
Calardu Cambridge Pty Limited	Calardu Queensland Pty Limited <sup>1</sup>	CP Victoria Park Pty Limited
Calardu Campbelltown Pty Limited	Calardu Raine Square Pty Limited	CP Welshpool DC Pty Limited
Calardu Cannington Pty Limited <sup>1</sup>	Calardu Richmond Pty Limited <sup>1</sup>	Cropp Pty Limited
Calardu Caringbah (Taren Point) Pty Limited	Calardu Rockhampton Pty Limited	D.M. Alexandria Franchisor Pty Limited <sup>1</sup>
Calardu Caringbah Pty Limited	Calardu Rockingham Pty Limited <sup>1</sup>	D.M. Alexandria Leasing Pty Limited
Calardu Chatswood Pty Limited	Calardu Roselands Pty Limited	D.M. Alexandria Licencing Pty Limited
Calardu Crows Nest Pty Limited	Calardu Rothwell Pty Limited	D.M. Auburn Franchisor Pty Limited <sup>1</sup>
Calardu Cubitt Pty Limited	Calardu Rutherford Pty Limited	D.M. Auburn Franchising Pty Limited
Calardu Darwin Pty Limited	Calardu Rutherford Warehouse Pty Limited	D.M. Auburn Licencing Pty Limited
Calardu Devonport Pty Limited	Calardu Sale Pty Limited	D.M. Belrose Franchisor Pty Limited
Calardu Dubbo Pty Limited	Calardu Silverwater Pty Limited	D.M. Belrose Leasing Pty Limited
Calardu Emerald Pty Limited	Calardu South Australia Pty Limited <sup>1</sup>	D.M. Bundall Franchisor Pty Limited <sup>1</sup>
Calardu Frankston Pty Limited	Calardu Springvale Pty Limited	D.M. Bundall Leasing Pty Limited
Calardu Frankston WH Pty Limited	Calardu Swan Hill Pty Limited	D.M. Castle Hill Franchisor Pty Limited
Calardu Fyshwick DM Pty Limited	Calardu Sylvania Pty Limited	D.M. Castle Hill Leasing Pty Limited
Calardu Gepps Cross Pty Limited	Calardu Taree Pty Limited	D.M. Fyshwick Franchisor Pty Limited <sup>1</sup>
Calardu Gladstone Pty Limited	Calardu Taren Point Pty Limited	D.M. Fyshwick Leasing Pty Limited
Calardu Gordon Pty Limited	Calardu Thebarton Pty Limited	D.M. Kotara Franchisor Pty Limited <sup>1</sup>
Calardu Guildford Pty Limited	Calardu Toorak Pty Limited	D.M. Kotara Leasing Pty Limited
Calardu Gympie Pty Limited	Calardu Toowoomba WH Pty Limited	D.M. Leicht Franchisor Pty Limited
Calardu Hervey Bay Pty Limited	Calardu Townsville Pty Limited	D.M. Liverpool Franchisor Pty Limited <sup>1</sup>
Calardu Hobart Pty Limited	Calardu Tweed Heads Pty Limited <sup>1</sup>	D.M. Liverpool Leasing Pty Limited
Calardu Hoppers Crossing Pty Limited	Calardu Tweed Heads Traders Way Pty Limited	D.M. Maroochydore Franchisor Pty Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 37. Controlled Entities and Unit Trusts (continued)

*Shares held by Harvey Norman Holdings Limited (continued)*

D.M. Maroochydore Leasing Pty Limited	H.N. Bathurst Leasing Pty Limited	H.N. Coffs Harbour Leasing Pty Limited
D.M. North Ryde Franchisor Pty Limited	H.N. Belmont Franchisor Pty Limited <sup>1</sup>	H.N. Coorparoo Franchisor Pty Limited
D.M. North Ryde Leasing Pty Limited	H.N. Belmont Leasing Pty Limited	H.N. Coorparoo Leasing Pty Limited
D.M. Penrith Franchisor Pty Limited <sup>1</sup>	H.N. Belmont North Franchisor Pty Limited	H.N. Cranbourne Franchisor Pty Limited <sup>1</sup>
D.M. Penrith Leasing Pty Limited	H.N. Belmont North Leasing Pty Limited	H.N. Cranbourne Leasing Pty Limited
D.M. QVH Franchisor Pty Limited <sup>1</sup>	H.N. Bendigo Franchisor Pty Limited <sup>1</sup>	H.N. Dalby Franchisor Pty Limited <sup>1</sup>
D.M. QVH Leasing Pty Limited	H.N. Bendigo Leasing Pty Limited	H.N. Dalby Leasing Pty Limited
D.M. Springvale Franchisor Pty Limited	H.N. Bernoth Franchisor Pty Limited <sup>1</sup>	H.N. Dandenong Franchisor Pty Limited <sup>1</sup>
D.M. Springvale Leasing Pty Limited	H.N. Bernoth Leasing Pty Limited	H.N. Dandenong Leasing Pty Limited
D.M. Warrawong Franchisor Pty Limited <sup>1</sup>	H.N. Bernoth Plant & Equipment Pty Limited <sup>1</sup>	H.N. Darwin Franchisor Pty Limited <sup>1</sup>
D.M. Warrawong Leasing Pty Limited	H.N. Blacktown Franchisor Pty Limited <sup>1</sup>	H.N. Darwin Leasing Pty Limited
D.M. West Gosford Franchisor Pty Ltd <sup>1</sup>	H.N. Blacktown Leasing Pty Limited	H.N. Deniliquin Franchisor Pty Limited <sup>1</sup>
D.M. West Gosford Leasing Pty Ltd	H.N. Bondi Junction Franchisor Pty Limited	H.N. Deniliquin Leasing Pty Limited
Daldere Pty Limited <sup>1</sup>	H.N. Bondi Junction Leasing Pty Limited	H.N. Dubbo Franchisor Pty Limited <sup>1</sup>
Dandolena Pty Limited <sup>1</sup>	H.N. Braybrook Franchisor Pty Limited	H.N. Dubbo Leasing Pty Limited
Derni Pty Limited <sup>1,2</sup>	H.N. Braybrook Leasing Pty Limited	H.N. Edgewater Franchisor Pty Limited
Divonda Pty Limited <sup>1</sup>	H.N. Broadmeadow (VIC) Franchisor Pty Limited	H.N. Edgewater Leasing Pty Limited
DM Online Franchisor Pty Limited	H.N. Broadmeadow (VIC) Leasing Pty Limited	H.N. Emerald Franchisor Pty Limited <sup>7</sup>
DM Online Leasing Pty Limited	H.N. Broadway (Sydney) Franchisor Pty Limited <sup>1</sup>	H.N. Emerald Leasing Pty Limited <sup>7</sup>
Domain Holdings Pty Limited	H.N. Broadway (Sydney) Leasing Pty Limited	H.N. Enfield Franchisor Pty Limited <sup>1</sup>
Domayne Furnishing Pty Limited	H.N. Broadway on the Mall Franchisor Pty Limited <sup>1</sup>	H.N. Enfield Leasing Pty Limited
Domayne Holdings Limited <sup>9, 10</sup>	H.N. Broadway on the Mall Leasing Pty Limited	H.N. Everton Park Franchisor Pty Limited <sup>1</sup>
Domayne Online.com Pty Limited	H.N. Broken Hill Franchisor Pty Limited <sup>7</sup>	H.N. Everton Park Leasing Pty Limited
Domayne P.E.M. Pty Limited <sup>1</sup>	H.N. Broken Hill Leasing Pty Limited <sup>7</sup>	H.N. Fortitude Valley Franchisor Pty Limited <sup>1</sup>
Domayne Plant & Equipment Pty Limited <sup>1</sup>	H.N. Brooklyn Franchisor Pty Limited	H.N. Fortitude Valley Leasing Pty Limited
Domayne Pty Limited	H.N. Brooklyn Leasing Pty Limited	H.N. Frankston Franchisor Pty Limited
Dubbo JV Pty Limited	H.N. Browns Plains Franchisor Pty Limited <sup>1</sup>	H.N. Frankston Leasing Pty Limited
Durslee Pty Limited <sup>1</sup>	H.N. Browns Plains Leasing Pty Limited	H.N. Fremantle Franchisor Pty Limited <sup>1</sup>
Edbrook Everton Park Pty Limited	H.N. Bunbury Franchisor Pty Limited <sup>1</sup>	H.N. Fremantle Leasing Pty Limited
Edbrook Pty Limited <sup>1,6</sup>	H.N. Bunbury Leasing Pty Limited	H.N. Fyshwick Franchisor Pty Limited <sup>1</sup>
Farane Pty Limited <sup>1</sup>	H.N. Bundaberg Franchisor Pty Limited <sup>1</sup>	H.N. Fyshwick Leasing Pty Limited
Floronda Pty Limited <sup>1</sup>	H.N. Bundaberg Leasing Pty Limited	H.N. Geelong Franchisor Pty Limited <sup>1</sup>
Forgetful Pty Limited	H.N. Bundall Franchisor Pty Limited <sup>1</sup>	H.N. Geelong Leasing Pty Limited
Ganoru Pty Limited <sup>1</sup>	H.N. Bundall Leasing Pty Limited	H.N. Gepps Cross Franchisor Pty Limited
Generic Publications Pty Limited	H.N. Burleigh Heads Franchisor Pty Limited <sup>1</sup>	H.N. Gepps Cross Leasing Pty Limited
Geraldton WA Pty Limited	H.N. Burleigh Heads Leasing Pty Limited	H.N. Geraldton Leasing Pty Limited
Gestco Greensborough Pty Limited <sup>1</sup>	H.N. Burleigh Waters Franchisor Pty Limited	H.N. Geraldton WA Franchisor Pty Limited <sup>1</sup>
Gestco Pty Limited <sup>1</sup>	H.N. Burleigh Waters Leasing Pty Limited	H.N. Gladstone Franchisor Pty Limited <sup>1</sup>
Glo Light Pty Limited <sup>22</sup>	H.N. Busselton Franchisor Pty Limited <sup>1</sup>	H.N. Gladstone Leasing Pty Limited
H.N. Aarat Leasing Pty Limited <sup>7</sup>	H.N. Busselton Leasing Pty Limited	H.N. Gordon Franchisor Pty Limited <sup>1</sup>
H.N. Adelaide CK Franchisor Pty Limited <sup>1</sup>	H.N. Cairns Franchisor Pty Limited <sup>1</sup>	H.N. Gordon Leasing Pty Limited
H.N. Adelaide CK Leasing Pty Limited	H.N. Cairns Leasing Pty Limited	H.N. Gosford Leasing Pty Limited
H.N. Albany Creek Franchisor Pty Limited	H.N. Cambridge Park Franchisor Pty Limited	H.N. Goulburn Franchisor Pty Limited
H.N. Albany Creek Leasing Pty Limited	H.N. Cambridge Park Leasing Pty Limited	H.N. Goulburn Leasing Pty Limited
H.N. Albany Franchisor Pty Limited <sup>1</sup>	H.N. Campbelltown Franchisor Pty Limited <sup>1</sup>	H.N. Grafton Franchisor Pty Limited <sup>1</sup>
H.N. Albany Leasing Pty Limited	H.N. Campbelltown Leasing Pty Limited	H.N. Grafton Leasing Pty Limited
H.N. Albury Franchisor Pty Limited <sup>1</sup>	H.N. Cannington W.A. Franchisor Pty Limited <sup>1</sup>	H.N. Great Eastern Highway Franchisor Pty Limited
H.N. Albury Leasing Pty Limited	H.N. Cannington W.A. Leasing Pty Limited	H.N. Great Eastern Highway Leasing Pty Limited
H.N. Alexandria Franchisor Pty Limited	H.N. Canonvale Franchisor Pty Limited	H.N. Greensborough Franchisor Pty Limited <sup>1</sup>
H.N. Alexandria Leasing Pty Limited	H.N. Canonvale Leasing Pty Limited	H.N. Greensborough Leasing Pty Limited
H.N. Alice Springs Franchisor Pty Limited	H.N. Capalaba Franchisor Pty Limited	H.N. Griffith Franchisor Pty Limited <sup>1</sup>
H.N. Alice Springs Leasing Pty Limited	H.N. Capalaba Leasing Pty Limited	H.N. Griffith Leasing Pty Limited
H.N. Ararat Franchisor Pty Limited <sup>7</sup>	H.N. Cards Pty Limited	H.N. Gunnadah Franchisor Pty Limited
H.N. Armadale WA Franchisor Pty Limited <sup>1</sup>	H.N. Carindale Franchisor Pty Limited <sup>1</sup>	H.N. Gunnadah Leasing Pty Limited
H.N. Armadale WA Leasing Pty Limited	H.N. Carindale Leasing Pty Limited	H.N. Guthrie Street Franchisor Pty Limited
H.N. Armadale Franchisor Pty Limited <sup>1</sup>	H.N. Caringbah Franchisor Pty Limited <sup>1</sup>	H.N. Guthrie Street Leasing Pty Limited
H.N. Armadale Leasing Pty Limited	H.N. Caringbah Leasing Pty Limited	H.N. Gympie Franchisor Pty Limited
H.N. Aspley Franchisor Pty Limited <sup>1</sup>	H.N. Castle Hill Franchisor Pty Limited	H.N. Gympie Leasing Pty Limited
H.N. Aspley Leasing Pty Limited	H.N. Castle Hill Leasing Pty Limited	H.N. Hamilton Franchisor Pty Limited <sup>1</sup>
H.N. Atherton Franchisor Pty Limited	H.N. Chadstone Franchisor Pty Limited	H.N. Hamilton Leasing Pty Limited
H.N. Atherton Leasing Pty Limited	H.N. Chadstone Leasing Pty Limited	H.N. Hervey Bay Franchisor Pty Limited <sup>1</sup>
H.N. Auburn Franchisor Pty Limited <sup>1</sup>	H.N. Chatswood Franchisor Pty Limited <sup>1</sup>	H.N. Hervey Bay Leasing Pty Limited
H.N. Auburn Leasing Pty Limited	H.N. Chatswood Leasing Pty Limited	H.N. Hoppers Crossing Franchisor Pty Limited <sup>1</sup>
H.N. Ayr Franchisor Pty Limited <sup>1</sup>	H.N. Chimside Park Franchisor Pty Limited <sup>1</sup>	H.N. Hoppers Crossing Leasing Pty Limited
H.N. Ayr Leasing Pty Limited	H.N. Chimside Park Leasing Pty Limited	H.N. Horsham Franchisor Pty Limited <sup>1</sup>
H.N. Bairnsdale Franchisor Pty Limited <sup>1</sup>	H.N. City Cross Franchisor Pty Limited	H.N. Horsham Leasing Pty Limited
H.N. Bairnsdale Leasing Pty Limited	H.N. City Cross Leasing Pty Limited	H.N. Hyperdome Franchisor Pty Limited
H.N. Balgowlah Franchisor Pty Limited <sup>1</sup>	H.N. City West Franchisor Pty Limited <sup>1</sup>	H.N. Hyperdome Leasing Pty Limited
H.N. Balgowlah Leasing Pty Limited	H.N. City West Leasing Pty Limited	H.N. Indooroopilly Franchisor Pty Limited <sup>1</sup>
H.N. Ballarat Franchisor Pty Limited <sup>1</sup>	H.N. Cleveland Franchisor Pty Limited	H.N. Indooroopilly Leasing Pty Limited
H.N. Ballarat Leasing Pty Limited	H.N. Cleveland Leasing Pty Limited	H.N. Innisfail Franchisor Pty Limited <sup>1</sup>
H.N. Ballina Franchisor Pty Limited	H.N. Cobar Franchisor Pty Limited	H.N. Innisfail Leasing Pty Limited
H.N. Ballina Leasing Pty Limited	H.N. Cobar Leasing Pty Limited	H.N. Inverell Franchisor Pty Limited <sup>1</sup>
H.N. Batemans Bay Franchisor Pty Limited	H.N. Coburg Franchisor Pty Limited	H.N. Inverell Leasing Pty Limited
H.N. Batemans Bay Leasing Pty Limited	H.N. Coburg Leasing Pty Limited	H.N. Ipswich Franchisor Pty Limited
H.N. Bathurst Franchisor Pty Limited <sup>1</sup>	H.N. Coffs Harbour Franchisor Pty Limited <sup>1</sup>	H.N. Ipswich Leasing Pty Limited



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 37. Controlled Entities and Unit Trusts (continued)

*Shares held by Harvey Norman Holdings Limited (continued)*

H.N. Joondalup Franchisor Pty Limited <sup>1</sup>	H.N. Mt Barker Franchisor Pty Limited	H.N. Southland Leasing Pty Limited
H.N. Joondalup Leasing Pty Limited	H.N. Mt Barker Leasing Pty Limited	H.N. Springvale Franchisor Pty Limited
H.N. Kalgoorlie Franchisor Pty Limited <sup>1</sup>	H.N. Mt Gambier Franchisor Pty Limited <sup>1</sup>	H.N. Springvale Leasing Pty Limited
H.N. Kalgoorlie Leasing Pty Limited	H.N. Mt Gambier Leasing Pty Limited	H.N. Sunshine Franchisor Pty Limited
H.N. Karratha Franchisor Pty Limited <sup>1</sup>	H.N. Mt Gravatt Franchisor Pty Limited <sup>1</sup>	H.N. Sunshine Leasing Pty Limited
H.N. Karratha Leasing Pty Limited	H.N. Mt Gravatt Leasing Pty Limited	H.N. Swan Hill Franchisor Pty Limited <sup>1</sup>
H.N. Kawana Waters Franchisor Pty Limited <sup>1</sup>	H.N. Mt Isa Franchisor Pty Limited <sup>1</sup>	H.N. Swan Hill Leasing Pty Limited
H.N. Kawana Waters Leasing Pty Limited	H.N. Mt Isa Leasing Pty Limited	H.N. Tamworth Franchisor Pty Limited <sup>1</sup>
H.N. Kingaroy Franchisor Pty Limited	H.N. Mudgee Franchisor Pty Limited <sup>1</sup>	H.N. Tamworth Leasing Pty Limited
H.N. Kingaroy Leasing Pty Limited	H.N. Mudgee Leasing Pty Limited	H.N. Taree Franchisor Pty Limited
H.N. Knox Towerpoint Franchisor Pty Limited <sup>1</sup>	H.N. Munno Para Franchisor Pty Limited <sup>1</sup>	H.N. Taree Leasing Pty Limited
H.N. Knox Towerpoint Leasing Pty Limited	H.N. Munno Para Leasing Pty Limited	H.N. Thomastown Franchisor Pty Limited
H.N. Lake Haven Franchisor Pty Limited	H.N. Muswellbrook Franchisor Pty Limited	H.N. Thomastown Leasing Pty Limited
H.N. Lake Haven Leasing Pty Limited	H.N. Muswellbrook Leasing Pty Limited	H.N. Toowoomba Franchisor Pty Limited <sup>1</sup>
H.N. Leichhardt Franchisor Pty Limited <sup>1</sup>	H.N. Narre Warren Franchisor Pty Limited	H.N. Toowoomba Leasing Pty Limited
H.N. Leichhardt Leasing Pty Limited	H.N. Narre Warren Leasing Pty Limited	H.N. Townsville Franchisor Pty Limited <sup>1</sup>
H.N. Lismore Franchisor Pty Limited <sup>1</sup>	H.N. Newcastle Franchisor Pty Limited <sup>1</sup>	H.N. Townsville Leasing Pty Limited
H.N. Lismore Leasing Pty Limited	H.N. Newcastle Leasing Pty Limited	H.N. Traralgon Franchisor Pty Limited <sup>1</sup>
H.N. Lithgow Franchisor Pty Limited	H.N. Newcastle West Franchisor Pty Limited	H.N. Traralgon Leasing Pty Limited
H.N. Lithgow Leasing Pty Limited	H.N. Newcastle West Leasing Pty Limited	H.N. Tura Beach Franchisor Pty Limited <sup>7</sup>
H.N. Liverpool Franchisor Pty Limited <sup>1</sup>	H.N. Noarlunga Franchisor Pty Limited <sup>1</sup>	H.N. Tura Beach Leasing Pty Limited <sup>7</sup>
H.N. Liverpool Leasing Pty Limited	H.N. Noarlunga Leasing Pty Limited	H.N. Vic/Tas Commercial Project Franchisor Pty Limited
H.N. Loganholme Franchisor Pty Limited <sup>1</sup>	H.N. Noosa Franchisor Pty Limited <sup>1</sup>	H.N. Vic/Tas Commercial Project Leasing Pty Limited
H.N. Loganholme Leasing Pty Limited	H.N. Noosa Leasing Pty Limited	H.N. Victoria Park Franchisor Pty Limited
H.N. Loughran Contracting Pty Limited	H.N. Norwest Franchisor Pty Limited	H.N. Victoria Park Leasing Pty Limited
H.N. Macgregor Franchisor Pty Limited	H.N. Norwest Leasing Pty Limited	H.N. Wagga Franchisor Pty Limited <sup>1</sup>
H.N. Macgregor Leasing Pty Limited	H.N. Nowra Franchisor Pty Limited <sup>1</sup>	H.N. Wagga Leasing Pty Limited
H.N. Mackay Franchisor Pty Limited <sup>1</sup>	H.N. Nowra Leasing Pty Limited	H.N. Wangaratta Franchisor Pty Limited <sup>1</sup>
H.N. Mackay Leasing Pty Limited	H.N. Nunawading Franchisor Pty Limited <sup>1</sup>	H.N. Wangaratta Leasing Pty Limited
H.N. Maddington Franchisor Pty Limited <sup>1</sup>	H.N. Nunawading Leasing Pty Limited	H.N. Warragul Franchisor Pty Limited <sup>1</sup>
H.N. Maddington Leasing Pty Limited	H.N. O'Connor Franchisor Pty Limited <sup>1</sup>	H.N. Warragul Leasing Pty Limited
H.N. Maitland Franchisor Pty Limited <sup>1</sup>	H.N. O'Connor Leasing Pty Limited	H.N. Warrarong Franchisor Pty Limited <sup>1</sup>
H.N. Maitland Leasing Pty Limited	H.N. Oakleigh CK Franchisor Pty Limited <sup>1</sup>	H.N. Warrarong Leasing Pty Limited
H.N. Malaga Franchisor Pty Limited	H.N. Oakleigh CK Leasing Pty Limited	H.N. Warrnambool Franchisor Pty Limited <sup>1</sup>
H.N. Malaga Leasing Pty Limited	H.N. Orange Franchisor Pty Limited <sup>1</sup>	H.N. Warrnambool Leasing Pty Limited
H.N. Mandurah Franchisor Pty Limited <sup>1</sup>	H.N. Orange Leasing Pty Limited	H.N. Warwick (WA) Franchisor Pty Limited <sup>1</sup>
H.N. Mandurah Leasing Pty Limited	H.N. Osborne Park Franchisor Pty Limited <sup>1</sup>	H.N. Warwick (WA) Leasing Pty Limited
H.N. Maribyrnong Franchisor Pty Limited <sup>1</sup>	H.N. Osborne Park Leasing Pty Limited	H.N. Warwick Franchisor Pty Limited <sup>1</sup>
H.N. Maribyrnong Leasing Pty Limited	H.N. Oxley Franchisor Pty Limited <sup>1</sup>	H.N. Warwick Leasing Pty Limited
H.N. Marion Franchisor Pty Limited <sup>1</sup>	H.N. Oxley Leasing Pty Limited	H.N. Watergardens Franchisor Pty Limited <sup>1</sup>
H.N. Marion Leasing Pty Limited	H.N. Pacific Fair Franchisor Pty Limited	H.N. Watergardens Leasing Pty Limited
H.N. Maroochydore CP Franchisor Pty Limited	H.N. Pacific Fair Leasing Pty Limited	H.N. Waurn Ponds Franchisor Pty Limited <sup>1</sup>
H.N. Maroochydore CP Leasing Pty Limited	H.N. Parkes Franchisor Pty Limited <sup>1</sup>	H.N. Waurn Ponds Leasing Pty Limited
H.N. Maroochydore Franchisor Pty Limited <sup>1</sup>	H.N. Parkes Leasing Pty Limited	H.N. West Gosford Franchisor Pty Limited <sup>1</sup>
H.N. Maroochydore Leasing Pty Limited	H.N. Penrith Franchisor Pty Limited <sup>1</sup>	H.N. West Wyalong Franchisor Pty Limited
H.N. Martin Place Sydney Franchisor Pty Limited <sup>1</sup>	H.N. Penrith Leasing Pty Limited	H.N. West Wyalong Leasing Pty Limited
H.N. Martin Place Sydney Leasing Pty Limited	H.N. Peppermint Grove Franchisor Pty Limited <sup>1</sup>	H.N. Whyalla Franchisor Pty Limited <sup>1</sup>
H.N. Mentone Franchisor Pty Limited	H.N. Peppermint Grove Leasing Pty Limited	H.N. Whyalla Leasing Pty Limited
H.N. Mentone Leasing Pty Limited	H.N. Port Hedland Franchisor Pty Limited <sup>1</sup>	H.N. Wiley Park Franchisor Pty Limited <sup>1</sup>
H.N. Midland Franchisor Pty Limited <sup>1</sup>	H.N. Port Hedland Leasing Pty Limited	H.N. Wiley Park Leasing Pty Limited
H.N. Midland Leasing Pty Limited	H.N. Port Kennedy Franchisor Pty Limited <sup>1</sup>	H.N. Windsor Franchisor Pty Limited <sup>1</sup>
H.N. Mildura Franchisor Pty Limited <sup>1</sup>	H.N. Port Kennedy Leasing Pty Limited	H.N. Windsor Leasing Pty Limited
H.N. Mildura Leasing Pty Limited	H.N. Port Macquarie Franchisor Pty Limited <sup>1</sup>	H.N. Woden Franchisor Pty Limited <sup>1</sup>
H.N. Moe Franchisor Pty Limited <sup>1</sup>	H.N. Port Macquarie Leasing Pty Limited	H.N. Woden Leasing Pty Limited
H.N. Moe Leasing Pty Limited	H.N. Preston Franchisor Pty Limited <sup>1</sup>	H.N. Wonthaggi Franchisor Pty Limited <sup>1</sup>
H.N. Moonah Franchisor Pty Limited	H.N. Preston Leasing Pty Limited	H.N. Wonthaggi Leasing Pty Limited
H.N. Moonah Leasing Pty Limited	H.N. Richmond Franchisor Pty Limited	H.N. Woodville Franchisor Pty Limited
H.N. Moorabbin Franchisor Pty Limited <sup>1</sup>	H.N. Richmond Leasing Pty Limited	H.N. Woodville Leasing Pty Limited
H.N. Moorabbin Leasing Pty Limited	H.N. Ringwood Franchisor Pty Limited	H.N. Young Franchisor Pty Limited <sup>1</sup>
H.N. Moorabbin SC Franchisor Pty Limited	H.N. Ringwood Leasing Pty Limited	H.N. Young Leasing Pty Limited
H.N. Moorabbin SC Leasing Pty Limited	H.N. Riverwood Franchisor Pty Limited	Hardly Normal Discounts Pty Limited <sup>1</sup>
H.N. Moore Park Franchisor Pty Limited <sup>1</sup>	H.N. Riverwood Leasing Pty Limited	Hardly Normal Limited <sup>9,10</sup>
H.N. Moore Park Leasing Pty Limited	H.N. Rockhampton Franchisor Pty Limited <sup>1</sup>	Hardly Normal Pty Limited <sup>1</sup>
H.N. Morayfield Franchisor Pty Limited <sup>1</sup>	H.N. Rockhampton Leasing Pty Limited	Harvey Cellars Pty Limited
H.N. Morayfield Leasing Pty Limited	H.N. Rothwell Franchisor Pty Limited	Harvey Liquor Pty Limited
H.N. Moree Franchisor Pty Limited	H.N. Rothwell Leasing Pty Limited	Harvey Norman (ACT) Pty Limited <sup>1</sup>
H.N. Moree Leasing Pty Limited	H.N. Salamander Bay Franchisor Pty Limited	Harvey Norman (N.S.W.) Pty Limited
H.N. Morley Franchisor Pty Limited <sup>1</sup>	H.N. Salamander Bay Leasing Pty Limited	Harvey Norman (QLD) Pty Limited <sup>1,6</sup>
H.N. Morley Leasing Pty Limited	H.N. Sale Franchisor Pty Limited <sup>1</sup>	Harvey Norman 2007 Management Pty Limited
H.N. Mornington Franchisor Pty Limited	H.N. Sale Leasing Pty Limited	Harvey Norman Big Buys Pty Limited
H.N. Mornington Leasing Pty Limited	H.N. Shepparton Franchisor Pty Limited <sup>1</sup>	Harvey Norman Burnie Franchisor Pty Limited <sup>1</sup>
H.N. Morwell Franchisor Pty Limited	H.N. Shepparton Leasing Pty Limited	Harvey Norman Burnie Leasing Pty Limited
H.N. Morwell Leasing Pty Limited	H.N. South Tweed Franchisor Pty Limited <sup>1</sup>	Harvey Norman CEI d.o.o. <sup>12</sup>
H.N. Moss Vale Franchisor Pty Limited <sup>1</sup>	H.N. South Tweed Leasing Pty Limited	Harvey Norman Commercial Your Solution Provider P/L
H.N. Moss Vale Leasing Pty Limited	H.N. Southland Franchisor Pty Limited <sup>1</sup>	Harvey Norman Computer Club Pty Limited



### 37. Controlled Entities and Unit Trusts (continued)

#### *Shares held by Harvey Norman Holdings Limited (continued)*

Harvey Norman Computer Training Pty Limited  
 Harvey Norman Contracting Pty Limited  
 Harvey Norman Corporate Air Pty Limited  
 Harvey Norman CP Pty Limited  
 Harvey Norman Devonport Franchisor Pty Limited<sup>1</sup>  
 Harvey Norman Devonport Leasing Pty Limited  
 Harvey Norman Education and Training Pty Limited  
 Harvey Norman Energy Pty Limited<sup>1</sup>  
 Harvey Norman Europe d.o.o.<sup>12</sup>  
 Harvey Norman Export Pty Limited<sup>1</sup>  
 Harvey Norman Fitouts Pty Limited  
 Harvey Norman Furnishing Pty Limited  
 Harvey Norman Gamezone Pty Limited  
 Harvey Norman Glenorchy Franchisor Pty Limited<sup>1</sup>  
 Harvey Norman Glenorchy Leasing Pty Limited  
 Harvey Norman Hobart Franchisor Pty Limited<sup>1</sup>  
 Harvey Norman Hobart Leasing Pty Limited  
 Harvey Norman Holdings (Ireland) Limited<sup>19</sup>  
 Harvey Norman Home Cellars Pty Limited  
 Harvey Norman Home Loans Pty Limited  
 Harvey Norman Home Starters Pty Limited  
 Harvey Norman Homemaker Centre Pty Limited  
 Harvey Norman Launceston Franchisor Pty Limited<sup>1</sup>  
 Harvey Norman Launceston Leasing Pty Limited  
 Harvey Norman Leasing (Blanchardstown) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Carrickmines) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Castlebar) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Cork) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Drogheda) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Dublin) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Dundalk) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Eastgate) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Limerick) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Mullingar) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (N.Z.) Limited<sup>9,10</sup>  
 Harvey Norman Leasing (Naas) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (NI) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Rathfarnham) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Tralee) Limited<sup>18,19</sup>  
 Harvey Norman Leasing (Waterford) Limited<sup>18,19</sup>  
 Harvey Norman Leasing Pty Limited  
 Harvey Norman Limited<sup>10</sup>  
 Harvey Norman Loughran Plant & Equipment Pty Limited  
 Harvey Norman Mortgage Service Pty Limited  
 Harvey Norman Music Pty Limited  
 Harvey Norman Net. Works Pty Limited<sup>1</sup>  
 Harvey Norman OFIS Pty Limited<sup>1</sup>  
 Harvey Norman Online.com Pty Limited  
 Harvey Norman Ossia (Asia) Pte Limited<sup>11,16,17</sup>  
 Harvey Norman P.E.M. Pty Limited  
 Harvey Norman Plant and Equipment Pty Limited  
 Harvey Norman Properties (N.Z.) Limited<sup>9,10</sup>  
 Harvey Norman Rental Pty Limited  
 Harvey Norman Retailing Pty Limited<sup>1</sup>  
 Harvey Norman Rosney Franchisor Pty Limited<sup>1</sup>  
 Harvey Norman Rosney Leasing Pty Limited  
 Harvey Norman Security Pty Limited  
 Harvey Norman Shopfitting Pty Limited<sup>1</sup>  
 Harvey Norman Singapore Pte Limited<sup>11,15,16</sup>  
 Harvey Norman Stores (N.Z.) Pty Limited<sup>1</sup>  
 Harvey Norman Stores (W.A.) Pty Limited  
 Harvey Norman Stores Pty Limited<sup>1</sup>  
 Harvey Norman Superlink Pty Limited  
 Harvey Norman Tasmania Pty Limited  
 Harvey Norman Technology Pty Limited<sup>1</sup>  
 Harvey Norman The Bedding Specialists Pty Limited  
 Harvey Norman The Computer Specialists Pty Limited  
 Harvey Norman The Electrical Specialists Pty Limited  
 Harvey Norman The Furniture Specialists Pty Limited  
 Harvey Norman Trading (Ireland) Limited<sup>18,19</sup>  
 Harvey Norman Trading d.o.o.<sup>12</sup>

Harvey Norman Ulverstone Franchisor Pty Limited<sup>1</sup>  
 Harvey Norman Ulverstone Leasing Pty Limited  
 Harvey Norman Victoria Pty Limited<sup>1</sup>  
 Harvey Norman Zagreb d.o.o.<sup>14</sup>  
 Havrex Pty Limited<sup>1,6</sup>  
 HN Allens Road Leasing Limited<sup>7,10,9</sup>  
 HN Blenheim Leasing Limited<sup>9,10</sup>  
 HN Botany Leasing Limited<sup>7,10,9</sup>  
 HN Byron No. 2 Pty Limited  
 HN Byron No. 3 Pty Limited  
 HN Commercial Leasing Limited<sup>7,10,9</sup>  
 HN Downing Street Leasing Limited<sup>7,10,9</sup>  
 HN Edmonton Road Leasing Limited<sup>7,10,9</sup>  
 HN Hornby Leasing Limited<sup>7,10,9</sup>  
 HN Lincoln Centre Leasing Limited<sup>7,10,9</sup>  
 HN Manukau Leasing Limited<sup>7,10,9</sup>  
 HN Mt Roskill Leasing Limited<sup>7,10,9</sup>  
 HN Online Franchisor Pty Limited  
 HN Online Leasing Pty Limited  
 HN Paraparaumu Leasing Limited<sup>9,10</sup>  
 HN QCV Benaraby No. 1 Pty Limited  
 HN QCV Benaraby Pty Limited  
 HN QCV Chinchilla Pty Limited  
 HN QCV Fairview Pty Limited  
 HN QCV Injune Pty Limited  
 HN QCV LOR Pty Limited<sup>7</sup>  
 HN QCV Pty Limited  
 HN QCV Sarina Pty Limited  
 HN Tauranga Leasing Limited<sup>7,10,9</sup>  
 HN Tory Street Leasing Limited<sup>9,10</sup>  
 HN Woolston Leasing Limited<sup>7,10,9</sup>  
 HN Zagreb Investment Pty Limited  
 HNL Pty Limited  
 Hodberg Pty Limited<sup>1,5</sup>  
 Hodvale Pty Limited<sup>1,5</sup>  
 Home Mart Furniture Pty Limited  
 Home Mart Pty Limited  
 Hoxco Pty Limited<sup>1,6</sup>  
 J.M. Albury Franchisor Pty Limited  
 J.M. Albury Leasing Pty Limited  
 J.M. Alexandria Franchisor Pty Limited  
 J.M. Alexandria Leasing Pty Limited  
 J.M. Auburn Franchisor Pty Limited<sup>1</sup>  
 J.M. Ballina Franchisor Pty Limited  
 J.M. Ballina Leasing Pty Limited  
 J.M. Bennetts Green Franchisor Pty Limited  
 J.M. Bennetts Green Leasing Pty Limited  
 J.M. Campbelltown Franchisor Pty Limited<sup>1</sup>  
 J.M. Campbelltown Leasing Pty Limited  
 J.M. Caringbah Franchisor Pty Limited<sup>1</sup>  
 J.M. Caringbah Leasing Pty Limited  
 J.M. Chancellor Park Franchisor Pty Limited  
 J.M. Chancellor Park Leasing Pty Limited  
 J.M. Contracting Services Pty Limited<sup>1</sup>  
 J.M. Dubbo Franchisor Pty Limited  
 J.M. Dubbo Leasing Pty Limited  
 J.M. Leasing Pty Limited  
 J.M. Mackay Franchisor Pty Limited  
 J.M. Mackay Leasing Pty Limited  
 J.M. Maitland Franchisor Pty Limited  
 J.M. Maitland Leasing Pty Limited  
 J.M. Maroochydoore Franchisor Pty Limited  
 J.M. Maroochydoore Leasing Pty Limited  
 J.M. Marrickville Franchisor Pty Limited<sup>1</sup>  
 J.M. Marrickville Leasing Pty Limited  
 J.M. McGraths Hill Franchisor Pty Limited  
 J.M. McGraths Hill Leasing Pty Limited  
 J.M. Morayfield Franchisor Pty Limited  
 J.M. Morayfield Leasing Pty Limited  
 J.M. Mudgee Franchisor Pty Limited  
 J.M. Mudgee Leasing Pty Limited  
 J.M. Muswellbrook Franchisor Pty Limited  
 J.M. Muswellbrook Leasing Pty Limited  
 J.M. Newcastle Franchisor Pty Limited<sup>1</sup>

J.M. Nowra Franchisor Pty Limited  
 J.M. Nowra Leasing Pty Limited  
 J.M. Plant & Equipment Hire Pty Limited  
 J.M. Rockhampton Franchisor Pty Limited  
 J.M. Rockhampton Leasing Pty Limited  
 J.M. Share Investment Pty Limited  
 J.M. Toukley Franchisor Pty Limited  
 J.M. Toukley Leasing Pty Limited  
 J.M. Townsville Franchisor Pty Limited  
 J.M. Townsville Leasing Pty Limited  
 J.M. Wagga Wagga Franchisor Pty Limited  
 J.M. Wagga Wagga Leasing Pty Limited  
 J.M. Wallsend Franchisor Pty Limited  
 J.M. Wallsend Leasing Pty Limited  
 J.M. Warners Bay Franchisor Pty Limited  
 J.M. Warners Bay Leasing Pty Limited  
 J.M. Warrawong Franchisor Pty Limited  
 J.M. Warrawong Leasing Pty Limited  
 J.M. West Gosford Franchisor Pty Limited  
 J.M. West Gosford Leasing Pty Limited  
 J.M. Young Franchisor Pty Limited  
 J.M. Young Leasing Pty Limited  
 Jartoso Pty Limited<sup>1</sup>  
 JM Online Franchisor Pty Limited  
 JM Online Leasing Pty Limited  
 Jondarlo Pty Limited<sup>1</sup>  
 Joyce Mayne Furnishing Pty Limited  
 Joyce Mayne Home Cellars Pty Limited  
 Joyce Mayne Kotara Leasing Pty Limited  
 Joyce Mayne Liverpool Leasing Pty Limited  
 Joyce Mayne Penrith Pty Limited  
 Joyce Mayne Shopping Complex Pty Limited  
 Kalinya Development Pty Limited  
 Kambaldu Pty Limited<sup>1</sup>  
 Kita Pty Limited<sup>1</sup>  
 Kitchen Point Pty Limited  
 Koodero Pty Limited<sup>1</sup>  
 Korinti Pty Limited<sup>1</sup>  
 Lamino Pty Limited<sup>1</sup>  
 Lesandu Adelaide City Pty Limited  
 Lesandu Adelaide CK Pty Limited  
 Lesandu Albany Pty Limited  
 Lesandu Albury Pty Limited  
 Lesandu Alexandria (JM) Pty Limited  
 Lesandu Alexandria DM Pty Limited  
 Lesandu Alexandria Pty Limited  
 Lesandu Alice Springs Pty Limited  
 Lesandu Ararat Pty Limited<sup>7</sup>  
 Lesandu Aspley Pty Limited  
 Lesandu Atherton Pty Limited  
 Lesandu Auburn Stone Pty Limited  
 Lesandu Ayr Pty Limited  
 Lesandu Bainsdale Pty Limited  
 Lesandu Balgowlah Pty Limited  
 Lesandu Ballina JM Pty Limited  
 Lesandu Batemans Bay Pty Limited  
 Lesandu Bathurst Pty Limited  
 Lesandu Bella Vista Pty Limited  
 Lesandu Belmont Pty Limited  
 Lesandu Belrose DM Pty Limited  
 Lesandu Benalla Pty Limited  
 Lesandu Bennetts Green JM Pty Limited  
 Lesandu Bentleigh Pty Limited  
 Lesandu Berrimah Pty Limited<sup>7</sup>  
 Lesandu Blacktown Pty Limited  
 Lesandu Bondi Junction Pty Limited  
 Lesandu Brisbane City Pty Limited  
 Lesandu Broadbeach Pty Limited  
 Lesandu Broadway Pty Limited  
 Lesandu Broken Hill Pty Limited<sup>7</sup>  
 Lesandu Brooklyn Pty Limited  
 Lesandu Browns Plains No. 1 Pty Limited  
 Lesandu Browns Plains Pty Limited  
 Lesandu Burleigh Heads Flooring Pty Limited

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 37. Controlled Entities and Unit Trusts (continued)

*Shares held by Harvey Norman Holdings Limited (continued)*

Lesandu Busselton Pty Limited	Lesandu Gepps Cross Pty Limited	Lesandu Perth City West Pty Limited
Lesandu Cambridge Pty Limited	Lesandu Gladstone Pty Limited	Lesandu Port Macquarie Pty Limited
Lesandu Cannington Pty Limited	Lesandu Gordon Pty Limited	Lesandu Pty Limited <sup>1</sup>
Lesandu Cannonvale Pty Limited	Lesandu Goulburn Pty Limited	Lesandu Raymond Terrace Pty Limited
Lesandu Capalaba Pty Limited	Lesandu Grafton Pty Limited	Lesandu Richlands Pty Limited
Lesandu Carindale Pty Limited	Lesandu Greensborough Pty Limited	Lesandu Richmond (VIC) Pty Limited
Lesandu Castle Hill DM Pty Limited	Lesandu Griffith Pty Limited	Lesandu Riverwood Pty Limited
Lesandu Castle Hill Pty Limited	Lesandu Gunnedah Pty Limited <sup>7</sup>	Lesandu Rockhampton Pty Limited
Lesandu Cessnock (JM) Pty Limited	Lesandu Hamilton (VIC) Pty Limited	Lesandu Rothwell Pty Limited
Lesandu Chadstone Pty Limited	Lesandu Hamilton Pty Limited	Lesandu S.A. Pty Limited
Lesandu Charmhaven Pty Limited	Lesandu Hervey Bay Pty Limited	Lesandu Salamander Bay Pty Limited
Lesandu Chatswood Express Pty Limited	Lesandu HN Pty Limited	Lesandu Sale Pty Limited
Lesandu Chatswood Pty Limited	Lesandu Horsham Pty Limited	Lesandu Silverwater Pty Limited
Lesandu Cheltenham Pty Limited	Lesandu Indooroopilly Pty Limited <sup>1</sup>	Lesandu Sippy Downs JM Pty Limited
Lesandu Chirnside Park Pty Limited	Lesandu Innisfail Pty Limited	Lesandu Southport Pty Limited
Lesandu Cleveland Pty Limited	Lesandu Inverell Pty Limited	Lesandu Stanmore Pty Limited
Lesandu Cobar Pty Limited	Lesandu Ipswich Pty Limited	Lesandu Sunshine Pty Limited
Lesandu Coffs Harbour Pty Limited	Lesandu Jandakot Pty Limited	Lesandu Swan Hill Pty Limited
Lesandu Cooparoo Pty Limited	Lesandu Joondalup Pty Limited	Lesandu Sydenham Pty Limited
Lesandu CP Aspley Pty Limited	Lesandu Kalgoorlie Pty Limited	Lesandu Sydney City SS Pty Limited
Lesandu CP Bayswater Pty Limited	Lesandu Karratha Pty Limited	Lesandu Tasmania Pty Limited
Lesandu CP Belmont Pty Limited	Lesandu Knox Towerpoint Pty Limited	Lesandu Taree Home Mart Pty Limited
Lesandu CP Bendigo Pty Limited	Lesandu Kotara DM Pty Limited	Lesandu Taree Pty Limited
Lesandu CP Braybrook Pty Limited	Lesandu Launceston Pty Limited	Lesandu Taren Point Pty Limited
Lesandu CP Bundaberg Pty Limited	Lesandu Leichhardt M Pty Limited	Lesandu Tasmania Pty Limited
Lesandu CP Bundaberg WH 2 Pty Limited	Lesandu Light Street DM Pty Limited	Lesandu Temora Pty Limited
Lesandu CP Bundaberg WH Pty Limited	Lesandu Lismore Pty Limited	Lesandu Thomastown Pty Limited
Lesandu CP Burleigh Waters Pty Limited	Lesandu Lithgow Pty Limited	Lesandu Toukley Pty Limited
Lesandu CP Coburg Pty Limited	Lesandu Loganholme Pty Limited	Lesandu Townsville Pty Limited
Lesandu CP Dandenong Pty Limited	Lesandu Mackay Pty Limited	Lesandu Tura Beach Pty Limited <sup>7</sup>
Lesandu CP Joondalup Pty Limited	Lesandu Maddington Pty Limited	Lesandu Tweed Heads Flooring Pty Limited
Lesandu CP Loganholme Pty Limited	Lesandu Maitland JM Pty Limited	Lesandu Tweed Heads Pty Limited <sup>1</sup>
Lesandu CP Macgregor Pty Limited	Lesandu Maitland Pty Limited	Lesandu Underwood Pty Limited
Lesandu CP Macgregor WH Pty Limited	Lesandu Malaga Pty Limited	Lesandu WA Furniture Pty Limited
Lesandu CP Mackay Pty Limited	Lesandu Mandurah Pty Limited	Lesandu WA Pty Limited <sup>1</sup>
Lesandu CP Malvern Pty Limited	Lesandu Marion Pty Limited	Lesandu Wagga Wagga JM Pty Limited
Lesandu CP Malvern WH Pty Limited	Lesandu Maroochydoore JM Pty Limited	Lesandu Wagga Wagga Pty Limited
Lesandu CP Mandurah Pty Limited	Lesandu Maroochydoore Flooring Pty Limited	Lesandu Wallsend JM Pty Limited
Lesandu CP Maroochydoore Pty Limited	Lesandu McGraths Hill (JM) Pty Limited	Lesandu Wangaratta Pty Limited
Lesandu CP Maroochydoore WH Pty Limited	Lesandu Melbourne City DM Pty Limited	Lesandu Warana JM Pty Limited
Lesandu CP Maryborough Pty Limited	Lesandu Mentone Pty Limited	Lesandu Warana Pty Limited
Lesandu CP Midland Pty Limited	Lesandu Midland Pty Limited	Lesandu Warners Bay JM Pty Limited
Lesandu CP Moonah Pty Limited	Lesandu Mile End Pty Limited	Lesandu Warragul Pty Limited
Lesandu CP Moorabbin Pty Limited	Lesandu Mitchell Pty Limited	Lesandu Warrarong Pty Limited
Lesandu CP Morayfield Pty Limited	Lesandu Moe Pty Limited	Lesandu Warwick (WA) Pty Limited
Lesandu CP Mornington Pty Limited	Lesandu Moorabbin Pty Limited	Lesandu Warwick Pty Limited
Lesandu CP Mt Druitt Pty Limited	Lesandu Moore Park Pty Limited	Lesandu Waurn Ponds Pty Limited
Lesandu CP O'Connor Pty Limited	Lesandu Moree Pty Limited	Lesandu West Gosford DM Pty Limited
Lesandu CP Osborne Park CL Pty Limited	Lesandu Morley Pty Limited	Lesandu West Gosford JM Pty Limited
Lesandu CP Osborne Park Pty Limited	Lesandu Mornington Pty Limited	Lesandu West Wyalong Pty Limited
Lesandu CP Osborne Park WH Pty Limited	Lesandu Morwell WH Pty Limited	Lesandu Wiley Park Pty Limited
Lesandu CP Richmond CL Pty Limited	Lesandu Moss Vale Pty Limited	Lesandu Windsor Pty Limited
Lesandu CP Richmond Pty Limited	Lesandu Mt Barker Pty Limited	Lesandu Wonthaggi Pty Limited
Lesandu CP Richmond WH Pty Limited	Lesandu Mt Gravatt Pty Limited	Lesandu Woodville Pty Limited
Lesandu CP Ringwood CL Pty Limited	Lesandu Mt Isa Pty Limited	Lesandu Young JM Pty Limited
Lesandu CP Ringwood Home Pty Limited	Lesandu Munno Para Pty Limited	Lexeri Pty Limited <sup>1</sup>
Lesandu CP Ringwood Pty Limited	Lesandu Murray Bridge Pty Limited	Lightcorp Pty Limited
Lesandu CP Ringwood WH Pty Limited	Lesandu Muswellbrook JM Pty Limited	Lighting Venture Pty Limited <sup>1</sup>
Lesandu CP Thomastown Pty Limited	Lesandu Muswellbrook Pty Limited	Lodare Pty Limited <sup>1</sup>
Lesandu CP Victoria Park Pty Limited	Lesandu Narrabri Pty Limited	Loreste Pty Limited <sup>1</sup>
Lesandu CP Welshpool WH Pty Limited	Lesandu Narre Warren Pty Limited	Malvis Pty Limited <sup>1</sup>
Lesandu Cranbourne Pty Limited	Lesandu Newcastle West Pty Limited	Manutu Pty Limited <sup>1</sup>
Lesandu Dalby Pty Limited	Lesandu Noarlunga Pty Limited	Maradoni Pty Limited <sup>1</sup>
Lesandu Dandenong Pty Limited	Lesandu Noosa Pty Limited	Marinski Pty Limited <sup>1</sup>
Lesandu Deniliquin Pty Limited	Lesandu North Ryde DM Pty Limited	Mega Flooring Depot Pty Limited
Lesandu Dubbo JM Pty Limited	Lesandu Notting Hill Pty Limited	Misstar Pty Limited
Lesandu Dubbo Pty Limited	Lesandu Nowra Pty Limited	Murray Street Development Pty Limited
Lesandu Eden Pty Limited <sup>7</sup>	Lesandu Oakleigh CK Pty Limited	Mymasterpiece Pty Limited <sup>5</sup>
Lesandu Engadine Pty Limited	Lesandu O'Connor Pty Limited	Nedcroft Pty Limited <sup>1</sup>
Lesandu Erina Flooring Pty Limited	Lesandu Orange Pty Limited	Network Consumer Finance (Ireland) Limited <sup>18,19</sup>
Lesandu Forster Pty Limited	Lesandu Osborne Park Pty Limited	Network Consumer Finance (N.Z.) Limited <sup>9,10</sup>
Lesandu Fremantle No 2 Pty Limited	Lesandu Oxley Pty Limited	Network Consumer Finance Pty Limited <sup>1</sup>
Lesandu Fremantle Pty Limited	Lesandu Penrith DM Pty Limited	Normadale Pty Limited <sup>1,6</sup>
Lesandu Fyshwick Pty Limited	Lesandu Penrith Pty Limited	Norman Ross Limited <sup>9,10</sup>
Lesandu Gaven Pty Limited	Lesandu Peppermint Grove Pty Limited	Norman Ross Pty Limited <sup>1</sup>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 37. Controlled Entities and Unit Trusts (continued)

#### *Shares held by Harvey Norman Holdings Limited (continued)*

Oldmist Pty Limited <sup>1</sup>	Space Furniture Pte Limited <sup>11,16</sup>	Zavarte Pty Limited <sup>1</sup>
Oslek Developments Pty Limited	Space Furniture Pty Limited <sup>3</sup>	Zirdano Pty Limited <sup>1</sup>
Osraidi Pty Limited <sup>1</sup>	Spacepol Pty Limited	Zirdanu Pty Limited <sup>1</sup>
P & E Crows Nest Pty Limited	Stonetess Pty Limited <sup>1</sup>	
P & E Homewest Pty Limited	Stores (NZ) Limited <sup>9,10</sup>	
P & E Leichhardt Pty Limited	Stores Securitisation (NZ) Limited <sup>10</sup>	
P & E Maddington Pty Limited	Stores Securitisation Pty Limited	
P & E Shopfitters Pty Limited	Strathloro Pty Limited <sup>1</sup>	
Packcom Pty Limited	Stupendous Pty Limited <sup>1,20</sup>	
PEM Corporate Pty Limited	Superguard Pty Limited	
Pertama Holdings Limited <sup>11,16,17</sup>	Swaneto Pty Limited <sup>1</sup>	
Plezero Pty Limited <sup>1</sup>	Swanpark Pty Limited <sup>1,6</sup>	
Poliform Pty Limited <sup>26</sup>	Tatroko Pty Limited <sup>1</sup>	
QCV Benaraby Pty Limited <sup>29</sup>	Tessera Stones & Tiles Australia Pty Limited	
QCV Fairview Pty Limited <sup>30</sup>	Tessera Stones & Tiles Pty Limited <sup>1,13</sup>	
QCV Injune Pty Limited <sup>31</sup>	The Byron At Byron Pty Limited <sup>1</sup>	
QCV Miles Pty Limited <sup>7,33</sup>	Tisira Pty Limited <sup>1</sup>	
QCV Pty Limited <sup>28</sup>	Valecomp Recovery Pty Limited <sup>7</sup>	
QCV Sarina Pty Limited <sup>32</sup>	Ventama Pty Limited <sup>1,4</sup>	
R.Reynolds Nominees Pty Limited	Wadins Pty Limited <sup>1</sup>	
Recline A Way Franchisor Pty Limited	Waggafurn Pty Limited	
RH Online Pty Limited	Wanalti Pty Limited <sup>1</sup>	
Rosieway Pty Limited <sup>1</sup>	Warungi Pty Limited <sup>1</sup>	
Sarsha Pty Limited <sup>1</sup>	Waytango Pty Limited <sup>1</sup>	
Setto Pty Limited <sup>1</sup>	Webzone Pty Limited	
Shakespir Pty Limited	Wytharra Pty Limited <sup>1</sup>	
Signature Computers Pty Limited	Yoogalu Pty Limited <sup>1,2</sup>	
Solaro Pty Limited <sup>1</sup>	Zabella Pty Limited <sup>1</sup>	

#### Notes

*Shareholdings in companies listed in Note 37 are consistent with prior year unless otherwise stated below.*

- 1 Company is a member of the "Closed Group".
- 2 Company is relieved under the Class Order described in Note 38.
- 3 Derni Pty Ltd holds 49% and Kita Pty Ltd holds 51% of the shares in Space Furniture Pty Limited.
- 4 Shares held by Sarsha Pty Limited.
- 5 Shares held by Harvey Norman Retailing Pty Limited.
- 6 Shares held by Harvey Norman Stores Pty Limited.
- 7 Company acquired during the year.
- 8 Company disposed of during the year.
- 9 Shares held by Harvey Norman Limited.
- 10 Company incorporated in New Zealand.
- 11 Company incorporated in Singapore.
- 12 Company incorporated in Slovenia.
- 13 Shares held by Stonetess Pty Limited.
- 14 Company incorporated in Croatia.
- 15 Shares held by Setto Pty Limited.
- 16 Harvey Norman Singapore Pte Limited owns 100% of the shares in Bencoolen Properties Pte Limited, 60% of the shares in Harvey Norman Ossia (Asia) Pte Limited, 100% of the shares in Space Furniture Pte Limited, and 33.78% (2012: 33.80%) of the shares in Pertama Holdings Limited.
- 17 Harvey Norman Ossia (Asia) Pte Limited holds 49.38% of the shares in Pertama Holdings Limited.
- 18 Shares held by Harvey Norman Holdings (Ireland) Limited.
- 19 Company incorporated in Ireland.
- 20 Shares held by Calardu Pty Limited.
- 21 Shares held by Calardu Armidale Pty Limited.
- 22 Lighting Venture Pty Limited owns 75% of shares in Glolight Pty Limited.
- 23 Yoogalu Pty Ltd holds 50.5% of the shares in Australian Business Skills Centre Pty Limited.
- 24 HN Byron No 3 Pty Limited holds 50% of the shares in Byron Bay Facilities Pty Limited.
- 25 Yoogalu Pty Ltd holds 50% of the shares in Byron Bay Management Pty Limited.
- 26 Derni Pty Ltd holds 1% and Kita Pty Ltd holds 99% of the shares in Poliform Pty Ltd.
- 27 Yoogalu Pty Limited holds 100% of the shares in ABSC Online Pty Limited.
- 28 HN QCV Pty Limited holds 50% of the shares in QCV Pty Limited.
- 29 HN QCV Benaraby Pty Limited holds 50% of the shares in QCV Benaraby Pty Limited.
- 30 HN QCV Fairview Pty Limited holds 50% of the shares in QCV Fairview Pty Limited.
- 31 HN QCV Injune Pty Limited holds 50% of the shares in QCV Injune Pty Limited.
- 32 HN QCV Sarina Pty Limited holds 50% of the shares in QCV Sarina Pty Limited.
- 33 HN QCV LOR Pty Limited holds 50% of the shares in QCV Miles Pty Limited.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 37. Controlled Entities and Unit Trusts (continued)

*Units in Unit Trusts held by Harvey Norman Holdings Limited*

A.C.N. 098 004 570 No. 2 Trust	Broadel No. 2 Trust****	Calardu Browns Plains Trust
A.C.N. 100 478 402 No. 2 Trust	Broadway Superstore No. 2 Trust****	Calardu Bunbury Trust
ABSC Online Trust ***	Brockland No. 2 Trust****	Calardu Bundaberg No. 1 Trust
Alanlect No. 2 Trust****	Brocomp No. 2 Trust****	Calardu Bundaberg Trust
Albanall No. 2 Trust****	Brofloor No. 2 Trust****	Calardu Bundaberg WH Trust
Albany Stores No. 2 Trust****	Bronlect No. 2 Trust****	Calardu Bundall Trust
Albany Superstore No. 2 Trust****	Brookstore No. 2 Trust****	Calardu Burnie Trust
Albavit No. 2 Trust****	Brownavit No. 2 Trust****	Calardu Cairns Trust**
Alburcom No. 2 Trust****	Browns Plains Bedding No. 2 Trust****	Calardu Cambridge Trust
Alburel No. 2 Trust****	Browns Plains Superstore No. 2 Trust****	Calardu Campbelltown Trust
Albwick No. 2 Trust****	Brownslect No. 2 Trust****	Calardu Cannington Trust
Alexall No. 2 Trust	Buddlect No. 2 Trust****	Calardu Caringbah (Taren Point) Trust
Alexandria Superstore No. 2 Trust****	Bunbury Superstore No. 2 Trust	Calardu Caringbah Trust
Alice Springs Superstore No. 2 Trust**	Bunburyfurn No. 2 Trust	Calardu Crows Nest Trust
Alistore No. 2 Trust****	Buncomp No. 2 Trust****	Calardu Cubitt Trust
Andersfurn No. 2 Trust****	Bundaberg Superstore No. 2 Trust	Calardu Darwin Trust
Angefurn No. 2 Trust****	Bundalect No. 2 Trust****	Calardu Devonport Trust
Angestore No. 2 Trust****	Bundall Superstore No. 2 Trust****	Calardu Dubbo Trust
Anwarah No. 2 Trust****	Bundastore No. 2 Trust**	Calardu Emerald Trust
Appcann No. 2 Trust****	Bundatec No. 2 Trust****	Calardu Frankston Trust
Ardera No. 2 Trust****	Bundbed No. 2 Trust**	Calardu Frankston WH Trust
Armabert No. 2 Trust****	Bundhill No. 2 Trust****	Calardu Fyshwick DM Trust
Armada Furniture No. 2 Trust****	Bundware No. 2 Trust****	Calardu Gepps Cross No. 2 Trust
Armada Superstore No. 2 Trust****	Bunstore No. 2 Trust****	Calardu Gepps Cross No. 3 Trust**
Armastore No. 2 Trust****	Burnie Computers (TAS) No. 2 Trust****	Calardu Gepps Cross Trust
Arnavit No. 2 Trust	Burnie Electrics No. 2 Trust****	Calardu Gladstone Trust
Armlect No. 2 Trust****	Bussall No. 2 Trust****	Calardu Gordon Trust
Arulect No. 2 Trust****	Busselcom No. 2 Trust	Calardu Guildford Trust
Arwon Computers No. 2 Trust****	Busseltec No. 2 Trust****	Calardu Gympie Trust
Arwon Electrics No. 2 Trust****	Busselton Superstore No. 2 Trust****	Calardu Hervey Bay Trust
Aspfloor No. 2 Trust****	Bussfurn No. 2 Trust****	Calardu Hobart Trust
Aspley Flooring No. 2 Trust****	Bustfor No. 2 Trust****	Calardu Hoppers Crossing Trust
Asptec No. 2 Trust****	Busvit No. 2 Trust**	Calardu Horsham Trust
Atherton Superstore No. 2 Trust**	Buycom No. 2 Trust****	Calardu Innisfail Trust
Aubapp No. 2 Trust	Bymcom No. 2 Trust****	Calardu Jandakot No. 1 Trust
Aubdirect No. 2 Trust****	Cairnlect No. 2 Trust	Calardu Jandakot Trust
Aublect No. 2 Trust	Cairns Superstore No. 2 Trust**	Calardu Joondalup Trust
Aubtrade No. 2 Trust	Cajanoe No. 2 Trust****	Calardu Kalgoorlie Oswald St Trust
Australian Business Skills Centre Trust***	Calardu A.C.T. No. 2 Trust	Calardu Kalgoorlie Trust
Avitberg No. 2 Trust**	Calardu ACT Trust	Calardu Karana Downs Trust
Avitmont No. 2 Trust****	Calardu Adderley Street Trust	Calardu Karratha Trust
Ayravit No. 2 Trust****	Calardu Albany Trust	Calardu Kawana Waters Trust
Ayrtec No. 2 Trust****	Calardu Albury Trust	Calardu Kemblawarra Trust
Bakfurn No. 2 Trust****	Calardu Alexandria DM Trust	Calardu Kingaroy Trust
Ballinall No. 2 Trust****	Calardu Alexandria WH Trust	Calardu Kotara Trust
Bamsett No. 2 Trust****	Calardu Alice Springs Trust	Calardu Launceston Trust
Barkerstore No. 2 Trust**	Calardu Armadale WA Trust	Calardu Lismore Trust
Barlect No. 2 Trust****	Calardu Armidale Trust	Calardu Loganholme Trust
Becto Trust	Calardu Aspley Trust	Calardu Mackay No. 1 Trust
Bedba No. 2 Trust****	Calardu Auburn No. 1 Trust	Calardu Mackay No. 2 Trust
Bedebeds No. 2 Trust**	Calardu Auburn No. 2 Trust	Calardu Mackay Trust
Bedholme No. 2 Trust****	Calardu Auburn No. 3 Trust	Calardu Maitland Trust
Bedlunga No. 2 Trust**	Calardu Auburn No. 4 Trust	Calardu Malaga Trust
Bedmark No. 2 Trust**	Calardu Auburn No. 5 Trust	Calardu Mandurah Trust
Bedton No. 2 Trust****	Calardu Auburn No. 6 Trust	Calardu Maribyrnong 1995 Trust
Bedwick No. 2 Trust	Calardu Auburn No. 7 Trust	Calardu Maribyrnong Trust
Belavit No. 2 Trust****	Calardu Auburn No. 8 Trust	Calardu Marion No. 1 Trust
Bellbed No. 2 Trust	Calardu Auburn No. 9 Trust	Calardu Marion Trust
Belnorth No. 2 Trust**	Calardu Ballarat Trust	Calardu Maroochydore Trust
Belstore No. 2 Trust**	Calardu Ballina No. 1 Trust	Calardu Maroochydore Warehouse Trust
Bena No. 2 Trust****	Calardu Ballina Trust	Calardu Maryborough Trust
Bendcomp No. 2 Trust****	Calardu Bathurst Trust	Calardu Melville Trust
Bendlect No. 2 Trust****	Calardu Beaufort Street Trust	Calardu Mentone Trust
Benstore No. 2 Trust****	Calardu Bellevue Hill Trust	Calardu Midland Trust
Berelect No. 2 Trust****	Calardu Belrose DM Trust	Calardu Milton Trust
Bervit No. 2 Trust****	Calardu Bennetts Green Trust	Calardu Morayfield Trust
Bieravit No. 2 Trust**	Calardu Bennetts Green Warehouse Trust	Calardu Morwell Trust
Big Apple Trust	Calardu Berri Trust	Calardu Moss Vale Trust
BM Superstore No. 2 Trust****	Calardu Berrimah Trust	Calardu Mt Isa Trust
Bojarda No. 2 Trust****	Calardu Brickworks (S.A.) Trust	Calardu Mt. Gambier Trust
Bondcom No. 2 Trust****	Calardu Broadmeadow No. 1 Trust	Calardu Mudgee Trust
Bondlect No. 2 Trust****	Calardu Broadmeadow No. 2 Trust	Calardu Munno Para Trust
BP Flooring No. 2 Trust****	Calardu Broadmeadows VIC Trust	Calardu No. 1 Trust
Bp Superstore No. 2 Trust**	Calardu Brookvale Trust	Calardu No. 2 Trust
Bradiz No. 2 Trust****	Calardu Browns Plains No. 1 Trust	Calardu No. 3 Trust



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 37. Controlled Entities and Unit Trusts (continued)

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

Calardu Noarlunga Trust	Carebed No. 2 Trust****	Dallbed No. 2 Trust****
Calardu Noble Park WH Trust	Carinlect No. 2 Trust	Dallcom No. 2 Trust
Calardu Noosa Trust	Carintec No. 2 Trust****	Dalstore No. 2 Trust****
Calardu North Ryde No. 1 Trust	Carolander No. 2 Trust****	Daltec No. 2 Trust
Calardu North Ryde No. 2 Trust	Carroll Bedding Centre No 2 Trust**	Daltel No. 2 Trust
Calardu North Ryde Trust	Castleware No 2 Trust****	Daltoneil No. 2 Trust****
Calardu Northbridge Trust	Castore No. 2 Trust	Dancomp No. 2 Trust****
Calardu Nowra Trust	Cavfloor No 2 Trust****	Danstore No. 2 Trust****
Calardu Oxley Trust	CBG Trust	Darolect No. 2 Trust****
Calardu Penrith No. 1 Trust	Cellorcom No. 2 Trust****	Daystore No. 2 Trust****
Calardu Penrith Trust	Cellson No 2 Trust**	Deltharmo No. 2 Trust****
Calardu Perth City West Trust	Chadcom No. 2 Trust****	Denili No. 2 Trust****
Calardu Port Macquarie Trust	Chadfloor No. 2 Trust****	Derindale No. 2 Trust****
Calardu Preston Trust	Chanavit No. 2 Trust	Devonport Computers No. 2 Trust****
Calardu Raine Square Trust	Chancelect No. 2 Trust	Devonport Electrics No. 2 Trust****
Calardu Richmond Trust	Chamela No. 2 Trust	Disinter No. 2 Trust****
Calardu Rockhampton No. 2 Trust	Chatcom No. 2 Trust****	Dovefurn No. 2 Trust****
Calardu Rockhampton Trust	Chatex No. 2 Trust	Dubbocom No. 2 Trust****
Calardu Rockingham Trust	Chatlect No. 2 Trust****	Durahlect No. 2 Trust****
Calardu Rosebery Trust	Chatswood Superstore No 2 Trust**	E P Bedding No. 2 Trust****
Calardu Roselands Trust	Chirncom No. 2 Trust****	Edgestore No 2 Trust**
Calardu Rothwell Trust	Chimel No. 2 Trust****	Elebat No. 2 Trust****
Calardu Rutherford Trust	Citiavit No 2 Trust**	Electgos No. 2 Trust****
Calardu Rutherford Warehouse Trust	Citistore No. 2 Trust****	Electham No. 2 Trust****
Calardu Sale Trust	City Superstore No. 2 Trust****	Electley No. 2 Trust****
Calardu Silverwater Trust	City West Superstore No. 2 Trust****	Electmil No. 2 Trust****
Calardu Springvale Trust	Cityware No 2 Trust**	Electvale No. 2 Trust****
Calardu Stapylton Trust**	Clevcom No. 2 Trust	Electwind No. 2 Trust****
Calardu Swan Hill Trust	Cleveland Superstore No. 2 Trust****	Elekot No. 2 Trust****
Calardu Sylvania Trust	Clevelcom No. 2 Trust****	Elepilly No. 2 Trust****
Calardu Taree Trust	Clevelect No. 2 Trust****	Eleroo No. 2 Trust****
Calardu Taren Point Trust	Comalb No. 2 Trust****	Elholme No. 2 Trust****
Calardu Thebarton Trust	Comaub No. 2 Trust	Ellicom No. 2 Trust****
Calardu Thomastown Trust	Combal No. 2 Trust****	Elmoray No. 2 Trust****
Calardu Toorak Trust	Combalg No. 2 Trust****	Elftcom No. 2 Trust****
Calardu Toowoomba No. 1 Trust	Comben No. 2 Trust****	Enfield Bedding No. 2 Trust****
Calardu Toowoomba Trust	Combier No. 2 Trust****	Enstore No. 2 Trust****
Calardu Toowoomba WH Trust	Combron No. 2 Trust****	Everton Bedding No. 2 Trust****
Calardu Townsville Trust	Combury No. 2 Trust****	Everton Park Computers No. 2 Trust****
Calardu Tweed Heads No. 1 Trust**	Comcam No. 2 Trust	Evtoneil No. 2 Trust****
Calardu Tweed Heads Traders Way Trust	Comdaw No. 2 Trust****	Favstore No. 2 Trust****
Calardu Tweed Heads Trust	Comdore No. 2 Trust****	Fifel No 2 Trust**
Calardu Vicfurn Trust	Comgos No. 2 Trust	Filfurn No. 2 Trust
Calardu Warrawong (Homestarters) No. 1 Trust	Comgreen No. 2 Trust****	Floholme No. 2 Trust****
Calardu Warrawong (Homestarters) Trust	Comhill No. 2 Trust	Flooraba No. 2 Trust****
Calardu Warrawong No. 1 Trust	Comkaw No. 2 Trust	Floorcom No. 2 Trust
Calardu Warrawong No. 2 Trust	Commil No. 2 Trust****	Floordore No. 2 Trust****
Calardu Warrawong Trust	Compalaba No. 2 Trust****	Floorley No 2 Trust**
Calardu Warmambool Trust	Comparoo No. 2 Trust	Floormunno No 2 Trust**
Calardu Warwick Trust	Compgrav No. 2 Trust	Floorox No 2 Trust**
Calardu West Gosford Trust	Compuville No. 2 Trust****	Floorwell No. 2 Trust****
Calardu Whyalla Trust	Comroc No. 2 Trust	Fortavit No. 2 Trust****
Calardu Wivenhoe Trust	Comtam No. 2 Trust****	Fortitude Furniture No. 2 Trust****
Calel No. 2 Trust****	Comtoon No. 2 Trust****	Fortley No. 2 Trust
Cambridge Computers No. 2 Trust****	Comvey No. 2 Trust****	Frankcom No. 2 Trust****
Cambridge Park Electrics No. 2 Trust****	Comwick No. 2 Trust	Frankstonel No. 2 Trust****
Canecom No. 2 Trust****	Coorparoo Electrics No. 2 Trust	Fraserfurn No. 2 Trust****
Canelect No. 2 Trust****	Coorparoo Furniture No. 2 Trust	Freeson Superstore No. 2 Trust****
Cannavit No 2 Trust**	Coravit No. 2 Trust****	Fremstore No. 2 Trust
Canner No. 2 Trust****	Cosgrove Shopfitting Services No. 2 Trust****	Fremtel No. 2 Trust****
Cannington Superstore No. 2 Trust****	Cosher No. 2 Trust****	Furnbayel No. 2 Trust****
Cannonel No. 2 Trust****	Craigstore No. 2 Trust****	Furncam No. 2 Trust****
Cannontec No. 2 Trust****	Craigtec No. 2 Trust****	Furndall No. 2 Trust****
Cannonvale Superstore No 2 Trust**	Cranbell No. 2 Trust****	Furneld No. 2 Trust****
Cannstore No. 2 Trust****	Crancom No. 2 Trust****	Furnhampton No 2 Trust**
Cannfers No. 2 Trust	Croscom No. 2 Trust****	Furnholme No. 2 Trust****
Capafloor No 2 Trust**	Crossavit No 2 Trust**	Furnkay No. 2 Trust****
Capalaba Bedding No. 2 Trust****	Crossel No. 2 Trust****	Furnking No. 2 Trust****
Capalaba Computers No. 2 Trust****	Crosslect No. 2 Trust****	Furnmarn No. 2 Trust****
Capalaba Flooring No. 2 Trust****	Crosstore No. 2 Trust****	Furnmore No. 2 Trust
Capalaba Furniture No. 2 Trust****	CW Superstore No. 2 Trust	Furnola No 2 Trust**
Capalaba Superstore No 2 Trust**	Dalbavit No 2 Trust**	Furnoosa No. 2 Trust****
Caplect No. 2 Trust****	Dalby Store No 2 Trust**	Furnpel No. 2 Trust****
Capteha No 2 Trust**	Dalefurn No. 2 Trust****	Furnroc No. 2 Trust
Carcom No. 2 Trust	Dalelect No. 2 Trust****	Furnsprings No. 2 Trust****
Cardlect No. 2 Trust	Dalfurn No. 2 Trust****	Furnstar No. 2 Trust****

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 37. Controlled Entities and Unit Trusts (continued)

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

Furnwest No 2 Trust**	Helect No. 2 Trust	Lesandu Fairfield Trust
Furnwhy No. 2 Trust****	Hervey Bay Superstore No. 2 Trust****	Lesandu Gordon Trust
Furnwood No. 2 Trust****	Herveyfur No. 2 Trust	Lesandu Gosford Trust
FV Superstore No. 2 Trust****	Herveylect No. 2 Trust****	Lesandu Miranda Trust
Fyshcom No. 2 Trust	Hobart City Electrics No. 2 Trust****	Lesandu Newcastle Trust
Gamavit No 2 Trust**	Hobartcom No. 2 Trust****	Lesandu No. 1 Trust
Gamstore No. 2 Trust****	Holmebed No. 2 Trust****	Lesandu Penrith Trust
Gamtec No. 2 Trust****	Holmlect No. 2 Trust****	Lesandu Tamworth Trust
Gardfurn No. 2 Trust****	Homedall No. 2 Trust****	Lesandu Warrarong Trust
Gardstore No. 2 Trust	Homefloor No. 2 Trust****	Lesandu Warringah Mall Trust
Gc Avitstore No 2 Trust**	Hoodtec No. 2 Trust****	Lesoon No. 2 Trust****
GC Bedding No. 2 Trust****	Horshamcom No. 2 Trust****	Leybed No. 2 Trust****
GC Store No. 2 Trust****	Huffurn No 2 Trust**	Leylect No 2. Trust
GC Superstore No. 2 Trust****	Hyturu No. 2 Trust****	Leytrics No. 2 Trust****
Gelfurn No. 2 Trust	Indavit No. 2 Trust	Limel No. 2 Trust****
Gellect No. 2 Trust****	Indooroopilly Superstore No. 2 Trust****	Lis Computers No. 2 Trust****
Gepavit No. 2 Trust****	Indycom No. 2 Trust****	Lisbed No. 2 Trust****
Gepps Cross Superstore No. 2 Trust****	Inelect No. 2 Trust****	Listore No. 2 Trust****
Geraldcom No. 2 Trust****	Innistec No. 2 Trust****	Livel No. 2 Trust****
Geraldcl No. 2 Trust	Inrolect No. 2 Trust	Lodare No. 2 Trust
Geraldstore No. 2 Trust****	Inropel No. 2 Trust****	Loganel No. 2 Trust****
Geraldtec No. 2 Trust****	Ipavit No 2 Trust**	Loganholve Computers No. 2 Trust****
Geraldton WA No. 1 Trust	Ipswich Superstore No. 2 Trust****	Lokstall No 2 Trust**
Geraldton WA No. 2 Trust	Irbed No. 2 Trust****	Loravit No 2 Trust**
Geraldtonel No 2 Trust**	Jamitec No. 2 Trust****	Lunabed No. 2 Trust****
Geralect No. 2 Trust****	Jasbeds No. 2 Trust****	Lunavit No 2 Trust**
Gladavit No 2 Trust**	Jaslect No. 2 Trust****	Lunel No. 2 Trust****
Gladlect No. 2 Trust****	Jazap No. 2 Trust****	Mackay Superstore No. 2 Trust****
Gladstone Superstore No. 2 Trust****	Jeftondo No. 2 Trust****	Mackstore No 2 Trust**
Gladstores No. 2 Trust****	Jenbed No. 2 Trust****	Macvit No. 2 Trust****
Gladstores Qld No. 2 Trust	Jenfun No. 2 Trust****	Magatec No. 2 Trust****
Glenorchy Computers No. 2 Trust	JMC Warrarong No. 2 Trust****	Magavit No. 2 Trust****
Glenorchy Electrics No. 2 Trust	JME Warrarong No. 2 Trust****	Maglect No. 2 Trust****
Glenorchy Furniture No. 2 Trust****	Jofurn No 2 Trust**	Maitrics No. 2 Trust****
Gocomp No. 2 Trust****	Johnanan No 2 Trust**	Makelect No. 2 Trust****
Golect No. 2 Trust****	Joolbed No. 2 Trust****	Malaga Electrics No. 2 Trust****
Goscan No. 2 Trust	Joonapp No. 2 Trust****	Malbed No. 2 Trust****
Gostec No. 2 Trust****	Joonlect No. 2 Trust	Mallavit No 2 Trust**
Granovi No. 2 Trust****	Joonstore No. 2 Trust****	Mallway No. 2 Trust
Gregorstore No 2 Trust**	Kaboala No. 2 Trust****	Malstore No. 2 Trust****
Griffcom No. 2 Trust****	Kainel No. 2 Trust****	Malvis No. 2 Trust****
Griffel No. 2 Trust****	Kaloorlie Computers No. 2 Trust****	Manavit No. 2 Trust****
Grovelect No. 2 Trust****	Kaloorlie Superstore No 2 Trust**	Mandalec No. 2 Trust****
Grovit No. 2 Trust****	Kalinya Unit Trust	Mandcom No. 2 Trust****
Gymavit No 2 Trust**	Kallie No. 2 Trust****	Mandfurn No 2 Trust**
Gymlect No. 2 Trust****	Karratha Superstore No 2 Trust**	Mandurah Superstore No. 2 Trust****
Gympie Superstore No. 2 Trust****	Kawana Superstore No 2 Trust**	Mandurbed No. 2 Trust****
Gympiestore No. 2 Trust****	Kawatec No. 2 Trust****	Mandurvit No 2 Trust**
Gymtec No. 2 Trust****	Kayfurn No. 2 Trust****	Maracom No. 2 Trust****
Gymteha No 2 Trust**	Kaystore No 2 Trust**	Marfurn No. 2 Trust****
H.N. Cards Trust	Kelsocom No. 2 Trust****	Mariavit No 2 Trust**
Hamlect No. 2 Trust****	Kenstore No. 2 Trust****	Marion Bedding No. 2 Trust****
Hamptonel No. 2 Trust****	Kingalect No. 2 Trust****	Marionavit No 2 Trust**
Hanazil No. 2 Trust****	Kingarel No. 2 Trust****	Marioncom No. 2 Trust****
Hanfun No. 2 Trust****	Kingaroy Superstore No. 2 Trust****	Marlect No. 2 Trust
Harborcom No. 2 Trust****	Kingatec No. 2 Trust****	Marocom No. 2 Trust****
Harborel No. 2 Trust****	Kingavit No 2 Trust**	Maroochyfloor No 2 Trust**
Harvey Norman Burnie Franchisor Unit Trust	Labatec No. 2 Trust****	Maroofloor No 2 Trust****
Harvey Norman Devonport Franchisor Unit Trust	Lamino Investments No. 1 Trust	Marootec No. 2 Trust****
Harvey Norman Discounts No. 1 Trust	Lamino Investments No. 2 Trust	Marstore No. 2 Trust****
Harvey Norman Glenorchy Franchisor Unit Trust	Lamino Investments No. 3 Trust	Martin Place Electrics No. 2 Trust****
Harvey Norman Hobart Franchisor Unit Trust	Lamino Investments No. 4 Trust	Maryfloor No. 2 Trust****
Harvey Norman Launceston Franchisor Unit Trust	Lamino Investments No. 5 Trust	Matfloors No 2 Trust**
Harvey Norman Lighting Asset Trust	Lamino Investments No. 6 Trust	Maylect No. 2 Trust****
Harvey Norman Lighting No. 1 Trust	Lanbed No. 2 Trust****	Mayorti No. 3 Trust****
Harvey Norman Liquor Unit Trust	Launceston Computers No. 2 Trust****	Mayotec No. 2 Trust****
Harvey Norman No. 1 Trust	Launceston Electrics No. 2 Trust****	Mentone Superstore No. 2 Trust****
Harvey Norman Rosney Franchisor Unit Trust	Lecany No. 2 Trust****	MFD Castle Hill No 2 Trust****
Harvey Norman Shopfitting Trust	Lecedy No. 2 Trust****	MFD Toowoomba No. 2 Trust****
Harvey Norman Tasmania Agent Unit Trust	Lectaba No. 2 Trust****	MH Bedding No 2 Trust**
Harvey Norman Ulverstone Franchisor Unit Trust	Lectdore No. 2 Trust****	Midland Superstore No. 2 Trust****
Havencom No. 2 Trust****	Lectox No. 2 Trust****	Midlandel No. 2 Trust****
Havenel No. 2 Trust****	Lecwar No. 2 Trust****	Midlander No. 2 Trust****
Havnet No. 2 Trust****	Leighstore No 2 Trust**	Midlect No. 2 Trust****
HB Superstore No. 2 Trust	Lesandu Albury Trust	Midtyme No. 2 Trust****
Hedavit No. 2 Trust****	Lesandu Campbelltown Trust	Millsberg No. 2 Trust****



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 37. Controlled Entities and Unit Trusts (continued)

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

Mintavit No 2 Trust**	Plainsbed No. 2 Trust****	Tivannac No 2 Trust**
Montavit No 2 Trust**	Plainsfloor No. 2 Trust****	Toocomp QLD No. 2 Trust****
Montstore No 2 Trust**	Plainsfun No. 2 Trust****	Toofloor No. 2 Trust****
Moorastore No 2 Trust**	Playel No. 2 Trust****	Toolect No. 2 Trust****
Moore Park Computers No. 2 Trust****	Plomara No. 2 Trust****	Toowoomba Superstore No. 2 Trust
Moratec No. 2 Trust****	Porterel No. 2 Trust****	Torcarsa No. 2 Trust****
Morastore No. 2 Trust****	Punable No. 2 Trust****	Town Furniture No. 2 Trust****
Mosscom No 2 Trust****	Purad No 2 Trust**	Townlect No. 2 Trust****
Moybed No. 2 Trust****	QCV Benaraby No. 1 Trust	Townsville Furniture No 2 Trust**
Moyel No. 2 Trust****	QVCom No. 2 Trust****	Townsville Superstore No. 2 Trust****
MP Bedding No. 2 Trust****	QVElect No. 2 Trust****	Towntec No. 2 Trust****
Mt Barker Superstore No. 2 Trust	Qvfurn No 2 Trust**	Tralgei No. 2 Trust****
Mt Gambier Furniture No. 2 Trust****	Qvware No 2 Trust**	Tralgestore No. 2 Trust****
Mt Gambier Superstore No. 2 Trust**	Rathstore No. 2 Trust****	Tweedcom No. 2 Trust****
Mt Gravatt Superstore No 2 Trust**	Renovic No. 2 Trust****	Ulverstone Homemaker No. 2 Trust****
Mt Isa Homeware No. 2 Trust****	Richfloors No. 2 Trust****	Uzefene No 2 Trust**
Mt Isa Retailing No. 2 Trust****	Rinstore No 2 Trust**	Valecomp No. 2 Trust****
MTI Computers No. 2 Trust****	Roamcom No. 2 Trust****	Valley Superstore No. 2 Trust
Mudgee Electrics No. 2 Trust****	Rocomm No. 2 Trust****	Valleyfurn No. 2 Trust
Mudgee Retailing No. 2 Trust****	Rockavit No. 2 Trust	Verlect No. 2 Trust****
Munnara No. 2 Trust****	Rockhampton Furniture No. 2 Trust****	Veycom No. 2 Trust****
Munnavit No 2 Trust**	Rohancom No. 2 Trust****	Viczat No. 2 Trust****
Munnel No. 2 Trust****	Rosny Computers No. 2 Trust****	Villel No. 2 Trust****
Munno Para Superstore No. 2 Trust****	Rosny Electrics No. 2 Trust****	Volect No. 2 Trust****
Munnofloor No. 2 Trust****	Rosny Furniture No. 2 Trust****	Wacom No. 2 Trust****
Muracom No. 2 Trust****	Rothbed No. 2 Trust****	Waggacom No. 2 Trust****
Murbed No 2 Trust**	Rothcom No. 2 Trust****	Wakel No. 2 Trust****
Murray Street Development Trust	Rothfloors No. 2 Trust****	Walesfloor No. 2 Trust****
Nawcom No. 2 Trust****	Rothlect No. 2 Trust****	Wangarcom No. 2 Trust****
Nicjud No 2 Trust**	Rothwell Computers No. 2 Trust****	Wangarel No. 2 Trust****
Noaravit No. 2 Trust****	Rothwell Electrics No. 2 Trust****	Waravit No. 2 Trust****
Noarlunga Superstore No. 2 Trust****	Rothwell Flooring No. 2 Trust****	Wardfloor No. 2 Trust****
Noarlungavit No 2 Trust**	Rothwell Furniture No. 2 Trust****	Wamcom No. 2 Trust****
Noartec No. 2 Trust****	Rothwell Superstore No 2 Trust**	Warnerstore No. 2 Trust****
Noosa Computers No. 2 Trust****	Royavit No 2 Trust**	Warracom No. 2 Trust
Noosa Superstore No 2 Trust**	Rugware No. 2 Trust	Warralect No. 2 Trust****
Noostore No. 2 Trust****	Rydefurn No. 2 Trust****	Warratec No. 2 Trust****
Norfurn No. 2 Trust****	Rydewares No. 2 Trust****	Warawong Computers No. 2 Trust****
Norlect No. 2 Trust****	Sakotec No. 2 Trust****	Warrcom No. 2 Trust****
Norstcom No. 2 Trust****	Sandstore No. 2 Trust****	Warrics No 2 Trust****
North Ryde Furniture No. 2 Trust****	Sergfurn No. 2 Trust****	Wartec No. 2 Trust****
North Ryde Homewares No. 2 Trust****	Setes No. 2 Trust****	Warwateha No 2 Trust**
Novaab No. 2 Trust****	Shinefurn No. 2 Trust****	Warwavit No 2 Trust**
Nowracom No. 2 Trust****	Shortell No. 2 Trust	Warwick Superstore No. 2 Trust****
Noxel No. 2 Trust****	Showtara No. 2 Trust	Warwicom No. 2 Trust****
Nusound No. 2 Trust****	Sinestore No. 2 Trust****	Watec No. 2 Trust****
OC Superstore No. 2 Trust****	Sinetec No. 2 Trust****	Waurcom No. 2 Trust****
Oconavit No. 2 Trust	Snipap No. 2 Trust****	Waurmel No. 2 Trust****
Olec No. 2 Trust****	Sohlect No. 2 Trust****	Waylect No. 2 Trust****
Olscorn No. 2 Trust****	Southel No. 2 Trust****	Waystore No. 2 Trust****
Orancom No. 2 Trust****	Southland Superstore No. 2 Trust****	Westkis No. 2 Trust****
Osbcomm No. 2 Trust****	Springsel No 2 Trust**	Westore No. 2 Trust
Osborne Park Computers No. 2 Trust****	Stonecom No. 2 Trust	Westwond No. 2 Trust****
Oslect No. 2 Trust	Storecreek No 2 Trust**	WG Superstore No. 2 Trust****
Oslek Developments Trust	Storefield No 2 Trust**	Whyalla Superstore No. 2 Trust****
Osraid No. 2 Trust****	Storewich No 2 Trust**	Whyavit No 2 Trust**
Oxel No. 2 Trust****	Supershepp No. 2 Trust****	Whyel No. 2 Trust****
Oxley Superstore No. 2 Trust	Sydney No. 1 Trust	Whystore No 2 Trust**
Oxleybed No. 2 Trust****	Symlect No. 2 Trust****	Wicktec No. 2 Trust****
Packcom No. 2 Trust	Tarcom No. 2 Trust****	Wikavit No. 2 Trust****
Paralect No. 2 Trust****	Taretec No. 2 Trust****	Wiley Park Computers No. 2 Trust****
Parkbed No. 2 Trust****	Tarilpe No. 2 Trust	Wileycom No. 2 Trust****
Parkel No. 2 Trust	Tarzello No. 2 Trust****	Willect No. 2 Trust****
Parksel No. 2 Trust****	Tecalla No. 2 Trust****	Windsorall No. 2 Trust****
Parolect No 2 Trust**	Tecaroy No. 2 Trust****	Winell No. 2 Trust****
Pepavit No. 2 Trust****	Tecberg No. 2 Trust****	Winstonu No 2 Trust****
Pepperavit No 2 Trust**	Tecdale No. 2 Trust****	Woden Superstore No 2 Trust**
Peppercom No. 2 Trust	Tecgrove No. 2 Trust	Wodenfurn No. 2 Trust
Pepperlect No. 2 Trust****	Tecisa No. 2 Trust****	Wolfene No. 2 Trust****
Petrofus No 2 Trust**	Teckal No. 2 Trust****	Wonel No. 2 Trust****
Pettivil No. 2 Trust****	Tecken No. 2 Trust****	Woodavit No 2 Trust**
PH Superstore No. 2 Trust****	Tecplace No. 2 Trust****	Woodel No. 2 Trust****
Plainavit No. 2 Trust	The Calardu Trust	Woodville Bedding No 2 Trust**
Plainsbed No. 2 Trust****	Thomlect No. 2 Trust****	Woodville Computers No. 2 Trust****

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 37. Controlled Entities and Unit Trusts (continued)

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

Woodville Superstore No. 2 Trust****	Yoogalu Gosford Trust*
Yalltec No. 2 Trust****	Yoogalu Lismore Trust
Yoogalu Albury Trust	Yoogalu Miranda Trust
Yoogalu Campbelltown Trust	Yoogalu Newcastle Trust
Yoogalu Fairfield Trust	Yoogalu Warrawong Trust
Yoogalu Gordon Trust	Yoogalu Warringah Mall 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.

\*\*\*\* Trusts vested during the year.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 38. Deed of Cross Guarantee

Certain controlled entities (Closed Group) 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 certain companies within the consolidated entity are relieved from the requirements to prepare financial statements.

- Controlled Entities (Refer Note 37) marked <sup>1</sup> are members of the "Closed Group".
- Controlled Entities (Refer Note 37) marked <sup>2</sup> are relieved under the Class Order.

The consolidated statement of financial position and income statement of the entities that are members of the "Closed Group" are as follows:

#### Consolidated Statement of Financial Position

	2013 \$000	2012 \$000
<b>Current Assets</b>		
Cash and cash equivalents	102,134	91,574
Trade and other receivables	1,119,938	1,086,449
Other financial assets	19,006	24,396
Inventories	61,043	59,819
Intangible assets	343	531
Other assets	15,388	15,421
<b>Total current assets</b>	<b>1,317,852</b>	<b>1,278,190</b>
<b>Non-Current Assets</b>		
Trade and other receivables	11,573	9,427
Investments accounted for using equity method	168,312	151,502
Other financial assets	112,483	111,257
Property, plant and equipment	176,432	197,969
Investment properties	1,691,861	1,653,746
Intangible assets	57,810	56,659
Deferred income tax assets	25,535	24,711
<b>Total non-current assets</b>	<b>2,244,006</b>	<b>2,205,271</b>
<b>Total Assets</b>	<b>3,561,858</b>	<b>3,483,461</b>
<b>Current Liabilities</b>		
Trade and other payables	454,057	491,978
Interest-bearing loans and borrowings	90,667	120,821
Income tax payable	18,522	7,673
Provisions	12,554	9,964
Other liabilities	1,394	325
<b>Total current liabilities</b>	<b>577,194</b>	<b>630,761</b>
<b>Non-Current Liabilities</b>		
Interest-bearing loans and borrowings	599,639	543,796
Provisions	7,604	7,769
Deferred income tax liabilities	158,482	169,378
Other liabilities	1,697	1,251
<b>Total non-current liabilities</b>	<b>767,422</b>	<b>722,194</b>
<b>Total Liabilities</b>	<b>1,344,616</b>	<b>1,352,955</b>
<b>NET ASSETS</b>	<b>2,217,242</b>	<b>2,130,506</b>
<b>Equity</b>		
Contributed equity	259,610	259,610
Reserves	(1,060)	(4,220)
Retained profits	1,958,692	1,875,116
<b>TOTAL EQUITY</b>	<b>2,217,242</b>	<b>2,130,506</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 38. Deed of Cross Guarantee (continued)

## Consolidated Income Statement

	2013 \$000	2012 \$000
Profit from continuing operations before income tax expense	202,338	166,289
Income tax expense	(28,465)	(33,958)
Profit after tax from continuing operations	173,873	132,331
Profit for the year	173,873	132,331
Retained earnings at the beginning of the year	1,875,116	1,859,640
Dividends provided for or paid	(90,297)	(116,855)
Retained earnings at the end of the year	1,958,692	1,875,116

## 39. Parent Entity Financial Information

## (a) Summary Financial Information

	PARENT ENTITY	
	2013 \$000	2012 \$000
<b>Statement of Financial Position</b>		
Current assets	33	36
Non-current assets	2,015,255	1,866,914
Total assets	2,015,288	1,866,950
Current liabilities	19,308	8,504
Non-current liabilities	53,415	45,926
Total liabilities	72,723	54,430
Contributed equity	259,610	259,610
Retained profits	1,682,955	1,552,910
Total Equity	1,942,565	1,812,520
<b>Profit for the Year</b>	220,342	196,356
<b>Total Comprehensive Income</b>	220,342	196,356

## (b) Contingent Liabilities

As at 30 June 2013, the Parent Company had guaranteed the performance of a number of controlled entities which have entered into operating leases and facilities with other parties totalling \$295.43 million (2012: \$274.93 million).

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

In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited, of the consolidated entity are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
  - (ii) complying with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and
- (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable

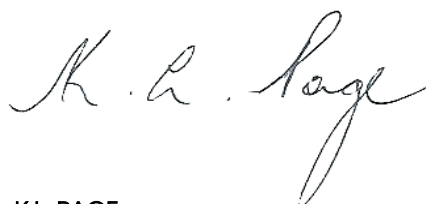
This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2013.

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 38 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board.



**G. HARVEY**  
Executive Chairman  
Sydney  
27 September 2013



**K.L. PAGE**  
Executive Director / Chief Executive Officer  
Sydney  
27 September 2013

## Independent auditor's report to the members of Harvey Norman Holdings Limited

### Report on the financial report

We have audited the accompanying financial report of Harvey Norman Holdings Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated income statement and consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *Directors' responsibility for the financial report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### *Independence*

In conducting our audit we have complied with the independence requirements of 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.



## Opinion

In our opinion:

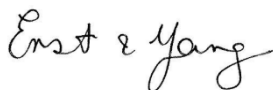
- a. the financial report of Harvey Norman Holdings Limited is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

## Report on the remuneration report

We have audited the Remuneration Report included in pages 22 to 35 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## Opinion

In our opinion, the Remuneration Report of Harvey Norman Holdings Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Katrina Zdrilic  
Partner  
Sydney  
27 September 2013

## SHAREHOLDER INFORMATION

## Distribution of Shareholdings as at 24 September 2013

Size of Holding	Ordinary Shareholders
1 – 1,000	5,797
1,001 – 5,000	6,646
5,001 – 10,000	1,574
10,001 – 100,000	1,271
100,001 and over	127
	15,415
Number of Shareholders	
With less than a marketable parcel	717

## Voting Rights

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

## Twenty Largest Shareholders as at 24 September 2013

Number of Ordinary Shares	Shareholder	Percentage of Ordinary Shares
313,484,571	Mr Gerald Harvey & G. Harvey Nominees Pty Limited	29.51%
175,249,660	Dimbulu Pty Limited	16.50%
91,290,924	National Nominees Limited	8.59%
90,531,816	J P Morgan Nominees Australia Limited	8.52%
77,917,791	HSBC Custody Nominees Limited	7.33%
50,673,074	Citicorp Nominees Pty Limited	4.77%
49,990,575	Ms Margaret Lynette Harvey	4.71%
43,447,875	RBC Dexia Investor Services	4.09%
18,548,229	BNP Paribas Noms Pty Limited & BNP Paribas Nominees Pty Limited	1.75%
17,118,200	Enbear Pty Limited	1.61%
16,995,133	Ms Kay Lesley Page	1.60%
13,253,732	UBS Nominees Pty Limited	1.25%
5,779,496	AMP Life Limited	0.54%
4,030,000	Argo Investments Limited	0.38%
3,954,211	QIC Limited	0.37%
2,845,553	Mr Michael Harvey	0.27%
1,821,270	CS Fourth Nominees Pty Limited	0.17%
1,805,078	Omnilab Media Investments Pty Limited	0.17%
1,200,985	BT Portfolio Services Limited	0.11%
1,135,726	Bond Street Custodians Limited	0.11%
981,073,899		92.35%

Total held by twenty largest shareholders as a percentage of total ordinary shares is 92.35% as at 24 September 2013.

### AUSTRALIAN CAPITAL TERRITORY

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

### 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

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

GORDON  
802 - 808 Pacific Highway  
Gordon 2072  
Phone: (02) 9498 1499

LIVERPOOL  
Liverpool Mega Centre  
2/18 Orangegrove Road  
Liverpool 2170  
Phone: (02) 9600 3333

MARTIN PLACE  
19 - 29 Martin Place  
MLC Centre  
Sydney CBD 2000  
Phone: (02) 8236 6600

McGRATHS HILL  
Unit 6A  
264 - 272 Windsor Road  
McGraths Hill 2756  
Phone: (02) 4577 9577

MOORE PARK  
Level 2, North SupaCenta  
Cnr South Dowling Street & Dacey Avenue  
Moore Park 2021  
Phone: (02) 9662 9888

MT DRUITT  
Westfield Building  
2 Carlisle Avenue  
Mt Druitt 2770  
Phone: (02) 8887 7300

PENRITH  
Cr 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 Centre  
Queen Elizabeth Drive  
Armidale 2350  
Phone: (02) 6771 3788

BALLINA  
26 Boeing Avenue  
Ballina 2478  
Phone: (02) 6620 5300

BATEMANS BAY  
Shop 5 Bay Central  
1 Clyde Street  
Bateman's Bay 2536  
Phone: (02) 4472 5994

BATHURST  
Sydney Road  
Kelso 2795  
Phone: (02) 6332 3399

BENNETTS GREEN (HOMESTARTERS)  
7 Abdon Close  
Bennetts Green 2290  
Phone: (02) 4948 4555

BROADMEADOW (HOMESTARTERS)  
35 - 43 Lambton Road  
Broadmeadow 2292  
Phone: (02) 4962 1770

BROKEN HILL  
329-331 Blende Street  
Broken Hill 2880  
Phone: (08) 8088 2266

COBAR  
27 Marshall Street  
Cobar 2835  
Phone: (02) 6836 3222

COFFS HARBOUR  
252 Coffs Harbour Highway  
Coffs Harbour 2450  
Phone: (02) 6651 9011

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

DUBBO  
223 Cobra Street  
Dubbo 2830  
Phone: (02) 6826 8800

FORSTER  
29 Breese Parade  
Forster 2428  
Phone: (02) 6554 5700

GOSFORD (ERINA)  
Harvey Norman Shopping Complex Karalta Lane  
Erina 2250  
Phone: (02) 4365 9500

GOULBURN  
180 - 186 Auburn Street  
Goulburn 2580  
Phone: (02) 4824 3000

GRAFTON  
125 Prince Street  
Grafton 2460  
Phone: (02) 6643 3266

### NEW SOUTH WALES (COUNTRY) (CONTINUED)

GRIFFITH  
Cnr Jondaryn &  
Willandra Avenues  
Griffith 2680  
Phone: (02) 6961 0300

GUNNDAH  
117 Conadilly Street  
Gunnedah 2380  
Phone: (02) 6741 7900

INVERELL  
50 Evans Streets  
Inverell 2360  
Phone: (02) 6721 0811

LAKE HAVEN  
59 - 83 Pacific Highway  
Lakehaven 2263  
Phone: (02) 4394 6000

LISMORE  
17 Zadoc Street  
Lismore 2480  
Phone: (02) 6621 8888

LITHGOW  
175 Mian Street  
Lithgow 2790  
Phone: (02) 6351 2321

MACLEAN  
211 River Street  
Maclean 2463  
Phone: (02) 6645 2611

MAITLAND  
557 High Street  
Maitland 2320  
Phone: (02) 4934 2423

MOREE  
103 Balo Street  
Moree 2400  
Phone: (02) 6752 7531

MOSS VALE  
137 - 157 Lackey Road  
Moss Vale 2577  
Phone: (02) 4868 1039

MUDGE  
33 Castlereagh Highway  
Mudgee 2850  
Phone: (02) 6372 6514

MUSWELLBROOK  
19 Rutherford Road  
Muswellbrook 2333  
Phone: (02) 6541 6800

NEWCASTLE  
(BENNETTS GREEN)  
7 Abdon Close  
Bennetts Green 2290  
Phone: (02) 4948 4555

NOWRA  
Cnr Central Avenue  
& Princess Highway  
Nowra 2541  
Phone: (02) 4421 1300

ORANGE  
Unit 1, Orange Grove  
H/maker Centre  
Mitchell Highway  
Orange 2800  
Phone: (02) 6393 2222

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

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

SALAMANDER BAY  
270 Sandy Point Road  
Salamander Bay 2317  
Phone: (02) 4981 1292

TAMWORTH  
43 The Ringers Road  
Tamworth 2340  
Phone: (02) 6765 1100

TAREE  
9 Mill Close  
Taree 2430  
Phone: (02) 6551 3699

TEMORA  
102 Hoskins Street  
Temora 2666  
Phone: (02) 6977 1777

TURA BEACH  
Shop 1, 11 Tura Beach Drive  
Tura Beach 2548  
Phone: (02) 6495 0016

WAGGA WAGGA  
Homebase Centre  
7 - 23 Hammond Avenue  
Wagga Wagga 2650  
Phone: (02) 6933 7000

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

WEST WYALONG  
114 Main Street  
West Wyalong 2671  
Phone: (02) 6972 2077

YOUNG  
326 Boorowa Street  
Young 2594  
Phone: (02) 6382 5744

### NORTHERN TERRITORY

ALICE SPRINGS  
1 Colson Street  
Alice Springs 0870  
Phone: (08) 8950 4000

DARWIN  
644 Stuart Highway  
Berrimah 0828  
Phone: (08) 8922 4111

### QUEENSLAND (BRISBANE SUBURBAN)

ALBANY CREEK  
Cnr Gayford Street  
& Albany Creek Road  
Aspley 4035  
Phone: (07) 3630 9000

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

BROWNS PLAINS  
Unit 3  
28 - 48 Browns Plains Road  
Browns Plains 4118  
Phone: (07) 3380 0600

CAPALABA  
Shop 32 - 33 Capalaba  
Centre  
38-62 Moreton Bay Road  
Capalaba 4157  
Phone: (07) 3362 6200

CARINDALE  
Homemaker Centre  
Cnr Carindale Street and  
Old Cleveland Road  
Carindale 4152  
Phone: (07) 3398 0600

CLEVELAND  
Shop 1A, 42 Shore Street  
West  
Cleveland 4163  
Phone: (07) 3488 8900

EVERTON PARK  
429 Southpine Road  
Everton Park 4053  
Phone: (07) 3550 4444

LOGANHOLME  
3890 - 3892 Pacific  
Highway  
Loganholme 4558  
Phone: (07) 3440 9200

### QUEENSLAND (BRISBANE SUBURBAN) (CONTINUED)

MACGREGOR 555 Kessels Road Macgregor 4109 Phone: (07) 3849 9500	MT GRAVATT 2049 Logan Street Upper Mt Gravatt 4122 Phone: (07) 3347 7000	OXLEY 2098 Ipswich Road Oxley 4075 Phone: (07) 3332 1100
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### QUEENSLAND (COUNTRY)

ATHERTON 57 Tolga Road Atherton 4883 Phone: (07) 4091 0900	AYR 101 Queens Street Ayr 4807 Phone: (07) 4783 3188	BUNDABERG 125 Takalvan Street Bundaberg 4670 Phone: (07) 4151 1570	BUNDALL 29 - 45 Ashmore Road Bundall 4217 Phone: (07) 5584 3111
BURLEIGH WATERS 1 Santa Maria Crt Burleigh Waters 4220 Phone: (07) 5586 2000	CAIRNS 101 Spence Street Portsmith 4870 Phone: (07) 4051 8499	CANNONVALE Shop B2, Whitsunday Centre 8 Galbraith Drive Cannonvale 4802 Phone: (07) 4969 8800	DALBY 58 Patrick Street Dalby 4405 Phone: (07) 4672 4444
EMERALD 21 Ballard Street Emerald 4720 Phone: (07) 4986 8100	GLADSTONE Shop 1B Centro Centre 220 Dawson Highway Gladstone 4680 Phone: (07) 4971 5000	GYMPIE 35-37 Edwin Campion Drive Monkland 4570 Phone: (07) 5480 1500	HERVEY BAY 134 - 136 Boat Harbour Drive Hervey Bay 4655 Phone: (07) 4124 3870
INNISFAIL 52/57 Ernest Street Innisfail 4860 Phone: (07) 4061 1433	IPSWICH Ipswich City Square 606 - 616, 163 Brisbane St Ipswich 4305 Phone: (07) 3280 7400	KINGAROY 18 - 20 Rogers Drive Kingaroy 4610 Phone: (07) 4160 0400	MACKAY Cnr Bruce Highway & Heath's Road Glenella 4740 Phone: (07) 4942 2688
MAROOCHYDORE Shop 5, Pacific Highway Sunshine Homemaker Centre Maroochydore 4558 Phone: (07) 5452 7144	MARYBOROUGH 72 - 74 Bazaar Street Maryborough 4650 Phone: (07) 4123 1699	MORAYFIELD Lot 8 Cnr Morayfield & Station Roads Morayfield 4506 Phone: (07) 5428 8000	MT ISA 33 - 35 Miles Street Mt Isa 4825 Phone: (07) 4743 5220
NOOSA 7 - 9 Gibson Road Noosaville 4566 Phone: (07) 5473 1911	ROCKHAMPTON 407 Yaamba Road North Rockhampton 4701 Phone: (07) 4926 2755	ROTHWELL Unit 1 439 - 443 Anzac Avenue Rothwell 4022 Phone: (07) 3897 8800	TOOWOOMBA 910 - 932 Ruthven Street Toowoomba 4350 Phone: (07) 4636 7300
TOWNSVILLE 103 - 142 Duckworth Street Garbutt 4814 Phone: (07) 4725 5561	WARWICK Cnr Victoria St & Palmerin Sts Warwick 4370 Phone: (07) 4666 9000		

### TASMANIA

BURNIE 64 Mount Street Burnie 7320 Phone: (03) 6431 2134	CAMBRIDGE PARK Unit B11 66 - 68 Kennedy Drive Cambridge Park 7170 Phone: (03) 6248 3300	DEVONPORT Cnr Best Street & Fenton Way Devonport 7310 Phone: (03) 6424 5155	HOBART CITY 171 Murray Street Hobart 7000 Phone: (03) 6230 1100
LAUNCESTON Cnr William and Charles Sts Launceston 7250 Phone: (03) 6337 9411	MOONAH 191 - 197 Main Road Moonah 7009 Phone: (03) 6277 7777		

### SOUTH AUSTRALIA (ADELAIDE SUBURBAN)

<b>CITY CROSS</b> Shop L1 31 - 33 Rundle Mall Adelaide 5000 Phone: (08) 8168 8800	<b>GEPPS CROSS</b> Unit 1, 760 Main North Road Gepps Cross 5094 Phone: (08) 8342 8888	<b>MARION</b> 822 - 826 Marion Road Marion 5043 Phone: (08) 8375 7777	<b>MILE END COMMERCIAL</b> 20 William Street Mile End 5031 Phone: (08) 8150 8000
<b>MT BARKER</b> 6 Dutton Road Adelaide Hills Homemaker Centre Mt Barker 5251 Phone: (08) 8393 0800	<b>MUNNO PARA</b> Lot 2005, Main North Road Smithfield 5114 Phone: (08) 8254 0700	<b>NOARLUNGA</b> Seaman Drive Noarlunga 5168 Phone: (08) 8329 5400	<b>WOODVILLE</b> 853 - 867 Port Road Woodville 5011 Phone: (08) 8406 0100

### SOUTH AUSTRALIA (COUNTRY)

<b>MT GAMBIER</b> Jubilee Highway East Mt Gambier 5290 Phone: (08) 8724 6800	<b>WHYALLA</b> Cnr Jamieson and Kelly Streets Whyalla 5600 Phone: (08) 8645 6100
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### 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>COBURG</b> Shop 8, 64 - 74 Gaffney St Coburg 3058 Phone: (03) 9240 2500	<b>CHIRNSIDE PARK</b> 286 Maroondah Highway Mooroolbark 3138 Phone: (03) 9722 4400
<b>CRANBOURNE</b> Cnr South Gippsland H/Way & 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 S/Centre Overland Drive Narre Warren 3805 Phone: (03) 8796 6777	<b>GREENSBOROUGH</b> (Electrical & Computers) 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 Centre 425 Burwood Highway Wantirna South 3152 Phone: (03) 9881 3700	<b>MARIBYRNONG (Highpoint)</b> 169 Rosamond Road Maribyrnong 3032 Phone: (03) 9318 2700	<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 Phone: (03) 9269 3300	<b>RINGWOOD</b> Shops 1 & 4 166 Maroondah Highway Ringwood 3134 Phone: (03) 9871 2200	<b>RICHMOND</b> 479 Bridge Street Richmond 3131 Phone: (03) 8416 4100
<b>SPRINGVALE</b> 26/917 Princes Highway Springvale 3171 Phone: (03) 9518 8500	<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>VIC / TAS COMMERCIAL</b> 951 Nepean Highway Bentleigh 3204 Phone: (03) 8530 6300
<b>WATERGARDENS</b> 450 Melton Highway Taylors Lakes 3038 Phone: (03) 9449 6300			



### VICTORIA (COUNTRY)

**ARARAT**  
47-49 Vincent Street  
Ararat 3377  
Phone: (03) 5352 3377

**BAIRNSDALE**  
294 Main Road  
Bairnsdale 3875  
Phone: (03) 5153 9700

**BALLARAT**  
Cnr Howitt & Gillies Street  
Wendouree 3355  
Phone: (03) 5332 5100

**BENDIGO**  
Cnr High & Ferness Streets  
Kangaroo Flat 3555  
Phone: (03) 5447 2333

**FRANKSTON**  
87 Cranbourne Road  
Frankston 3199  
Phone: (03) 8796 0600

**GEELONG**  
420 Princes Highway  
Corio 3214  
Phone: (03) 5274 1077

**HAMILTON**  
Shop 10 Hamilton Central  
Plaza 148 Gray Street  
Hamilton 3300  
Phone: (03) 5551 3500

**HORSHAM**  
148 Firebrace Street  
Horsham 3400  
Phone: (03) 5381 5000

**MILDURA**  
Cnr Fifteenth Street &  
Etiwanda Ave  
Mildura 3500  
Phone: (03) 5051 2200

**MOE**  
19 Moore Street  
Moe 3825  
Phone: (03) 5127 9500

**MORNINGTON**  
Building C3  
Peninsula Centre  
Bungower Road  
Mornington  
Phone: (03) 5970 2500

**MORWELL**  
232 Commercial Road  
Morwell 3840  
Phone: (03) 5120 0200

**SALE**  
363 - 373 Raymond Street  
Sale 3850  
Phone: (03) 5144 3677

**SHEPPARTON**  
7950 Goulburn Valley Hwy  
Shepparton 3630  
Phone: (03) 5823 2530

**SWAN HILL**  
68 Nyah Road  
Swan Hill 3585  
Phone: (03) 5032 2901

**TRARALGON**  
Cnr Princes Hwy & Liddiard  
Rds Traralgon 3844  
Phone: (03) 5174 8177

**WANGARATTA**  
8 - 12 Murphy Street  
Wangaratta 3677  
Phone: (03) 5721 6377

**WARRAGUL**  
33 Victoria Street  
Warragul 3820  
Phone: (03) 5623 9000

**WARRNAMBOOL**  
84 Raglan Parade  
Warrnambool 3280  
Phone: (03) 5564 7700

**WAURN PONDS**  
33 Princes Highway  
Waurn Ponds 3216  
Phone: (03) 5240 6200

**WONTHAGGI**  
37 McKenzie Street  
Wonthaggi 3995  
Phone: (03) 5672 1490

### WESTERN AUSTRALIA (PERTH SUBURBAN)

**ARMADALE**  
10 Prospect Road  
Armadale 6112  
Phone: (08) 9498 4400

**BELMONT**  
Shop 80 Belmont Forum  
Abernethy Rd 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

**EDGEWATER**  
Cnr Joondalup Drive &  
Eddystone Ave  
Joondalup 6210  
Phone: (08) 9301 4833

**GREAT EASTERN HIGHWAY**  
195 Great Eastern Highway  
Midland 6056  
Phone: (08) 9267 9700

**GUTHRIE STREET  
(OSBORNE PARK)**  
52 Guthrie Street  
Osborne Park 6017  
Phone: (08) 9445 5000

**JOONDALUP**  
36 Clarke Crescent  
Joondalup 6027  
Phone: (08) 9301 3311

**MALAGA**  
27 Kent Way  
Malaga 6090  
Phone: (08) 9270 6300

**MANDURAH**  
9 Gordon Road  
Cnr Mandurah Terrace  
Mandurah 6210  
Phone: (08) 9582 5800

**MIDLAND**  
Cnr Clayton and Lloyd Sts  
Midland 6056  
Phone: (08) 9374 8600

**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

**PORT KENNEDY**  
400 - 402 Saltire 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)

<b>ALBANY</b> 136 Lockyer Avenue Albany 6330 Phone: (08) 9841 1628	<b>BUNBURY</b> Cnr Sandridge and Denning Road East Bunbury 6230 Phone: (08) 9721 4811	<b>BUSSELTON</b> 24 - 26 Bussell Highway Busselton 6280 Phone: (08) 9781 0700	<b>GERALDTON (Furniture &amp; Bedding)</b> 38 Chapman Road Geraldton 6530 Phone: (08) 9964 0111
<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

### 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>BELROSE</b> GO1 4 - 6 Niangala Close Belrose Phone: (02) 9479 8800	<b>BUNDALL</b> 29 - 45 Ashmore Road Bundall 4217 Phone: (07) 5553 2100
<b>CARINGBAH</b> 212 Taren Point Road Caringbah 2229 Phone: (02) 8536 5200	<b>CASTLE HILL</b> 16 Victoria Avenue Castle Hill 2155 Phone: (02) 9846 8800	<b>FORTITUDE VALLEY</b> Brisbane City Gate Shop 1, 1058 Ann Street Fortitude Valley 4006 Phone: (07) 3620 6600	<b>FYSHWICK</b> 80 Collie Street Fyshwick 2604 Phone: (02) 6126 2500
<b>GOSFORD</b> 400 Manns Road West Gosford 2250 Phone: (02) 4322 5555	<b>KOTARA</b> 18 Bradford Place Kotara 2289 Phone: (02) 4941 3900	<b>LIVERPOOL</b> Liverpool Mega Centre 2/18 Orangegrove Road Liverpool 2170 Phone: (02) 8778 2222	<b>MAROOCHYDORE</b> Unit 14 11-55 Maroochy Boulevard Maroochydore 4558 Phone: (07) 5425 1400
<b>MELBOURNE QV</b> Cnr Swanston & Lonsdale Streets Level 4 9-13 Upper Terrace QV Melbourne 3000 Phone: (03) 8664 4300	<b>NORTH RYDE</b> 31 - 35 Epping Road North Ryde 2113 Phone: (02) 9888 8888	<b>PENRITH</b> 1st Floor Cnr Wolseley Street and Mulgoa Road Penrith 2750 Phone: (02) 4737 5000	<b>SPRINGVALE</b> 10/971 Princes Highway Springvale 3171 Phone: (03) 9565 8200
<b>WARRAWONG</b> 119 - 121 King Street Warrawong 2502 Phone: (02) 4255 1800			

### JOYCE MAYNE

<b>ALBURY</b> Unit 6 94 Borella Road Albury 2640 Phone: (02) 6043 0800	<b>BUNDABERG</b> 7-9 / 1 - 9 Enterprise Street Bundaberg 4670 Phone: (07) 4151 6500	<b>CHANCELLOR PARK</b> Showroom 2 Chancellor Park Blvd Sippy Downs 4556 Phone: (07) 5477 2200	<b>MACKAY</b> 2 - 8 Trade Crt Mt Pleasant Aspley 4109 Phone: (07) 4942 9744
<b>MAITLAND</b> Unit 6 366 New England Highway Rutherford 2320 Phone: (02) 4932 2300	<b>MAROOCHYDOORE</b> 64 - 70 Aerodrome Road Maroochydoore 4558 Phone: (07) 5409 0200	<b>NOWRA</b> Cnr Central Ave & Princes Highway Nowra 2541 Phone: (02) 4448 0000	<b>ROCKHAMPTON</b> 407 Yaamba Road North Rockhampton 4701 Phone: (07) 4926 224
<b>TOOWOOMBA</b> 675 Rithven Street Toowoomba 4350 Phone: (07) 4632 9444	<b>TOUKLEY</b> 223 Main Road Toukley 2263 Phone: (02) 4396 4133	<b>TOWNSVILLE</b> 238 - 262 Woolcock St Garbuck 4814 Phone: (07) 4729 5400	<b>WARRAWONG</b> 113 King Street Warrawong 2502 Phone: (02) 4276 0000

<b>ASHBURTON</b> Cnr West & Moore Streets Ashburton Phone: 0011 643 307 5000	<b>BLENHEIM</b> 19 - 21 Maxwell Road Blenheim Phone: 0011 643 520 9700	<b>BOTANY</b> Unit F, 451 Ti Rakau Drive Botany Phone: 0011 649 253 9200	<b>BOTANY DOWNS</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>DUNEDIN</b> Cnr MacLaggan & Rattay Streets Dunedin Phone: 0011 643 471 6510	<b>GISBORNE</b> 51 Customhouse Street Gisborne North Island 4011 Phone: 0011 646 869 2900	<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>HENDERSON</b> 10 - 12 Ratanui Street Henderson Phone: 0011 649 835 5000	<b>INVERCARGILL</b> 245 Tay Invercargill Phone: 0011 643 219 9100	<b>LINCOLN CENTRE</b> 111 Lincoln Road Henderson Phone: 0011 649 621 1590
<b>LOWER HUT</b> 28 Rutherford Street Lower Hutt Phone: 0011 644 894 8200	<b>MANUKAU</b> Manukau SupaCenta Ronwood Avenue Manukau City Auckland Phone: 0011 649 262 7050	<b>MT MAUNGANUI</b> 2 - 10 Owens Plae Mt Maunganui Phone: 0011 647 572 7200	<b>MT ROSKILL</b> 167-169 Stoddard Road Mt Roskill Phone: 0011 649 261 1500
<b>MT WELLINGTON</b> 20 - 54 Mt Wellington Hwy Mt Wellington Auckland Phone: 0011 649 570 3440	<b>NELSON</b> 69 Vincent Street Nelson Phone: 0011 643 539 5000	<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 98002
<b>PALMERSTON NORTH</b> 361 - 371 Main Street West Palmerston North Phone: 0011 646 350 0400	<b>PARAPARAUMU</b> Coastlands S/Centre State Highway 1 Paraparaumu Phone: 0011 644 296 3100	<b>PORIRUA</b> 19 Parumoana Street Porirua Wellington Phone: 0011 644 237 2600	<b>PUKEKOHE</b> Pukekohe Mega Centre 182-196 Manukau Road Pukekohe Phone: 0011 649 237 3500
<b>RANGITIKEI</b> Unit C 210-248 Rangitikei Street Palmerston North Phone: 0011 646 935 3500	<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>TOWER JUNCTION</b> Clarence Building 66 Clarence Street Tower Junction Christchurch Phone: 0011 643 968 3600
<b>WAIRAU PARK</b> 10 Crofffield 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
<b>WHAKATANE</b> The Hub State Highway 30 Whakatane Phone: 0011 649 306 0600			

### IRELAND

**BLANCHARDSTOWN**  
Unit 421 Blanchardstown  
Retail Park Blanchardstown  
Dublin 15  
Phone: 0011 353 1 824 7400

**CARRICKMINES**  
Unit 230 The Park  
Carrickmines Dublin 18  
Phone: 0011 353 1 824 7400

**CASTLEBAR**  
Unit D,E & F  
Castlebar Retail Park  
Breaffy Road Castlebar  
Phone: 0011 353 94 906 3900

**CORK**  
Kinsale Road Ballycurreeh  
Cork, Dublin  
Phone: 0011 353 21 425 0900

**DRUGHEDA**  
Units 8 - 11  
Drogheda Retail Park  
Donore Road Drogheda  
Phone: 0011 353 4 1987 8200

**LIMERICK**  
Units 5, 6 & 7  
City East Retail Park  
Ballysimon Road  
Limerick Dublin  
Phone: 0011 353 61 422 800

**LITTLE ISLAND**  
Units 9 - 11  
Eastgate Retail Park  
Little Island Cork  
Phone: 0011 353 21 500 1500

**NAAS**  
Unit GHIJK  
New Holl Retail Park  
Naas Ireland  
Phone: 0011 353 04 590 7700

**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

**WATERFORD**  
Units 5 - 8  
Butlerstown Retail Park  
Butlerstown Roundabout  
Outer Ring Road  
Co Waterford  
Phone: 0011 353 5131 9900

### NORTHERN IRELAND

**HOLYWOOD**  
Units A-D Holywood  
Exchange  
Airport Road Belfast  
Phone: 0011 44 28903 5800

**NEWTOWNABBEY**  
Units 1&2  
Valley Retail Park  
Church Road  
Newtownabbey  
Phone: 0011 44 28903 60800

### SLOVENIA

**CELJE**  
Kidričeva ulica 26A  
3000 Celje  
Phone: 0011 386 3425 0050

**KOPER**  
Ankaranska c3C  
Koper  
Phone: 0011 386 5610 0102

**LJUBLJANA**  
Letališka 3D  
1000 Ljubljana  
Phone: 0011 386 1585 5000

**MARIBOR**  
Bohara La  
He wants 2311  
Phone: 0011 386 2300 4850

**NOVO MESTO**  
Ljubljanska Cesta 95  
8000 Novo Mesto  
Phone: 0011 386 7309 9920

### CROATIA

**ZAGREB**  
Rudera 34/2  
10000 Zagreb  
Phone: 0011 385 1556 6200

### SINGAPORE

**HARVEY NORMAN  
BUKIT PANJANG**  
1 Jelebu Road  
Singapore  
Phone: 0011 65 6767 1500

**HARVEY NORMAN  
CENTREPOINT**  
176 Orchard Road  
#03-08 Centrepoint  
Singapore 238843  
Phone: 0011 65 6732 8686

**HARVEY NORMAN FUNAN  
CENTRE**  
109 North Bridge Road  
#02-02/08 Funan Centre  
Singapore 170097  
Phone: 0011 65 6334 5432

**HARVEY NORMAN  
HOUGANG MALL**  
90 Hougang Avenue 10  
#02-13 NTUC Hougang Mall  
Singapore 538766  
Phone: 0011 65 6488 2305

### SINGAPORE (CONTINUED)

<b>HARVEY NORMAN JURONG POINT</b> 1 Jurong West Central 2 #03-37 Jurong Point Shopping Centre Singapore 648886 Phone: 0011 65 6795 2135	<b>HARVEY NORMAN MILLENIA WALK</b> No. 9 Raffles Boulevard #02-27 Millenia Walk Singapore 039596 Phone: 0011 65 6311 9988	<b>HARVEY NORMAN NORTHPOINT</b> 930 Yishun Avenue 2 #B02-05/09 Northpoint Shopping Centre Singapore 769098 Phone: 0011 65 6757 7695	<b>HARVEY NORMAN PARKWAY</b> 80 Marine Parade Road #02-34/36 Parkway Parade Singapore 449269 Phone: 0011 65 6346 4705
<b>HARVEY NORMAN RAFFLES CITY</b> 252 North Bridge Road #03-22 Raffles City Shopping Centre Singapore 179103 Phone: 0011 65 6339 6777	<b>HARVEY NORMAN SUNTEC CITY</b> 3 Temasek Boulevard #02-001 Suntec City Mall Singapore 038983 Phone: 0011 65 6332 3463	<b>HARVEY NORMAN SQUARE TWO</b> Square 2, B1 – 06 to 75 10 Sinaran Drive Singapore Phone: 0011 65 6397 6190	<b>HARVEY NORMAN TAMPINES MART</b> No. 9 Tampines Mart #02-01 Tampines Street 32 Singapore 529286 Phone: 0011 65 6789 3818
<b>HARVEY NORMAN WESTMALL</b> No. 1 Bt Batok Central Link #03-06/09 West Mall Singapore 658713 Phone: 0011 65 6794 2812			

### MALAYSIA

<b>HARVEY NORMAN AMPANG POINT</b> Lot S01, 2 <sup>nd</sup> Floor Jalan Mamanda 3, 68000 Ampang, Selangor Malaysia Phone: 0011 963 4260 1020	<b>HARVEY NORMAN BUKIT TINGGI</b> Lot F 42 1 <sup>st</sup> Floor AEON Bukit Tinggi S/Centre No. 1 Persiaran Batu Nilam 1/KS 6 Bandar Bukit Tinggi 2 41200 Klang, Selangor D.E. Malaysia Phone: 0011 963 3326 2630	<b>HARVEY NORMAN CITTA MALL</b> No 1 Jalan PJU 1A/48 PJU 1A, Ara Damansara 47301 Petaling Jaya Phone: 0011 963 7846 1025	<b>HARVEY NORMAN IKANO POWER CENTRE</b> Unit F3 1 <sup>st</sup> Floor Ikano Ctr No 2 Jalan PJU 7/2 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Kuala Lumpur Phone: 0011 963 7718 5200
<b>HARVEY NORMAN MID VALLEY</b> Lot AT-1 Lower Ground Floor Mid Valley Megamall Mid Valley City Lingkaran Syed Putra 59100 Kuala Lumpur Phone: 0011 963 2282 2860	<b>HARVEY NORMAN MONT KIARA</b> L2-07 & L2-08 No 1 Jalan Kiara Mont Kiara 50480 Kuala Lumpur Phone: 0011 963 6203 6380	<b>HARVEY NORMAN PAVILION</b> Lot 5.24.04 Level 5 Pavilion Kuala Lumpur No. 168 Jalan Bukit Bintang 55100 Kuala Lumpur Phone: 0011 963 2142 3735	<b>HARVEY NORMAN PARADIGM MALL</b> Lot 1F-01 & 02, 1 <sup>st</sup> Floor No.1 Jalan SS7/26A, Kelana Jaya 47301 Petaling Jaya Selangor Darul Ehsan Malaysia Phone: 0011 963 7887 3589
<b>HARVEY NORMAN QUEENSBAY</b> Lot 2F-86 South Zone Queensbay Mall No 100 Persiaran Bayan Indah 11900 Bayan Lepas Penang Malaysia Phone: 0011 964 630 8210	<b>HARVEY NORMAN SETIA CITY MALL</b> L1-MM03 No. 7 Persiaran Setia Dagang Bandar Setia Alam. Seksyen U13, 40170 Shah Alam, Selangor Darul Ehsan Malaysia Phone: 0011 963 3345 6085	<b>HARVEY NORMAN SUNWAY PYRAMID</b> LG2.140 Lower Ground Two Sunway Pyramid S/Centre No. 3 Jalan PJS 11/15 Bandar Darul Ehsan Malaysia Phone: 0011 963 5622 1300	