Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

2021
ANNUAL REPORT

Australia
New Zealand
Singapore
Slovenia
Ireland
Northern Ireland
Malaysia
Croatia

2021 ANNUAL REPORT

Key Dates

31 August 2021
Announcement of Full-Year Profit to 30 June 2021 & Announcement of Final 2021 Dividend

18 October 2021
Record Date for Determining Entitlement to Final 2021 Dividend

15 November 2021
Payment of Final 2021 Dividend

24 November 2021 at 11:00am
Annual General Meeting of Shareholders

25 February 2022
Announcement of Half-Year Profit to 31 December 2021 & Announcement of Interim 2022 Dividend

1 April 2022
Record Date for Determining Entitlement to Interim Dividend

3 May 2022
Payment of Interim 2022 Dividend

Contents

Company Info

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

Auditors
Ernst & Young (EY)

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

Solicitors
Brown Wright Stein

Company Secretary
Mr. Chris Mentis

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2021 RESULTS

EBITDA

$1.457 billion

Increase of **$512.46 million** from FY20

Reported PBT

$1.183 billion

Increase of **$521.24 million** from FY20

Income Tax Expense

$336 million

Increase of **$160.42 million** from FY20

SYSTEM SALES REVENUE

Total System Sales Revenue

$9.721 billion

Increase of **$1.263 billion** from FY20

SUPPORTING WOMEN IN SPORT

For over a decade, Harvey Norman® has built a reputation for a commitment to supporting female athletes in Australia – ensuring they get the support they need and the recognition they deserve. We've set up programmes and initiatives to further this commitment, with our Team Harvey project helping Australian sportswomen achieve their professional goals, and Team Harvey Junior providing sponsorship opportunities to the next generation of female champions – helping to remove obstacles for participation at grassroots levels.

Supporting women in sport also includes building strong relationships with athletes in brand ambassador partnerships. This year it's been a privilege to have Ariarne Titmus as a brand ambassador.

Ariarne and her family know a thing or two about commitment. While many in the general public may only see the moments of sporting triumph while tuning in to the Olympics, what they don't see are the years of effort and sacrifice it takes to reach those moments. A family uprooting their lives in Tasmania to move to Queensland to pursue better training opportunities. The early morning sessions before a full day of schooling. The pressures of having the hopes and dreams of a nation on your shoulders while constantly trying to beat your personal best.

At the recent Tokyo 2020 Olympics Ariarne has shown what a star she is, winning gold medals in the 400m and 200m Freestyle events, a silver medal in the 800m Freestyle and a bronze in the 4x200m Women's Freestyle Relay. While only Ariarne can do what she does in the pool, we're happy we could be part of the team supporting her beyond the lane ropes – finding ways to make life outside training that little bit easier so she could focus on her sporting dreams.

Harvey Norman® also proudly supports Katie Kelly, who is aiming to become a back-to-back gold medallist at the Tokyo Paralympic Games in the Para-triathlon PT5 classification for athletes with a visual impairment. Katie approaches every challenge as an opportunity, and to help provide opportunities to other athletes with disabilities she started the Sport Access Foundation. Over the last four years the foundation has provided grants to 25 individuals and sporting clubs, with three of the recipients now going on to join Katie as part of the Australian Paralympic Team at Tokyo.

KATIE KELLY
Paralympian
Tokyo 2020 Paralympic Games

HARVEY NORMAN®
BRAND AMBASSADOR
Picture: Chris Chen

2021 FINANCIAL HIGHLIGHTS

HARVEY NORMAN HOLDINGS LIMITED (HNHL)

EBITDA	EBITDA Excluding AASB 16 net impact and net property revaluations
$1.457bn UP BY 54.2% FROM $944.67m in FY20	**$1.147bn** UP BY 54.4% FROM $742.47m in FY20

EBIT	EBIT Excluding AASB 16 net impact and net property revaluations
$1.233bn UP BY 71.0% FROM $721.08m in FY20	**$1.059bn** UP BY 61.7% FROM $654.86m in FY20

REPORTED PBT	PBT Excluding net property revaluations
$1.183bn UP BY 78.8% FROM $661.29m in FY20	**$1.042bn** UP BY 66.4% FROM $626.33m in FY20

REPORTED PROFIT AFTER TAX & NCI	PROFIT AFTER TAX & NCI Excluding net property revaluations
$841.41m UP BY 75.1% FROM $480.54m in FY20	**$743.12m** UP BY 63.0% FROM $456.00m in FY20

NET DEBT TO EQUITY: 7.47%

NET DEBT OF **$295.54m** vs NET CASH OF **$15.35m** in FY20

UNUSED, AVAILABLE FINANCING FACILITIES OF **$193.96m**

TOTAL SYSTEM SALES REVENUE

$9.721 billion

AGGREGATED HEADLINE FRANCHISEE SALES REVENUE*...**$6.952bn**
COMPANY-OPERATED SALES REVENUE……...……………..…**$2.768bn**

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

HNHL CONSOLIDATED REVENUES

$4.439 billion

SALES OF PRODUCTS TO CUSTOMERS………………......…..**$2.768bn**
REVENUE RECEIVED FROM FRANCHISEES…...…………....**$1.346bn**
REVENUES AND OTHER INCOME ITEMS…....………....….. **$0.325bn**

NET ASSETS
$3.893 billion
⬆ 12.0% from $3.477bn at Jun-20

BASIC EARNINGS PER SHARE
67.53c
⬆ from 39.19c in FY20

DIVIDENDS PER SHARE (FULLY FRANKED)
35.0c
⬆ from 24.0c in FY20

539 FRANCHISEES IN AUSTRALIA	**192** FRANCHISED COMPLEXES IN AUSTRALIA	**107** OFFSHORE COMPANY OPERATED STORES

Dear Shareholder,

As with FY2020, the world continues to be impacted severely this year by the ongoing effects of COVID-19. The 192 franchised complexes in Australia and the 107 company-operated stores in 7 countries continue to be subjected to various Government mandated closures.

The number one priority has been to keep our customers safe, protect our staff and enable them to do their job in a safe manner. We thank each and every one of you that has supported us during this prolonged unprecedented uncertainty. It is with your support and trust that we continue to build our brands and provide our customers with an unparalleled retail experience – whichever way you choose to shop with Harvey Norman®.

A common theme in the countries in which we operate has been low interest rates, strong housing prices and strong home renovations, booming stock markets and record household deposits. This has translated to unprecedented sales for the Harvey Norman® brands.

Our multiple-channel ecosystem has highlighted the strength of the physical retail and digital touchpoints in which customers engage and transact with Harvey Norman®. We have a competitive advantage with our large format stores, displaying a huge range of technology, home and lifestyle products accompanied by the knowledgeable and friendly staff of franchisees in Australia and our overseas company-operated stores within an easy drive of customers. In addition to multiple payment options, also on offer is express contactless click and collect available at the store or safe delivery to the home in-person. These are the strong foundations of our commitment to being the best retailer by embracing the lifestyle of the customer through our multiple sales channels.

The results achieved this year are testament to the resilience of our model.

Record Financial Results

- Record reported earnings before interest, tax, depreciation & amortisation (**EBITDA**) of **$1.457 billion**, up by $512.46 million or +54.2%.
- EBITDA (excluding AASB 16 impact and net property revaluations) of **$1.147 billion**, up by $404.09 million or +54.4%.
- Record reported earnings before interest & tax (**EBIT**) of **$1.233 billion**, up by $511.66 million or +71.0%.
- EBIT (excluding AASB 16 impact and net property revaluations) of **$1.059 billion**, up by $404.30 million or +61.7%.
- Record profit before tax (**PBT**) of **$1.183 billion**, up by $521.24 million or +78.8%, delivering a robust return on net assets of 30.4% for FY21 compared to 19.0% for FY20.
- PBT (excluding net property revaluations) of **$1.042 billion**, up by $415.82 million or +66.4%.
- Record net profit after tax and non-controlling interests (**NPAT&NCI**) of **$841.41 million**, up by $360.87 million or +75.1%.
- NPAT&NCI (excluding net property revaluations) of **$743.12 million**, up by $287.12 million or +63.0%.
- **Offshore company-operated retail** profit result of **$240.79 million**, up by $88.72 million or +58.3%, amid government imposed lockdowns and restrictions to mobility.
- Solid **earnings per share** of **67.53 cents**, up by +72.3% from 39.19 cents for FY20.
- Very strong balance sheet with **total assets** of **$6.67 billion**, up by $844.33 million or +14.5% primarily driven by organic growth from offshore store expansion and increases in the tangible freehold property portfolio.
- **Net assets** of **$3.89 billion**, up by $415.69 million, or +12.0%.

Property

- **30 June 2021:** 192 franchised complexes in Australia and 107 company-operated stores overseas.
- Strong freehold property portfolio valued at **$3.37 billion** as at 30 June 2021, up by $355.90 million or +11.8%, consisting of 95 freehold investment properties in Australia and 25 owner-occupied land and buildings in New Zealand, Singapore, Slovenia, Ireland and Australia and joint venture assets.
- 12 new company-operated stores opened during FY21, all in the first half of the financial year earlier than expected. New stores were opened as follows: **Ireland** (2 stores): Galway (Jul-20), Sligo (Nov-20); **New Zealand** (3 stores): Dunedin Outlet (Aug-20), Grey Lynn Commercial Showroom (Oct-20), Glen Innes Outlet (Oct-20); **Singapore** (3 stores): Seletar Mall (Sep-20), The Centrepoint (Sep-20), Westgate (Nov-20); **Croatia** (1 store): Pula (Nov-20); and **Malaysia** (3 stores): KL East Mall (Nov-20), Menara (Dec-20), Quayside Mall (Dec-20).

Property (continued)

- 1 new franchised complex opened in Australia during FY21 located at Hornsby, New South Wales in Oct-20, a full-format complex boasting a premium fit-out with styling and embellishments derived from the flagship concept.
- 3 small-format franchised complexes were closed in Australia during FY21 located at West Wyalong (Sep-20), Coburg (Jan-21) and Cleveland (Jun-21).
- We recommenced the refit program this financial year with the completion of premium refits of franchised complexes located at Cairns, Campbelltown, Aspley, Launceston, Mackay and Maribyrnong. We expect to complete up to 40 premium refits over the next 5 years.

Outlook

During the 2022 financial year, we intend to open up to 3 franchised complexes in Australia and 3 company-operated stores overseas: 1 in Malaysia, 1 in Croatia and 1 in Ireland. Beyond the upcoming financial year, we intend to open up to 2 franchised complexes in Australia during the 2023 financial year and we intend to relocate 1 franchised complex from a leased site to a freehold property. We expect our offshore expansion plans to ramp-up towards the end of calendar 2022 and we anticipate opening up to 8 company-operated stores overseas during FY23: 4 in New Zealand, 3 in Malaysia and 1 in Croatia.

We are announcing our intention to open 2 leasehold company-operated stores in Budapest, Hungary during calendar year 2023. Hungary borders Slovenia and Croatia, and with the collective population of the 3 countries added together, the Harvey Norman® brand can potentially reach approximately 16 million people.

Rolling lockdowns in most States and Territories of Australia have affected sales in July and August 2021, even though Contactless Click & Collect and home delivery are operating for customers from 192 Australian franchised complexes. These rolling lockdowns have continued into September 2021. Over 15 million people, or approximately 58% of the Australian population, are currently in lockdown. However, we expect spending to recover quickly as we saw when lockdown restrictions were eased in our overseas markets due to pent-up demand.

Malaysia closed from 1 June 2021 due to large outbreaks of COVID-19 in the country. Malaysian stores commenced limited opening to customers from 21 August 2021. On 18 August 2021, New Zealand went into Level 4 lockdown with no store click and collect permitted, but contactless home delivery allowed. All New Zealand stores outside of Auckland commenced limited opening to customers from 7 September 2021, with click and collect permitted in Auckland from 22 September 2021. Our other 5 countries have been open in July, August and September 2021.

Refer to the post-year end retail trading update on page 26 of this report for further information on aggregated sales for Australian franchisees and overseas company-operated stores from 1 July 2021 to 26 August 2021. With the exception of Malaysia which was significantly affected by the lockdowns during this period, these reflect a continued elevated customer demand with solid headline sales growth rates ahead of the comparable period in July and August 2019.

We thank our staff for their continued loyalty and commitment to our long-term vision and strategy, and we thank our franchisees for their exemplary achievements this year and the continued support of their local communities. We value and appreciate the continued support and confidence of our shareholders in the leadership and future direction of our business.

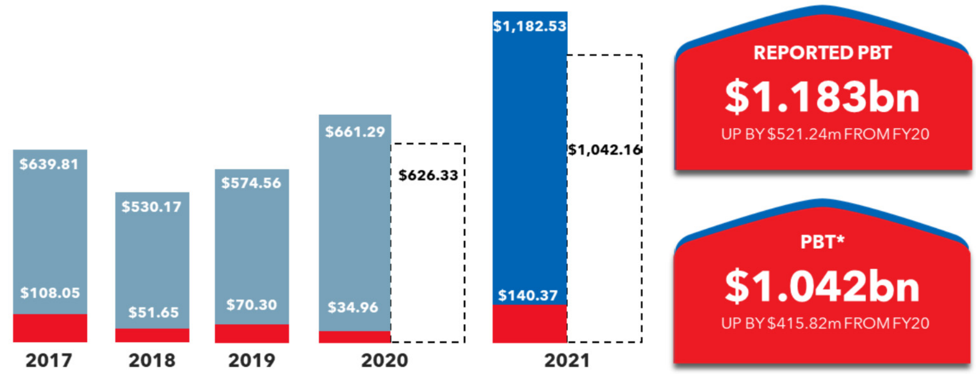
G. HARVEY	K.L. PAGE
Chairman	Chief Executive Officer
Sydney	Sydney
30 September 2021	30 September 2021

Group Results for 30 June 2021

The directors report a record result for the year ended 30 June 2021, with a **$521.24 million or +78.8% increase in profit before tax to $1.183 billion**, up from $661.29 million in the 2020 financial year.

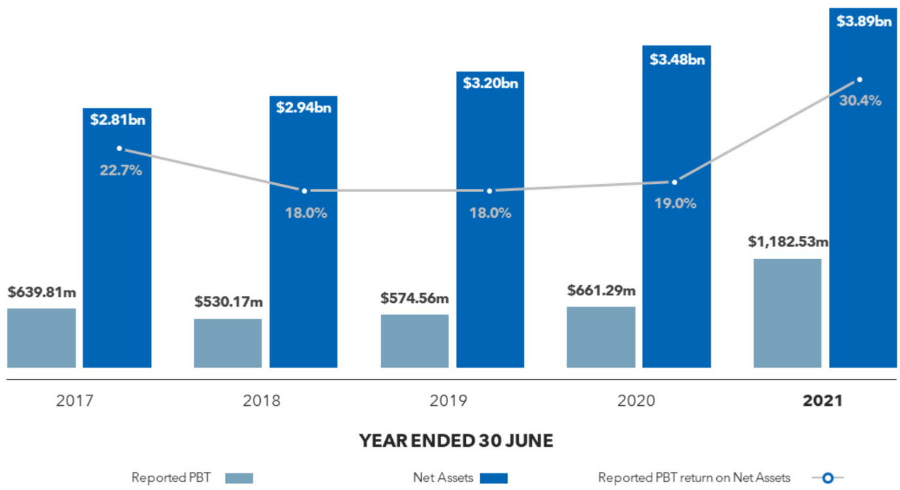
Excluding the effects of the net property revaluation adjustments both years, profit before tax **increased by $415.82 million or +66.4% to $1.042 billion**, up from $626.33 million in the 2020 financial year.

PROFIT BEFORE TAX AS REPORTED ($M)



YEAR ENDED 30 JUNE
(Including property revaluations)
Denotes the contribution of net property revaluations to total PBT
* PBT excluding net property revaluations.

The PBT return on net assets was 30.4% for the 2021 financial year, compared to a PBT return on net assets of 19.0% for the 2020 financial year.



Reported profit after tax and non-controlling interests increased by **$360.87 million or +75.1% to $841.41 million in FY21**, up from $480.54 million in FY20. Excluding the after-tax effects of net property revaluation adjustments in both years, profit after tax was **$743.12 million for FY21, a $287.12 million or +63.0% increase** from FY20.

The effective tax rate for the consolidated entity was 28.39% for FY21 compared to an effective tax rate of 26.50% for FY20. The effective tax rate of the consolidated entity is akin to the 30% corporate tax rate in Australia, despite the corporate tax rates of the 7 overseas countries where our company-operated retail stores operate ranging from 17% to 28%.

YEAR ENDED 30 JUNE 2021

REPORTED PROFIT AFTER TAX & NCI	PAT & NCI excluding net property revaluations
$841.41m	$743.12m
▲ 75.1% FROM FY20	▲ 63.0% FROM FY20

Segment Analysis

An Integrated Retail, Franchise, Property and Digital Strategy

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

1 Offshore Company–Operated Retail Segment

Profit before tax
$240.79m
Representing 20% of PBT or 23.1% (excluding net property revaluations)

Increase of
$88.72m or +58.3%

Offshore company-operated retail segment delivered strong retail revenue for FY21 of $2.61 billion, up by $480.12 million or +22.6% from FY20.

Profit of the offshore company-operated retail segment increased by $88.72 million or +58.3%, to $240.79 million in FY21, from $152.08 million in FY20, the highest ever overseas full-year PBT.

NZ was the largest contributor to this growth, increasing by $42.45 million or +42.8%, to $141.61 million in FY21.

The retail result for Ireland and Northern Ireland increased by $35.01 million or +208%, to $51.89 million in FY21.

The retail result for Singapore and Malaysia increased by $8.30 million, or +30.1%, to $35.92 million in FY21.

The retail result for Slovenia and Croatia increased by $2.95 million, or +35.0%, to $11.38 million in FY21.

2 Franchising Operations Segment

Profit before tax
$628.19m
Representing 53% of PBT

Increase of
$279.60m or +80.2%

Profitability of the franchising operations segment increased by $279.60 million or +80.2% to $628.19 million for FY21, compared to $348.59 million for FY20.

This increase was achieved by strong growth in franchising operations segment revenues to $1,237.71 million for FY21, an increase of $288.67 million, or 30.4%, from $949.04 million in FY20, primarily due to higher franchise fees received from franchisees during the year underpinned by a 12.8% increase in aggregated headline franchisee sales revenue to $6.95 billion for FY21, compared to $6.16 billion for FY20.

Robust franchising operations margin of 9.04% for FY21, compared to 5.66% for FY20.

3 Property Segment

Profit before tax
$291.54m
Representing 25% of PBT

Increase of
$118.35m or +68.3%

The retail property segment delivered a result of $291.79 million in FY21 compared to a result of $173.19 million in FY20, an increase of $118.60 million or +68.5%.

This was primarily achieved by a $105.42 million increase in the net property revaluation increment to $140.37 million for FY21, up from a net revaluation increment of $34.96 million for FY20.

Strong freehold property portfolio valued at $3.37 billion as at 30 June 2021, up by $355.90 million or +11.8%.

Leasehold property portfolio valued at $1.13 billion as at 30 June 2021, $620.46 million relating to leases of investment properties sub-leased to external parties and $511.17 million relating to leases of owner-occupied properties and plant and equipment assets.

The Franchising Operations Segment in Australia

The Franchised Operating Model in Australia

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

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

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

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

Harvey Norman®

166 Franchised Complexes

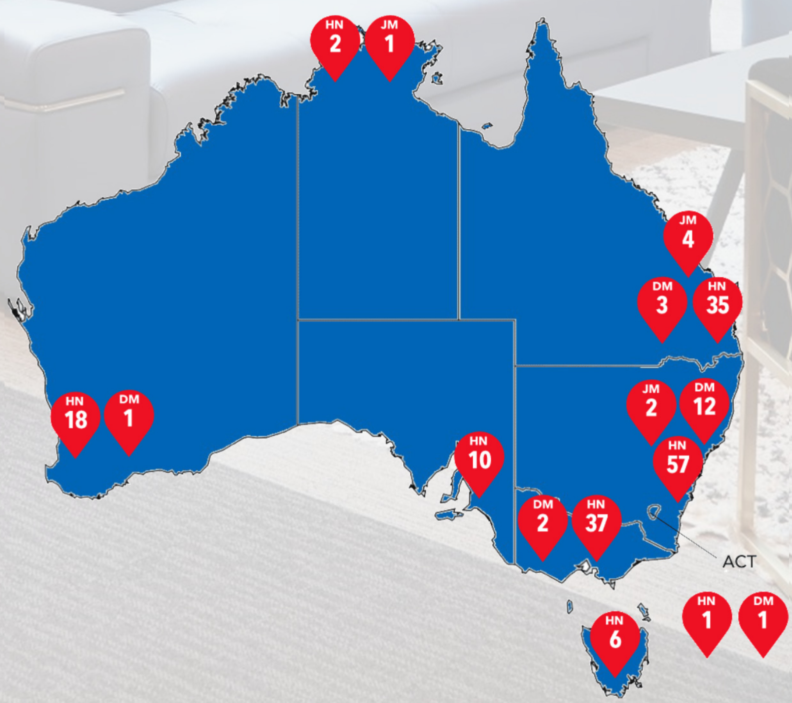
DOMAYNE®

19 Franchised Complexes

JOYCE MAYNE®

7 Franchised Complexes

With an unrivalled national store and click & collect network, the Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes are an easy drive for 23 million people in towns, regions and capitals cities across Australia, with further growth planned in the coming years.



539

Number of independent franchisees carrying on their business under Harvey Norman®, Domayne® and Joyce Mayne® brands.

192

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

Franchising Operations Segment

Franchisee sales revenue underpins the franchising operations segment. For 1H21, we reported that Australian franchisee sales revenue had increased by $805.09 million or +27.3% to $3.76 billion, up from $2.95 billion in 1H20. This led to a record franchising operations segment result of $383.96 million for 1H21 and a record franchising operations margin of 10.22% for the first-half of FY21.

Franchisee sales growth moderated in 2H21, primarily due to cycling pandemic-fuelled comparatives in 2H20, decreasing by $15.32 million or -0.5% to $3.194 billion, from $3.21 billion in 2H20. The franchising operations segment result remained solid at $244.23 million, with a strong franchising operations margin of 7.65% - both record achievements for a second-half period.

Aggregated franchisee sales revenue reached record highs this year, increasing to $6.95 billion for the 2021 financial year, an increase of $789.77 million or +12.8%, from $6.16 billion in the previous year.

The higher franchisee sales revenue has driven a $279.60 million, or +80.2%, increase in the franchising operations segment result to a record $628.19 million for FY21, compared to $348.59 million for FY20. This result has generated a record full-year franchising operations margin of 9.04% for FY21, an increase of 338 basis points, from the 5.66% franchising operations margin reported in FY20.

The growth in the franchising operations segment result is attributable to the strong growth in franchising operations segment revenues to $1.238 billion for FY21, an increase of $288.67 million, or +30.4%, from $949.04 million in FY20. This was primarily due to higher franchise fees received from franchisees by $295.52 million this year.

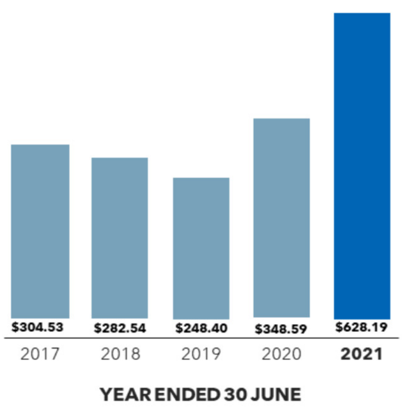
Growth in rental income received from franchisees for leased franchised complexes was flat due to the rental support and assistance granted by the franchisor to those franchisees affected by the 11-week COVID-19 mandatory store closures in greater Melbourne, Victoria from 6 August to 27 October 2020.

Operating expenses were largely consistent with the previous year, despite the large increase in franchising operations revenue, only increasing by 1.5% relative to FY20.

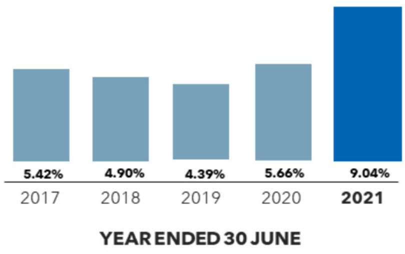
FRANCHISING OPERATIONS SEGMENT		1H	2H	FY
Franchising Operations Segment PBT ($m)	FY21	$383.96m	$244.23m	$628.19m
	FY20	$123.86m	$224.73m	$348.59m
	FY19	$158.47m	$89.93m	$248.40m
Franchisee Aggregated Sales Revenue* ($bn)	FY21	$3.758bn	$3.19bn	$6.95bn
	FY20	$2.953bn	$3.21bn	$6.16bn
	FY19	$2.950bn	$2.71bn	$5.66bn
Franchising Operations Margin (%)	FY21	10.22%	7.65%	9.04%
	FY20	4.19%	7.00%	5.66%
	FY19	5.37%	3.32%	4.39%

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

FRANCHISING OPERATIONS SEGMENT PBT ($M)



FRANCHISING OPERATIONS MARGIN



FRANCHISING OPERATIONS SEGMENT PBT

$628.19m

UP BY $279.60m OR 80.2% FROM FY20

JUNE 2021 FRANCHISING OPERATIONS MARGIN

9.04%

UP FROM 5.66% FROM FY20

Australian Franchisee Sales Revenue Underpins the Franchising Operations Segment

TOTAL FRANCHISEE SALES YEAR ENDED 30 JUNE 2021	COMPARABLE FRANCHISEE SALES YEAR ENDED 30 JUNE 2021
$6.95bn UP BY 12.8%	$6.92bn UP BY 12.9%

Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Retail sales in Harvey Norman®, Domayne® and Joyce Mayne® in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results. Australian franchisee aggregated sales revenue is reported to the market as it is a key indicator of the performance of the franchising operations segment.

The home-focused Australian consumer has continued to provide an environment for growth for franchisees throughout the financial year.

Aggregated franchisee sales revenue was $6.95 billion for the year ended 30 June 2021, an increase of $789.77 million or 12.8%, from $6.16 billion in the previous year ended 30 June 2020. On a comparable basis, franchisee sales were $6.92 billion, an increase of 12.9%.

Technology franchisees experienced strong demand for Smart Phones, Gaming Laptops and PCs that provide power and performance. With Australian homes continuing to move quickly to being digitally connected, driven by remote working and learning, categories such as Connected Home, Mobile Technology and Super Wi-Fi have surged. The Telecommunications category had another strong year underpinned by offers to connect to the Optus network throughout Australia. This is a strategic long term growth category for Harvey Norman®, Domayne® and Joyce Mayne® franchisees.

Within the Home Appliance category, the strong uptake of the Federal Government's Homebuilder grants program and the ensuing renovations that have followed has led to strong demand for kitchen products. Smart Refrigeration, smart kitchen appliances and sensor cooking have all benefited from consumers looking to upgrade and expand their range of quality appliances at home.

Within Audio Visual, demand has remained for big screen in home experiences as the stay at home and entertain at home trend has continued. The latest 8K and 4K TV ranges from premium brands continued to be a primary focus of consumers and underpinned the strong growth overall in this key category.

Continuing the home inspired focus of consumers, Furniture and Bedding franchisees have performed strongly throughout the year with solid sales increases in Sleep Surface, lounges and home office categories. The upgrade and expansion of outdoor entertaining areas in Australian homes has delivered solid growth in outdoor furniture and BBQ's, and these lifestyle categories are expected to remain in demand.

Hornsby, NSW Franchised Complex

A 'Customer-Centric' Strategy

The consolidated entity has continued to invest in technology, digital transformation and infrastructure.

This investment has enabled Harvey Norman®, Domayne® and Joyce Mayne® franchisees to continue to enhance their capabilities to deliver the **Shop Safe** experience for their customers, to uphold **COVID Safe** practices and execute their **Customer-Centric** strategies.

With 192 locations geographically-spread across Australia, customers can **Shop Locally With Confidence** with stores and inventory within a short drive. Customers can shop in-store or they can opt for **Contactless Click & Collect** to have goods delivered to their car, safe in the knowledge they are following the guidelines in place for their location. **Near Real-Time Inventory** provides their customers with accurate, up-to-date stock information, confirming their local franchisee has the products they are looking for. **On Demand** and **Contactless Delivery** options help provide the essential products customers need, faster and more cost-effectively – locally.

LiveChat Messaging and **Chatbot** contactless solutions digitally connect Harvey Norman® franchisees with customers across the country, and assist in keeping local communities safe.

Each franchisee is committed to delivering **Quality, Value & Service** to their customers.

Highlights Achieved by Harvey Norman®, Domayne® and Joyce Mayne® Australian Franchisees:

- There has been a significant uptake of customers taking advantage of the various flexible **Click & Collect** options offered by franchisees.
- **1-Hour Click & Collect** is now common and widespread. Customers can research online – using the myriad of messaging platforms available to them to receive expert product advice – before they head to the franchised complex after using Click & Collect. With over 80% of orders ready within 1-hour and a Customer Satisfaction (CSAT) score of 84%, this has been one of the most attractive options customers have adopted this year.
- Since the commencement of the pandemic, approximately 95% of customers still go to their nearest, local franchised complex for either 1-Hour Click & Collect and **Express Contactless Click & Collect**. The complexes have dedicated Click & Collect parking bays to ensure that customer pick-up is a frictionless experience. Contactless Click & Collect has enabled each Harvey Norman® franchisee to serve their customers while complying with any strict COVID-19 mandated restrictions or lockdowns.
- Click & Collect services enables customers to connect online with franchisee in-store experts. Through integrated notifications, the customer can, at the press of an '**On My Way**' button on their device, advise the franchisee that they are on their way to collect their order, and an **'I'm Here'** button allowing the franchisee to be fully prepared when they arrive.
- Tens of thousands of Contactless Click & Collect customers used the integrated notifications in Microsoft Teams. On average, customers travel to their nearest store within approximately 12 minutes and, if they choose Contactless Click & Collect, the average wait time at store for the safe delivery to their car is approximately 6 minutes.

Helping you shop safely for your home essentials

SHOP SAFE | CONTACTLESS CLICK & COLLECT | DELIVERY AVAILABLE | PHONE YOUR LOCAL STORE | HN.COM.AU OPEN 24/7 ONLINE

A 'Customer-Centric' Strategy (continued)

- Harvey Norman® customers have embraced **LiveChat** from the beginning and now messaging is continuing to drive this functionality. LiveChat aims to make life easier for customers wherever they are, fitting into their schedule, and available on all the messaging platforms customers prefer including **Messenger**, **iMessage**, **WhatsApp**, **Apple Business Chat** and **SMS**. **Chatbots** are a milestone in building a powerful customer service platform. Customers wanting order updates and store trading hours are a great example of how Chatbots respond with known information. This frees up LiveChat and Messaging agents to focus on more specific customer needs, delivering on the expertise for which Harvey Norman® is well-known.

- **Quick Reserve** allows customers of Harvey Norman® franchisees to quickly reserve products online to view at their local franchised complex.

- With faster delivery expected now more than ever, **Australia Post on Demand** is providing more and more customers of each franchisee with same-day delivery options that are fast and affordable.

- The new **Harvey Norman® Store Finder**, with dedicated hours for Click & Collect as well as Local Government Area information, has recently launched. Improved location management during COVID allows customers to access timely and informative information on all franchised locations including trading hours and available Contactless and Click & Collect services - a highly-utilised informative tool during a pandemic. Locations now include precise pick-up location information at both retail stores and warehouses. In an ever-changing environment, where local stores for essentials have never been more important to customers, it's critical to provide franchisee customers making the journey to a local store with time-sensitive information.

- **Franchisees continue to improve the mobile experience** for customers, enabling communication and collaboration between customer and franchisee by combining chat, messaging and location information. The smartphone is the device of choice for customers researching and shopping online.

- The rollout of **Trak by Harvey Norman®** is now complete for Harvey Norman® franchised complexes throughout Australia. This logistics technology optimises route planning for franchisee deliveries and provides automated customer communication, with real-time tracking. Customers receive an SMS link to a live location showing the status of their impending delivery and the expected arrival time at its destination.

SHOP IN STORE

CONTACTLESS CLICK & COLLECT

CONTACTLESS DELIVERY

PHONE YOUR LOCAL STORE

OPEN 24/7 ONLINE

LIVE CHAT HERE TO HELP

CLICK & COLLECT | trak | Store Finder | QuickReserve

Helping you shop safely for your home essentials

SHOP SAFE | CONTACTLESS CLICK & COLLECT | DELIVERY AVAILABLE | PHONE YOUR LOCAL STORE | OPEN 24/7 ONLINE

Offshore Company-Operated Retail Segment

23.1% OF TOTAL CONSOLIDATED PBT (excluding net property revaluations)	Record FY21 Offshore Retail Revenue $2.61bn UP BY $480.12m (+22.6%)	Record FY21 Offshore Retail PBT $240.79m UP BY $88.72m (+58.3%)

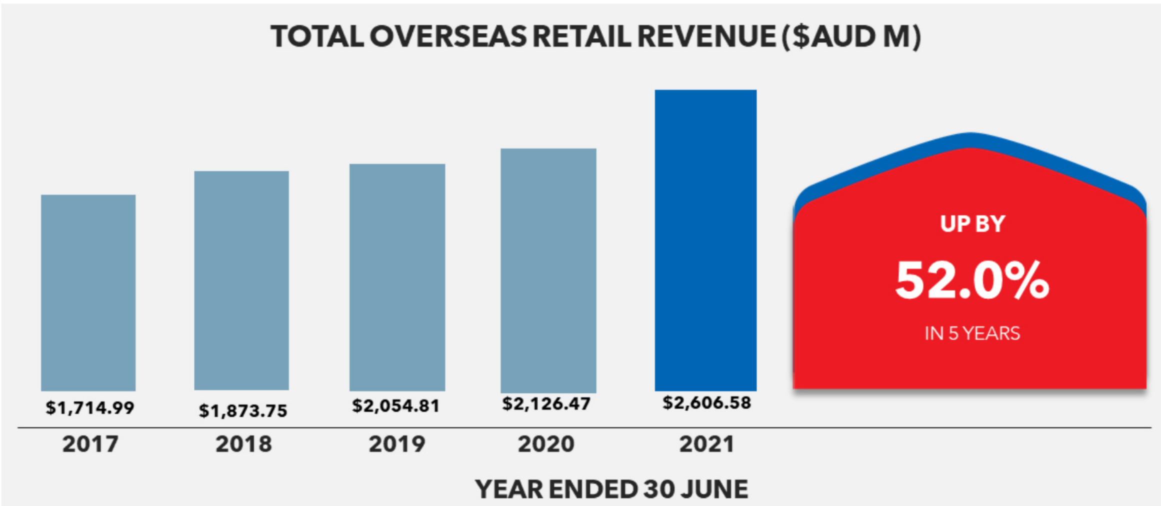
Overseas, the 107 Harvey Norman® branded stores are company-owned and company-operated.

During the first half of FY21, we reported opening 12 new stores overseas, with a number of them opened earlier than expected. This was a year of a number of 'firsts': the first time offshore aggregated retail profit nudged the $A0.25 Billion milestone, and the first time sales from our NZ stores surpassed the $A1.0 Billion dollar mark.

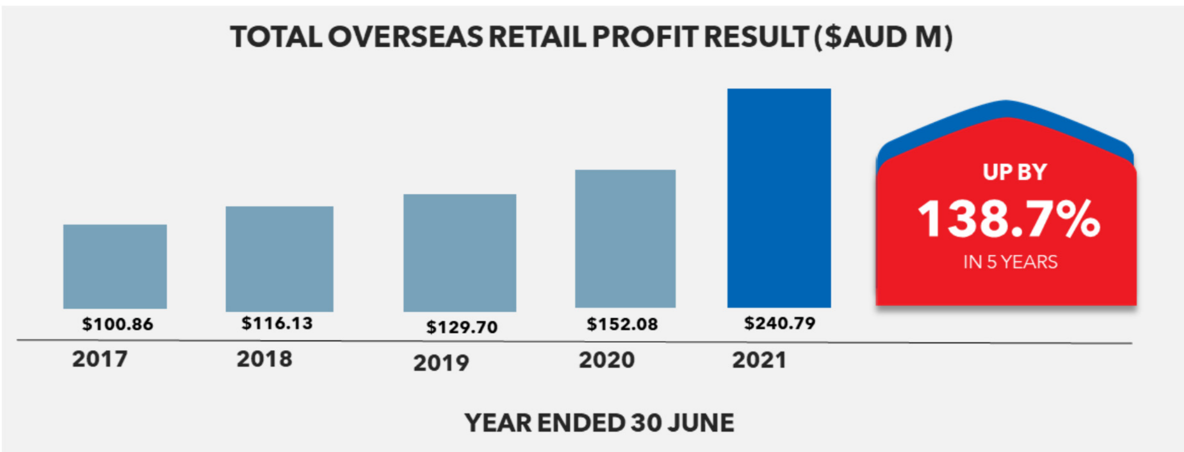
At varying points during the year, our offshore stores were compelled to close under the respective government directives. Where permitted by the respective governments, our offshore stores continued to trade through their digital platforms to meet customer needs.

Across the 7 offshore countries in which we operate, our 107 company-operated stores employ over 5,000 full-time and part-time staff. We continue to prioritise the safety and livelihoods of our employees to ensure that they were not disadvantaged by government-mandated closures and can continue to work in a COVID-safe manner.

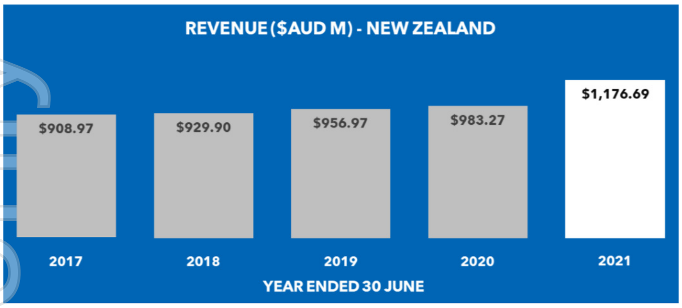
The graph below represents the aggregate value of overseas retail revenue achieved over the past 5 years. Total overseas retail revenue grew by $480.12 million, or 22.6%, to $2.61 billion for FY21, relative to $2.13 billion for FY20, with each country delivering sales growth year-on-year.

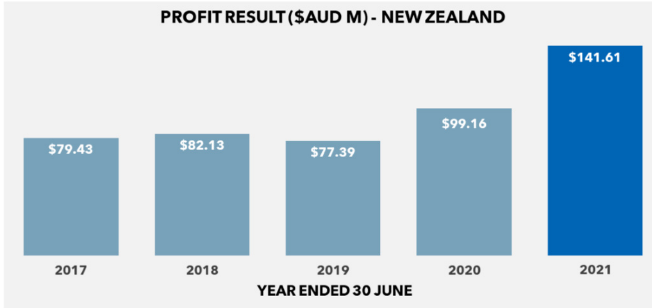


The graph below shows the profit trajectory of the overseas retail segment. Offshore profitability has grown by 138.7% in the last 5 years and, for FY21, it represents 20.4% of total consolidated profit before tax. Offshore profitability has increased by $88.72 million, or 58.3%, to $240.79 million for FY21, up from $152.08 million for FY20.



Offshore Company-Operated Retail Segment (continued)





New Zealand
43 Harvey Norman® Company-Operated Stores

In New Zealand, we were pleased to see the strong momentum in sales growth reported for 1H21 continue into 2H21, with NZ sales far surpassing the billion dollar milestone in Australian dollars for the first-time since opening the first NZ store in 1997. Robust sales have also enabled the NZ business to achieve another significant milestone of reaching a retail profit result of well over $100 million for the first time this year.

The NZ business was subjected to 3 sharp, targeted lockdowns affecting 11 stores in Auckland for short periods ranging from 3 days to just under 3 weeks in FY21. This was in contrast to the nationwide Alert Level 3 and 4 Restrictions last year that saw all stores in NZ closed to the public for a 7-week period.

In local currency, sales grew to NZ$1.23 billion in FY21, up by NZ$220.64 million or +21.8%. When translated to Australian dollars, sales increased to $1.15 billion in FY21, up by $187.97 million or +19.6% from $960.19 million in FY20. In local currency, the retail profit result increased to NZ$152.12 million, up by NZ$47.54 million or +45.5%. When translated to Australian dollars, the retail result increased to $141.61 million in FY21, up by $42.45 million or +42.8% from $99.16 million in FY20.

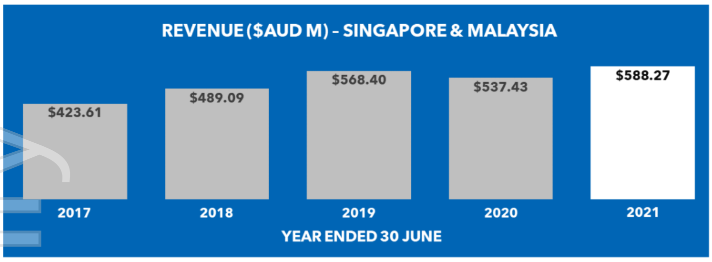
New Zealand
Opened 3 new stores

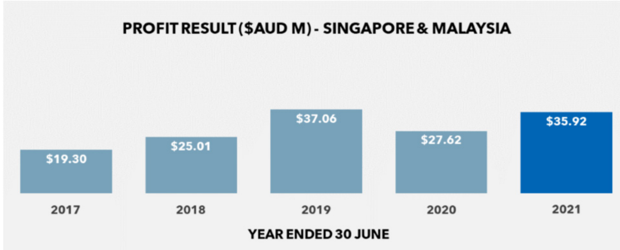
- Dunedin Outlet (Aug-20)
- Grey Lynn Commercial Showroom (Oct-20)
- Glen Innes Outlet (Oct-20)

Sales were positively impacted by the opening of 2 new outlets in Auckland located at Dunedin on 8 August 2020 and Glen Innes on 26 October 2020 and the Grey Lynn, Auckland commercial showroom on 15 October 2020, along with a full year's trade at the Takanini and Northwood outlets opened during the second half of FY20. The Wairau Park flagship store at Auckland continues to perform strongly.

The pent-up demand from limited travel and entertainment options, complemented by a strong NZ property market has continued to give consumers the confidence to invest in their homes. All key categories have recorded strong sales growth during the year. The furniture and bedding categories have benefited from the ready availability of NZ made product ranges. The electrical and computer categories have experienced strong consumer demand for whitegoods, cooking appliances and hardware as consumers focus on improving their homes & home offices.

Offshore Company-Operated Retail Segment (continued)





Singapore and Malaysia

This segment is comprised of 14 Harvey Norman® stores in Singapore, 26 Harvey Norman® stores in Malaysia and the Space Furniture® branded lifestyle stores in Singapore and Malaysia.

The performance of our Singapore and Malaysian stores has remained stable during FY21 despite the challenges of the pandemic, with the organic growth of this segment remaining a key focus.

3 new stores in Malaysia opened in the first half of FY21: KL East Mall on 25 November 2020, Menara on 5 December 2020 and Quayside Mall on 19 December 2020. There were also 3 new store openings in Singapore: Seletar Mall on 15 September 2020, The Centrepoint on 22 September 2020 and Westgate on 25 November 2020. One Singaporean store, Kinex Mall closed on 27 September 2020.

Malaysia | Sales Revenue
26 Harvey Norman® Company-Operated Stores

In **Malaysia,** we had disclosed strong first-half sales of S$126.40 million for 1H21, an increase of 12.6% from sales of S$112.27 million in 1H20, leveraging off 3 store openings - KL East Mall (Nov-20), Menara and Quayside Mall (both in Dec-20), and a full 6-months trade from the 5 new stores opened in the first half of FY20. 1H21 sales were impacted by lower foot traffic due to inhibited mobility and shortened trading hours throughout many regions, set in force by the Recovery Movement Control Order (**RMCO**) and the Conditional Movement Control Order (**CMCO**), although there were no closures and all stores remained open to the public.

Solid sales in 1H21 placed the Malaysian business in good stead to have a strong second half, however, on 13 January 2021, a stricter Movement Control Order (**MCO**) was re-introduced for certain States with a spike in COVID cases, and from May 2021 the MCO was extended to all of Malaysia. Pursuant to the MCO, 12 stores in Kuala Lumpur and Penang were closed for a 3-day period from 9 to 11 May 2021. Surging COVID-19 cases resulted in the re-imposition of the Full Movement Control Order (**FMCO**) on 28 May 2021 leading to the full closure of all 26 Malaysian stores from 1 June 2021, with all stores reverting to online trade. Malaysian stores commenced limited opening to customers from 21 August 2021.

Malaysian sales for the 26 Harvey Norman® company-operated stores for FY21 was **S$242.92 million, an increase of S$34.72 million, or +16.7%** from S$208.20 million in FY20. When translated to Australian Dollars, the sales increase moderated to **$17.41 million, or +7.8%,** due to a 7.6% devaluation of the Singaporean dollar relative to the Australian dollar during the year.

This growth is mainly attributed to the increased contributions from new store openings, coupled with the continued strong demand for home appliances and computers for working from home arrangements. Sales in our Ikano, Kuala Lumpur flagship store also continued to grow in 2H21, highlighting our strong product range, customer-friendly layout and focus on COVID safety measures so that customers can shop in confidence, safety and comfort, as they manage the evolving COVID situation and changing restrictions.

The Malaysian National Vaccination Program, in addition to the National Recovery Plan announced by the Malaysian Government in June 2021, are expected to restore business confidence and stimulate further trade as the economy grows in a post-COVID world. We remain committed to our expansion plans in Malaysia & anticipate opening 1 new store in FY22 & 3 new stores in FY23.

Singapore | Sales Revenue
14 Harvey Norman® Company-Operated Stores

For Singapore, trade continued mostly uninterrupted through FY21. The Singaporean Government's approach in gradually re-opening malls and other public areas, combined with decisive additional restrictions when required to control the spread of COVID-19, has resulted in only one temporary closure of the Westgate store from 23 May to 4 June 2021, compared to the 10-week closure of all Harvey Norman® stores in Singapore in the second half of the 2020 financial year.

Sales for the 2021 financial year grew to **S$324.19 million, an increase of S$56.98 million or 21.3%,** primarily due to a full 6-months trade of the 3 new stores in 2H21 and due to cycling lower comparatives in 2H20 due to the prolonged COVID closures last year. Sales in Australian Dollars **increased by $34.69 million or 12.1%.**

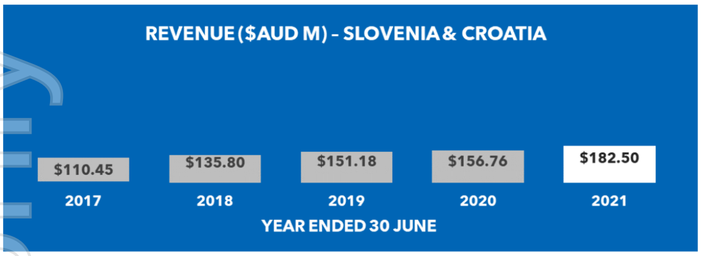
Our flagship store at Millennia Walk has continued to perform strongly in FY21, showcasing the impressive range on offer, with its expansive generous showroom facilitating social distancing while continuing to deliver an unparalleled shopping experience to its customers.

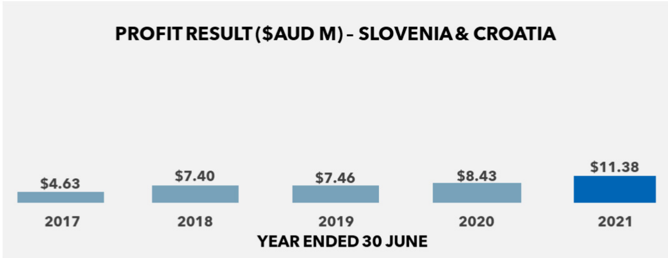
Retail – Singapore and Malaysia: Sales & Segment Result

Aggregated sales revenue for the Harvey Norman® and Space Furniture® brands in Asia totalled **S$580.54 million in local currency for FY21, representing an increase of S$93.53 million, or 19.2%,** from S$487.01 million in FY20. On translation to Australian dollars, the devaluation of the Singapore dollar relative to the Australian dollar during the year, resulted in a reduced increase of $51.74 million or 9.8%, from $525.75 million in FY20.

Profitability has improved in Singapore and Malaysia through improved margins and carefully targeted cost reductions, despite additional costs incurred in opening 6 new stores during FY21. **The segment profit** result of the Harvey Norman® and Space Furniture® brands in Asia was **$35.92 million, an increase of $8.30 million, or 30.1%,** from $27.62 million in FY20. This was inclusive of wages support and assistance received of $3.64 million in Singapore and $0.11 million received in Malaysia in FY21, from their respective governments in response to COVID-19.

Offshore Company-Operated Retail Segment (continued)





Slovenia
5 Harvey Norman® Company-Operated Stores

In Slovenia, the COVID pandemic resulted in the imposition of store closures for all 5 stores between October 2020 and February 2021. Stores fully re-opened on 15 February 2021, with trading continuing throughout the remainder of 2H21.

The pleasing sales growth reported in 1H21 has continued throughout 2H21. Our Slovenian stores, including our flagship at Ljubljana, have delivered double-digit sales growth overall in FY21 and strong growth was achieved across all key product categories. Sales from the 5 company-operated stores in Slovenia **increased €9.36 million or 12.8% to €82.40 million for FY21**. In Australian Dollars, sales **increased $11.28 million or 9.4% to $131.63 million**.

The result for Slovenia was a profit of **$11.27 million for FY21, representing a $3.01 million increase or 36.4%**. This was inclusive of government wages support and assistance received in Slovenia of $0.28 million in FY21 in response to COVID-19.

Croatia
2 Harvey Norman® Company-Operated Stores

In Croatia, there were no retail lockdowns throughout FY21, allowing uninterrupted trade in the flagship store at Zagreb, and the new Pula Store, which opened on 26 November 2020.

We intend to open 2 new stores in Croatia over the next 2 years—a new store at Rijeka in FY22 and a second store in the Croatian capital of Zagreb in FY23.

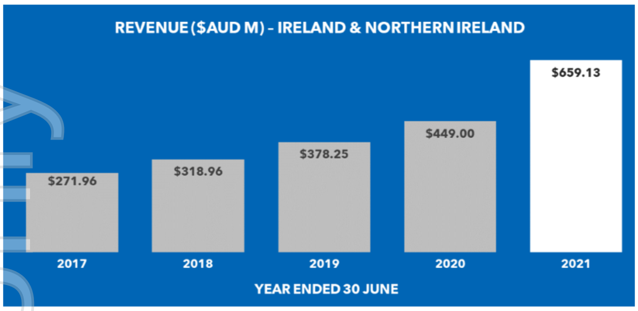
Sales for 1H21 were €13.07 million, an increase of €1.51 million or 13.1% from the previous corresponding period.

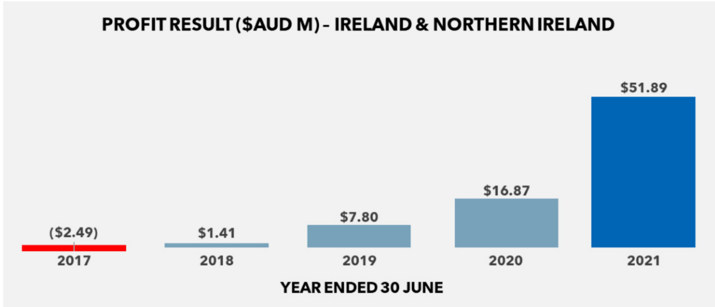
Sales for the 2021 financial year **grew to €29.80 million, increasing by €9.15 million or +44.3%** for the full year. Growth in 2H21 was largely due to a full 6-months contribution of the new Pula store. In Australian Dollars, sales increased by **$13.58 million or 39.9%**.

The retail result in Croatia was a profit of $0.11 million for FY21, compared to a profit of $0.17 million in the previous financial year.

Croatia
Opened a 2nd store at Pula on 26 November 2020

Offshore Company-Operated Retail Segment (continued)





Ireland
15 Harvey Norman® Company-Operated Stores

In Ireland, two (2) new company-operated stores were opened during 1H21 at Galway on 22 July 2020 and Sligo on 5 November 2020, strengthening the brand in the country's west and bringing the total store network to 15.

During the year, exponential increases in COVID-19 infections resulted in the Irish Government imposing Level 5 lockdowns on two occasions; the first in 1H21 from 22 October 2020 to 30 November 2020 and the second in 2H21 from 31 December 2020 to 16 May 2021. On both occasions, the furniture and bedding categories across all stores were closed whilst the electrical and computer categories were permitted to trade in-store. No online restrictions were imposed during the first lockdown in 1H21, however, with the second lockdown in 2H21, the online Click & Collect option for furniture and bedding was prohibited, with no online restrictions imposed on electrical and computers.

Sales in local currency increased to €391.89 million in FY21, up by €135.13 million or +52.6%, from €256.76 million in FY20. When translated to Australian dollars, sales increased to $626.02 million in FY21, up $202.96 million or +48.0%, from $423.06 million in FY20.

Our stores, including our flagship at Tallaght, have continued to benefit from customers investing in their homes. To assist in stimulating consumer demand, the Irish government reduced the VAT rate from 23% to 21% between September 2020 and March 2021. Double digit increases and market share growth was experienced across all key homemaker product categories.

The strong sales result has enabled the Irish business to deliver a retail result in Ireland of $49.64 million for FY21, up by $32.06 million or 182.3% from $17.58 million for FY20.

Ireland
Opened 2 new stores

- Galway (Jul-20)
- Sligo (Nov-20)

Northern Ireland
2 Harvey Norman® Company-Operated Stores

In Northern Ireland, we are pleased with the performance of our two company-operated stores despite the dual challenges posed by COVID-19 and Brexit.

Sales have been impacted by COVID-19 lockdowns in both the current and prior years. During FY21, our stores were closed to the public from 26 December 2020 to 29 April 2021, with all online sales required to be delivered, as 'Click & Collect' was not allowed. Last year, our stores were prohibited from all retail and online trade between 24 March 2020 and 7 June 2020.

Sales in local currency increased to £12.14 million for FY21, up by £2.84 million or 30.5% from £9.30 million in FY20. Translated into Australian dollars, sales revenue increased to $21.88 million in FY21, up by $4.43 million or 25.4% from $17.45 million in FY20.

We are pleased to deliver our first full year profit in Northern Ireland of $2.25 million for FY21, an improvement of $2.96 million on the loss of ($0.71) million for FY20. This was inclusive of government wages support and assistance received in Northern Ireland of $0.40 million in FY21 in response to COVID-19.

Our flagship at Boucher Road, South Belfast continues to perform well as it presents an unrivalled shopping experience for furniture and bedding products across Northern Ireland.

Review of the Property Segment

Strategic 'Large-Format' Retail Property Portfolio

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

The Australian Large-Format Retail (LFR) Sector

The appetite for investment within the Large Format Retail (**LFR**) sector of the property market has significantly strengthened on the back of it being an attractive, resilient asset class. This strong investment is being driven by a combination of factors including demand for quality income streams, the low cost of debt and the uplift in trading performance across the home improvements sector. Additionally, investors are recognising the positive yield spread of LFR property assets relative to other property investment returns.

There are 192 Australian franchised complexes geographically spread throughout metropolitan cities, large regional towns and smaller regional communities to service the Australian population without having to travel long distances to shop at their nearest Harvey Norman®, Domayne® or Joyce Mayne® store. 95 franchised complexes (49.5% of total franchised complexes) are owned by the consolidated entity, inclusive of warehouses that are either adjacent to, or in close proximity of, the retail store, and are leased to external parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees.

In addition to our franchised complexes, our dominant, well-located freehold properties are LFR centres that accommodate a complimentary mix of over 450 third-party tenants that are diversified across a variety of different categories including Hardware, Medical, Chemists, Pets and Auto related products. A large proportion of these third-party tenants are ASX-listed and are national retailers that support the underlying value of our properties. Generally, our LFR centres have expansive footprints, easy and direct access points and open-air carparks that enable the efficient execution of COVID-Safe practices. These factors have contributed to cementing the consolidated entity, with its $2.9 billion Australian freehold investment property portfolio, as the largest single owner of LFR real estate in the Australian market.

The full impact of momentum in the Australian economy, sparked by targeted fiscal and monetary stimulus measures introduced over the past 18 months as part of our COVID-Response, is still materialising, and the LFR sector appears to be a key beneficiary of these initiatives.

COVID-19 has stimulated a significant population shift moving out of capitals to the regions. This bodes well for household goods spending and property values in Regional Australia where we have a strong market coverage with approximately 65% of our franchised complexes located in regional areas. The demand of first home buyers, returning expats, 'up-sizers' and 'down-sizers' opting to upgrade their existing homes or relocate has supported a strong base for sustained retail growth within the Home and Lifestyle market. The buoyant housing market has contributed to this increased demand.

Harvey Norman® Ballina, NSW Franchised Complex

Review of the Property Segment (continued)

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

The COVID-19 HomeBuilder grants program has provided a strong boost to demand for housing construction activity. Over 121,000 applications were received before the scheme closed on 31 March 2021, approximately 80% relating to new builds and 20% for major renovations. Higher house prices, an elevated level of housing construction, high demand for Home and Lifestyle retailing and the unsatisfied investor appetite for well-located LFR sites is expected to continue to underpin strong values in our Australian freehold investment property portfolio.

More recently, investor demand has surged, triggering a marked increase in capital searching for LFR property investments with strong national lease covenants and lease tenures. In April 2021, the Watergardens Homeplace retail centre located in Taylors Lakes, Melbourne, Victoria was acquired for $97 million. Watergardens Homeplace is anchored by the Harvey Norman® Watergardens franchised complex, Bunnings and six other national large-format tenants alongside two fast-food restaurants. The Geraldton Homemaker Centre in Western Australia was purchased in March 2021 for $28 million.

Investor competitiveness for scarce LFR sites, and recent investment transactions, have created a significant increase in LFR values and a material uplift in the fair values of our investment properties. The Australian investment property portfolio is valued at $2.89 billion as at 30 June 2021, increasing in value by $310.59 million during the 2021 financial year - $171.91 million relating to new property acquisitions, renovations and refurbishments (including the premium refit program) and $138.69 million relating to higher property fair values.

Overseas Property Portfolio

Globally, we have 107 company-operated stores across 7 countries. 25 of the stores located overseas (23.4% of total) are owned by the consolidated entity. The aggregate value of the overseas owner-occupied and investment property portfolio is $464.68 million, increasing in value by $45.91 million during the year primarily relating to capital appreciation since the end of FY20.

Total Property Portfolio and the Performance of the Retail Property Segment

Anchoring our consolidated balance sheet is our property segment assets totalling $3.37 billion of tangible, freehold investment properties and freehold owner-occupied properties and joint venture assets. The freehold property segment comprises 50.5% of our total $6.67 billion asset base.

Retail property segment revenue has grown to $409.20 million for FY21, up by $108.67 million from $300.53 million in FY20. This was primarily due to the recognition of $140.37 million in net property revaluation increments for FY21 compared to $34.96 million in net increments for FY20, an increase of $105.42 million. Rent and outgoings received from freehold properties have moderated during the year due to $6 million of rent abatements provided to franchisees affected by the pro-longed 11-week mandatory Stage 4 lockdown in greater Melbourne, Victoria and to other external tenants in Australia.

The retail property result was $291.79 million for FY21, an increase of $118.60 million or +68.5% from $173.19 million in FY20.

Harvey Norman® Maroochydore, QLD Franchised Complex

Review of the Property Segment (continued)

The below table shows the composition of freehold property segment assets as at 30 June 2021, the number of owned property assets and the increase in fair value recognised in each country.

COMPOSITION OF FREEHOLD PROPERTY SEGMENT ASSETS	June 2021	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase in Fair Value (Income Statement)	Net Increase / (Decrease) in Fair Value (Equity)
(1) Investment Properties (Freehold) and Assets Held for Sale					
- Australia	$2,894.22m	95	41	$138.69m	-
- New Zealand	$11.29m	-	2	$1.69m	-
- Singapore (Property asset held for sale)	$12.66m	-	1	-	($2.67m)
Total Investment Properties (Freehold) and Assets Held for Sale	$2,918.17m	95	44	$140.37m	($2.67m)
(2) Owner–Occupied Land & Buildings					
- Australia	$10.37m	-	1	-	-
- New Zealand	$339.84m	19	1	-	$57.54m
- Singapore	$7.65m	-	1	-	-
- Slovenia	$77.41m	5	-	-	-
- Ireland	$15.82m	1	-	-	$0.31m
Total Owner–Occupied Land & Buildings	$451.09m	25	3	-	$57.85m
(3) Joint Venture Assets	$1.32m	-	7	-	-
Total Freehold Property Segment Assets	$3,370.58m	120	54	$140.37m	$55.18m

Net Property Revaluation Adjustments

For the year ended 30 June 2021, the portfolio has recorded $140.37 million in capital appreciation to fair value, which was the net property revaluation increment for investment properties recognised in the income statement.

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

This assessment is informed by:

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

Last year, we announced that the entire freehold investment property portfolio in Australia will be independently valued by an Independent Valuer at least once every two (2) years on a rotational basis from the second half of the 2020 financial year. This means that as at 30 June 2021 approximately 50% of the freehold investment property portfolio was valued by an Independent Valuer.

For FY21, 67 valuations of freehold investment properties in Australia were performed by an Independent Valuer. This represents a total of 48.9% of the number of freehold investment properties independently externally valued this year and 44.3% in terms of the fair value of the freehold investment property portfolio in Australia subject to independent external valuation.

Freehold investment properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. Each internal valuation and management review is informed by the last independent external valuation and reliable market evidence. For the 2021 financial year, 19 freehold investment properties had been affected by the same factors as the properties which had been independently externally valued. As a consequence, internal valuations for these 19 properties were undertaken to determine the effect of these factors.

Leasehold Property Portfolio | AASB 16 *Leases*

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

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

As at 30 June 2021, there were 263 leasehold investment properties. 97 leasehold investment properties (37% of total) were occupied by Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia for retail purposes. The remaining 166 leasehold investment properties (63% of total) were primarily used by our franchisees for warehousing.

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

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

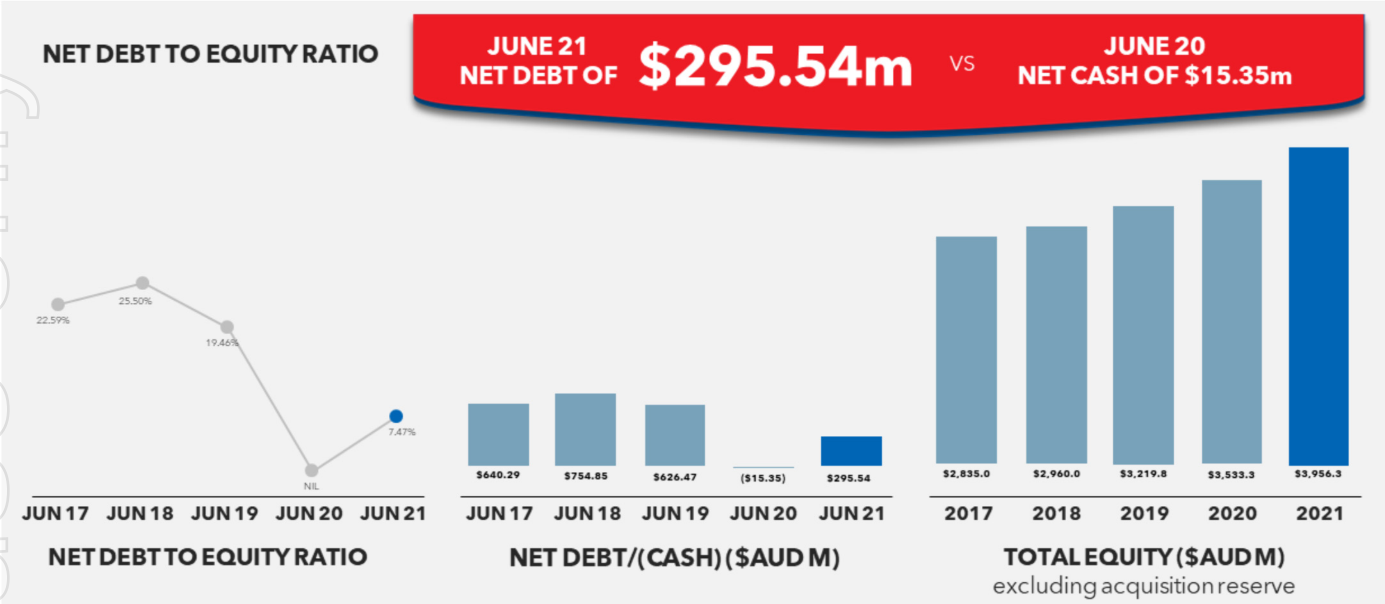
The table below shows the composition of right-of-use assets and lease liabilities within our leasehold property portfolio as at balance date, and the number of leased retail properties and other properties leased by the consolidated entity.

COMPOSITION OF LEASEHOLD PROPERTY SEGMENT ASSETS	Right -of-Use Asset June 2021	Lease Liabilities June 2021	# of Leased Retail Property Assets	# of Leased Other Property Assets
(1) Leases of Properties Sub-Leased to External Parties - Australia	$620.46m	$647.12m	97	166
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
- Australia	$30.13m	$46.19m	-	7
- New Zealand	$113.13m	$130.55m	26	29
- Singapore & Malaysia	$244.16m	$190.12m	40	14
- Slovenia & Croatia	$19.23m	$21.27m	2	6
- Ireland & Northern Ireland	$104.51m	$143.41m	16	11
Total Owner–Occupied Properties and Plant and Equipment Assets	$511.17m	$531.55m	84	67
Total Leasehold Property Segment Assets	$1,131.63m	$1,178.67m	181	233

The table below shows the financial impact of AASB 16 *Leases* of our leasehold property portfolio on the income statement for the year ended 30 June 2021.

Financial Impact of AASB 16 Leases:	Leases of Owner-Occupied Properties $000	Leases of Properties Sub-Leased to External Parties $000	Total Leases $000
Property, plant and equipment: Right-of-use asset - Depreciation expense	62,908	-	62,908
Investment properties (leasehold): Right-of-use asset - Fair value re-measurement	-	74,076	74,076
Finance costs: Interest on lease liabilities (accretion)	17,765	23,176	40,941
Total AASB 16 Expenses Recognised	80,673	97,252	177,925
Less: Lease payments made during FY21 (excluding variable lease payments (short-term, low-value leases)	(77,180)	(92,890)	(170,070)
Other adjustments	(126)	-	(126)
AASB 16 Incremental Decrease in PBT for FY21	3,367	4,362	7,729

Review of the Financial Position of the Consolidated Entity



Net Debt to Equity Ratio

Our strong cash position at the end of FY20 had enabled us to reduce our Syndicated Facility – the available external financing facilities in Australia - by $200 million, from $810 million to $610 million. The Syndicated Facility amount utilised as at 30 June 2021 was $490 million, up from $195 million utilised at the end of the previous year.

During 2H21, $146.82 million was spent on the purchase and refurbishment of freehold investment properties in Australia. Additionally, Australian franchisees requested, and were provided with increased financial accommodation. This was to assist the franchisees in their strategy of increasing their inventory reserves in light of anticipated supply chain disruptions ranging from chip shortages, factory delays due to COVID-19, port and shipping issues and global demand pressures.

This has resulted in a net debt position of $295.54 million at the end of FY21, compared to a net cash position of $15.35 million at the end of FY20.

This equates to a net debt to equity ratio of 7.47% as at 30 June 2021 compared to a net debt to equity ratio of nil as at 30 June 2020.

Solid Cash Flows

Cash and cash equivalents, net of bank overdraft, as disclosed in the Statement of Cash Flows on page 85, decreased by $45.72 million to $248.73 million as at 30 June 2021, compared to $294.45 million in the prior year.

Cash flows from operating activities decreased by $513.10 million to $543.87 million for FY21, from $1,056.96 million in FY20. This was primarily attributable to a decrease in net receipts from franchisees by $417.89 million, from $1,304.23 million in FY20 to $886.34 million in FY21. Despite higher gross revenue received from franchisees by $289.92 million, net receipts from franchisees were affected by the movement in the aggregate amount of financial accommodation provided to franchisees in FY21 relative to the movement in FY20. During FY21, the movement in the aggregate amount of financial accommodation provided to franchisees increased significantly compared to the movement in FY20, aligned with the increased inventory reserves held by purchasing franchisees during the current year in order to avoid future supply chain disruptions and drive higher franchisee sales.

Receipts from customers increased by $522.90 million due to higher sales achieved by the company-operated stores, partly attributed to 12 new offshore store openings. In line with the increase in sales and new store openings, payments to suppliers and employees increased by $512.49 million mainly due to additional payments for the purchase of inventories by the company-operated stores in response to the strong sales growth.

Net cash investing outflows increased by $117.15 million during FY21 primarily due to an increase in payments for the purchase and refurbishments of freehold investment properties by $122.35 million. In addition, balances in FY20 included the proceeds received from the sale of the Byron at Byron Bay Resort. The increase in outflows was offset by $15.08 million net proceeds received from the sale of a controlled entity.

Net cash financing outflows decreased by $475.90 million during FY21. There was a net drawdown of the Syndicated Facility by $295 million during the year, compared to a net repayment of $520 million during FY20. The increased drawdowns were offset by higher dividend payments during FY21 totalling $473.48 million, compared to $322.51 million in FY20, an increase of $150.98 million. Prior year financial cashflows included the proceeds raised from the renounceable pro-rata Entitlement Offer in October 2019 of $165.68 million.

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

Strong Balance Sheet

The consolidated entity's net asset base grew by 12.0% during the year, or an increase of $415.69 million, to $3.89 billion as at 30 June 2021, from $3.48 billion as at 30 June 2020.

Total Assets

JUNE 2021	JUNE 2020	
$6.67 bn	$5.83bn	↑14.5%

Total Liabilities

JUNE 2021	JUNE 2020	
$2.78 bn	$2.35bn	↑18.2%

Total assets increased by 14.5%, or $844.33 million, to $6.67 billion as at 30 June 2021, from $5.83 billion as at 30 June 2020. The value of the freehold investment property portfolio increased by $312.18 million, or +12.0%, to $2.91 billion as at 30 June 2021 primarily due to $140.37 million net property revaluation increments over the past 12 months, acquisition of new freehold investment properties and the refurbishments of freehold investment property assets.

Property, plant and equipment assets increased by $66.96 million mainly due to the fit-out of 12 new company-operated stores in offshore regions, the premium fit-out of a new Harvey Norman® franchised complex at Hornsby and net property revaluation increments for the owner-occupied freehold properties over the past 12 months.

Receivables from franchisees increased by $440.87 million mainly due to higher financial accommodation provided to franchisees to assist franchisees in their strategy of increasing their inventory reserves in light of anticipated supply chain disruptions ranging from chip shortages, factory delays due to COVID-19, port and shipping issues and global demand pressures.

Inventories of company-operated stores increased by $87.11 million mainly due to new overseas store openings and higher inventory holdings in order to satisfy strong sales growth.

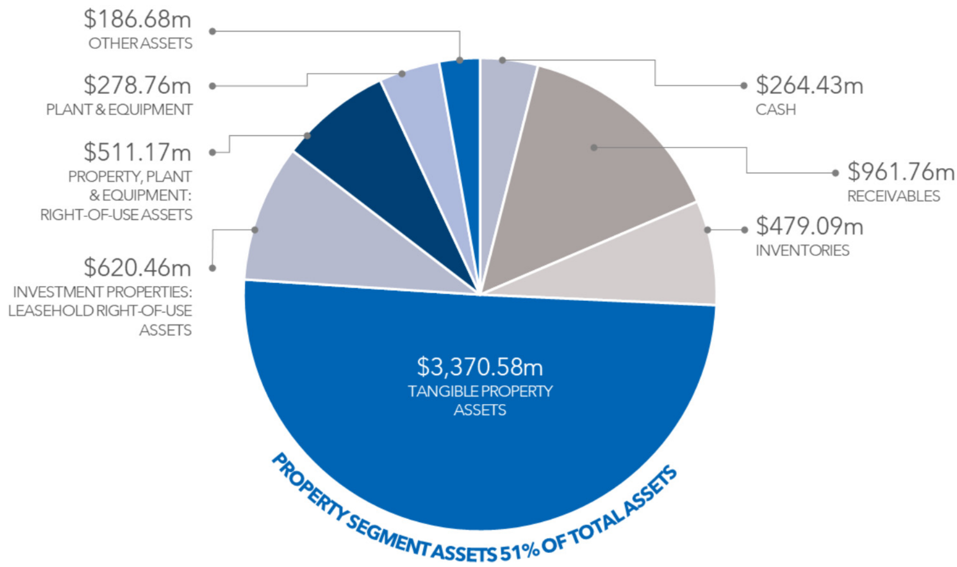
The above increases have been offset by a reduction in cash and cash equivalents by $48.76 million.

Total liabilities increased by $428.64 million, or 18.2%, to $2.78 billion as at 30 June 2021 from $2.35 billion as at 30 June 2020.

Interest-bearing loans and borrowings increased by $262.13 million mainly due to an increase in utilisation of the Syndicated Facility by $295 million, from $195 million utilised as at 30 June 2020 to $490 million utilised as at 30 June 2021.

Income tax payable increased by $77.80 million driven by higher profit generated by the consolidated entity during the current year.

COMPOSITION OF TOTAL ASSETS OF $6.67bn



Outlook

During the 2022 financial year, we intend to open up to 3 franchised complexes in Australia and 3 company-operated stores overseas: 1 in Malaysia, 1 in Croatia and 1 in Ireland. Beyond the upcoming financial year, we intend to open up to 2 franchised complexes in Australia during the 2023 financial year and we intend to relocate 1 franchised complex from a leased site to a freehold property. We expect our offshore expansion plans to ramp-up towards the end of calendar 2022 and we anticipate opening up to 8 company-operated stores overseas during FY23: 4 in New Zealand, 3 in Malaysia and 1 in Croatia.

We are announcing our intention to open 2 leasehold company-operated stores in Budapest, Hungary during calendar year 2023. Hungary borders Slovenia and Croatia, and with the collective population of the 3 countries added together, the Harvey Norman® brand can potentially reach approximately 16 million people.

RETAIL TRADING UPDATE: 1 July 2021 to 26 August 2021 vs 1 July 2020 to 26 August 2020 and 1 July 2021 to 26 August 2021 vs 1 July 2019 to 26 August 2019

Rolling lockdowns in most States and Territories of Australia have affected sales in July and August 2021, even though Contactless Click & Collect and home delivery are operating for customers from 192 Australian franchised complexes. These rolling lockdowns have continued into September 2021. Over 15 million people, or approximately 58% of the Australian population, are currently in lockdown. However, we expect spending to recover quickly as we saw when lockdown restrictions were eased in our overseas markets due to pent-up demand.

Malaysia closed from 1 June 2021 due to large outbreaks of COVID-19 in the country. Malaysian stores commenced limited opening to customers from 21 August 2021. On 18 August 2021, New Zealand went into Level 4 lockdown with no store click and collect permitted, but contactless home delivery allowed. All New Zealand stores outside of Auckland commenced limited opening to customers from 7 September 2021, with click and collect permitted in Auckland from 22 September 2021. Our other 5 countries have been open in July, August and September 2021.

Aggregated Sales increase / (decrease) from 1 July 2021 to 26 August 2021 vs 1 July 2020 to 26 August 2020[1] and 1 July 2021 to 26 August 2021 vs 1 July 2019 to 26 August 2019[1]
(% increases have been calculated in Australian Dollars $A)
[1] comparable sales growth has not been adjusted for the temporary closures mandated by each local government as a result of their COVID-19 Response

COUNTRY	1 July 2021 to 26 August 2021 vs 1 July 2020 to 26 August 2020		1 July 2021 to 26 August 2021 vs 1 July 2019 to 26 August 2019	
	Total %	Comparable %	Total %	Comparable %
Australian Franchisees	(-19.2)	(-19.1)	11.1	11.9
New Zealand	(-12.3)	(-13.0)	4.6	3.1
Slovenia & Croatia	1.4	(-5.9)	30.8	21.4
Ireland	11.1	4.7	78.8	62.0
Northern Ireland	2.3	2.3	31.9	31.9
Singapore	0.4	(-9.8)	3.1	(-7.0)
Malaysia	(-49.2)	(-52.4)	(-43.9)	(-60.3)

Aggregated Sales increase / (decrease) from 1 July 2021 to 26 August 2021 vs 1 July 2020 to 26 August 2020[1] and 1 July 2021 to 26 August 2021 vs 1 July 2019 to 26 August 2019[1]

COUNTRY (% increase calculated in local currencies)		1 July 2021 to 26 August 2021 vs 1 July 2020 to 26 August 2020		1 July 2021 to 26 August 2021 vs 1 July 2019 to 26 August 2019	
		Total %	Comparable %	Total %	Comparable %
Australian Franchisees	$A	(-19.2)	(-19.1)	11.1	11.9
New Zealand	$NZD	(-13.9)	(-14.6)	5.6	4.1
Slovenia & Croatia	€Euro	3.8	(-3.7)	32.5	23.1
Ireland	€Euro	13.7	7.1	81.4	64.3
Northern Ireland	£GBP	(-1.1)	(-1.1)	25.9	25.9
Singapore	$SGD	2.4	(-7.9)	9.0	(-1.8)
Malaysia	MYR	(-47.5)	(-55.0)	(-39.1)	(-57.0)

(% increases have been calculated in local currencies)
[1] comparable sales growth has not been adjusted for the temporary closures mandated by each local government as a result of their COVID-19 Response

Summary of Key Business Risks

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

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

Changes in trading conditions due to the COVID-19 global pandemic:

The emergence of COVID-19 at the beginning of 2020 has created widespread panic and disruption to the way in which governments lead their countries across the globe, the approach to business operations and trade, and how individuals carry out their day-to-day lives. The consolidated entity has adapted to adhere to the mandatory social distancing restrictions applicable in the 8 countries in which it, or its franchisees, operate and has temporarily closed to the public when mandated to do so by the relevant government.

Similar to the last few months of FY20, during FY21 the consolidated entity has been subjected to various Government mandated closures. The consolidated entity expects that the COVID-19 pandemic could continue to impact trading conditions in the year ahead.

From the onset of the pandemic to date, the COVID-19 Response by various government and health services organisations, through regulation and policy, has limited the ability of franchised complexes in Australia and overseas company-operated stores to trade at normal capacity – with varying levels of restrictions to trade imposed for varying time periods. Spontaneous temporary Government-imposed closures, reduced trading hours, restrictions to consumer mobility and strict social distancing measures may continue to inhibit trade in future periods. This risk is mitigated as the majority of the franchised complexes and company-operated stores are located in large-format retail centres, generally characterised by generous retail footprints and spacious floor layouts centred around open-air carparks, allowing for the efficient and effective execution of 'COVID-Safe Plans and Practices', thereby maximising the ability to trade and service the needs of their customers. The consolidated entity has also continued to invest in technology, digital transformation and infrastructure to enable franchisees and company-operated stores to further enhance 'contactless' fulfilment measures including "Contactless Click & Collect" and "Contactless Delivery", to continue to serve their customers while complying with any strict COVID-19 mandated restrictions or lockdowns.

The uncertainty around the lasting economic, health and social impacts of the COVID-19 pandemic, the risk of further government-mandated retail closures in the near future, changing consumer behaviour and the ability of the supply-chains to meet demand may impact the sales revenue generated by franchisees in Australia and company-operated stores – thereby impacting the profitability and cash flow of the consolidated entity. This risk is mitigated by the consolidated entity's robust balance sheet, stringent measures to preserve cash and enhance liquidity, coupled with the continuous monitoring of any changes in COVID-19 regulation and policy as they are announced. The consolidated entity has a robust balance sheet with a strong asset base totalling $6.67 billion and net assets of $3.89 billion as at 30 June 2021. From the commencement of the pandemic, the consolidated entity has demonstrated its ability to swiftly respond to COVID-19 challenges, while prioritising the safety of their staff, their customers and their local communities. The consolidated entity remains confident in its ability to appropriately respond to COVID-19 challenges in the future, as they arise.

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

This risk relates to the potential failure in IT security measures resulting in fraud and the loss, destruction or theft of customer, supplier, financial or other commercially-sensitive information including intellectual property. This has the potential to adversely affect operating results which could lead to lawsuits, damage the reputation of the Harvey Norman® brand, and/or create other liabilities for the consolidated entity. The consolidated entity has seen an elevated risk of potential IT security and data security breaches since the commencement of the pandemic as the remote working environment, sparked by the pandemic, has created perceived opportunities for fraudulent activities.

There are a number of key controls in place, including an ongoing security improvement program, investment in cyber security resources; the implementation, maintenance and supervision of operational policies and contracts intended to preserve the confidentiality and integrity of IT systems. The Information Technology environment is subject to regular independent audit and review of IT security controls, response plans and incident management practices.

Summary of Key Business Risks (continued)

Compliance by franchisees with franchise agreements:

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

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

Changes to macroeconomic conditions and policy that may result in declining consumer sentiment:

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

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

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

Emergence of competitors in new channels:

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

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

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

A decline in the commercial property sector leading to softening property asset values, falling rental returns and a reduction of future capital returns on property assets:

With a property portfolio of over $3 billion, the consolidated entity is exposed to potential reductions in commercial property values. The consolidated entity has a selective and prudent acquisition and development strategy and maintains high-quality complexes and a solid, dynamic, complementary tenancy mix in order to maximise the profitability of the property segment.

Counterparty risks of service providers:

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

A core philosophy we have maintained throughout the years is the significance and focus on the longevity of the Board of Directors with 'skin in the game', the experience and skill-set of our various business leaders and their deep understanding and expert-execution of the complex franchised operating model in Australia and the company-operated stores across seven overseas countries.

The continuation of the COVID-19 pandemic during the 2021 financial year has necessitated the strict implementation of the COVID-Safe framework and COVID-Safe Plans and Practices throughout the consolidated entity. The successful strategies that we enhanced and delivered this year could have only been achieved with formidable leadership with the intimate knowledge of the intricacies of our business, leaders that can be trusted to protect our Brands and navigate us through this period of ongoing uncertainty.

This year we bade farewell to our non-executive director, Mr. Graham Charles Paton (AM), who retired at the end of the 2020 Annual General Meeting held on 25 November 2020. We thank Mr. Paton for his invaluable contribution to the consolidated entity over the past 15 years. Mr. Paton has provided wise counsel to management and exercised professional, sound, experienced and independent judgement for the benefit of the consolidated entity.

The Board welcomes Ms. Luisa Catanzaro who was appointed as non-executive director on 25 November 2020. Ms Catanzaro has more than 30 years of professional experience in senior finance executive roles across a range of industries including FMCG and agriculture sectors, and with ASX listed companies.

Our Board

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

Directors

Gerald Harvey
Executive Chairman

Mr. G. Harvey was the co-founder of Harvey Norman Holdings Limited in 1982 with Mr. I.J. Norman.

Mr. G. Harvey has overall executive responsibility for the strategic direction of the consolidated entity, and in particular, property investments.

Kay Lesley Page
Executive Director and CEO

Ms. Page joined Harvey Norman in 1983 and was appointed a director of Harvey Norman Holdings Limited in 1987. Ms. Page became the Chief Executive Officer of the Company in February 1999 and has overall executive responsibility for the consolidated entity.

Ms. Page has been a Director of the Bradman Foundation since December 2017 and, on 21 October 2020, Ms. Page was appointed as a Member of the Tourism Australia Board of Directors.

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

Mr. Mentis was appointed a director of Harvey Norman Holdings Limited on 30 August 2007. Mr. Mentis joined Harvey Norman as Financial Controller on 15 December 1997. On 20 April 2006, he became the Chief Financial Officer and Company Secretary.

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

John Evyn Slack-Smith
Executive Director and COO

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

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

David Matthew Ackery
Executive Director

Mr. Ackery was appointed a director of Harvey Norman Holdings Limited on 20 December 2005. Mr. Ackery has overall executive responsibility for the relationship between the consolidated entity and Harvey Norman® home appliances, home entertainment and technology franchisees and strategic partners.

DIRECTORS' REPORT (CONTINUED)

Directors

Michael John Harvey B.Com. *Non-Executive Director*	Mr. M. Harvey joined Harvey Norman in 1987, having completed a Bachelor of Commerce degree. Mr. M. Harvey gained extensive experience as a Harvey Norman® franchisee from 1989 to 1994. Mr. M. Harvey became a director of the Company in 1993 and was appointed Managing Director in July 1994. Mr. M. Harvey ceased to be an Executive Director and Managing Director on 30 June 1998.
Christopher Herbert Brown OAM, LL.M., FAICD, CTA *Non-Executive Director*	Mr. Brown holds the degree of Master of Laws from the University of Sydney. Mr. Brown is the senior partner in Brown Wright Stein Lawyers. Brown Wright Stein Lawyers has acted as lawyers for the consolidated entity since 1982. Mr. Brown was appointed a director of the Company in 1987, when it became a listed public company. Mr. Brown is a member of the Audit, Remuneration and Nomination Committees. Mr. Brown is the Chairman of Windgap Foundation Limited. In 2013 he was awarded the Medal of the Order of Australia (OAM) for service to the community, particularly to people with disability.
Kenneth William Gunderson-Briggs B.Bus., FCA, MAICD *Non-Executive Director (Independent)*	Mr. Gunderson-Briggs was appointed a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. Mr. Gunderson-Briggs has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. Mr. Gunderson-Briggs' qualifications include a Bachelor of Business from the University of Technology, Sydney and he is a Fellow of the CA ANZ. Mr. Gunderson-Briggs was appointed Chairman of the Remuneration Committee on 16 December 2015 and was appointed Chairman of the Audit & Risk Committee and Nomination Committee on 25 November 2020. Mr. Gunderson-Briggs is an independent Non-Executive Director of Australian Pharmaceutical Industries Limited (**API**), a company listed on the ASX, from May 2014. On 4 December 2020, he was appointed Chair of the API Board, having previously been the Chair of the Audit & Risk Committee of API.
Maurice John Craven B.Sc., FAICD *Non-Executive Director (Independent)*	Mr. Craven was appointed a director of Harvey Norman Holdings Limited on 27 March 2019 and became a member of the Nomination Committee of the Company on 24 June 2021. Mr. Craven holds a Bachelor of Science degree from the University of Melbourne and is a Fellow of the Australian Institute of Company Directors. Mr. Craven has been actively involved with innovation and growth in technology empowered industries for the past 20 years and prior to that was a partner for 25 years with Andersen Consulting. Mr. Craven is Chair of Specialisterne Australia, a Member of the Board of Cenitex and a Member of the Board of Social Venture Partners Melbourne.
Graham Charles Paton AM, B.Ec., FCPA, MAICD *Non-Executive Director (Independent)* *Retired 25 November 2020*	Mr. Paton holds a Bachelor of Economics degree from the University of Sydney. During his 23 years as a partner of an international chartered accounting practice, he was involved in the provision of professional services to the retail industry. He retired from public practice in July 2001. Mr. Paton is a Fellow and Life Member of CPA Australia and was the National President of that professional accounting body in 1993/1994. In 2001, Mr. Paton was awarded membership of the General Division of the Order of Australia for his services to the accounting profession and for his services to the deaf community through his chairmanship of the Shepherd Centre for Deaf Children for the decade to 2001. Mr. Paton retired as an independent non-executive director on 25 November 2020. Mr Paton was Chairman of the Audit & Risk Committee, Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company.
Luisa Catanzaro B.Com., FCA, GAICD *Non-Executive Director (Independent)* *Appointed 25 November 2020*	Ms. Catanzaro was appointed a Non-Executive Director of Harvey Norman Holdings Limited on 25 November 2020, and became a member of the Audit & Risk Committee on 25 November 2020 and a member of the Remuneration Committee of the Company on 24 June 2021. Ms. Catanzaro has a Bachelor of Commerce from the University of NSW, is a Fellow of the CA ANZ and is also a Graduate of the Australian Institute of Company Directors. Ms. Catanzaro has more than 30 years of professional experience in senior finance executive roles across a range of industries including FMCG and agriculture sectors, and with ASX listed companies. Ms. Catanzaro is currently a Non-Executive Director of ASX listed company, Ricegrowers Limited, from September 2018, where Ms. Catanzaro is Chair of the Finance, Risk and Audit Committee and a member of the Remuneration and Nomination Committees.

DIRECTORS' REPORT (CONTINUED)

Directors' Meetings

DIRECTOR *Number of Meetings:*	Attendance	Full Board *10*	Audit & Risk *11*	Remuneration *8*	Nomination *3*
G. Harvey	100%	10 [10]	n/a	n/a	n/a
K.L. Page	100%	10 [10]	n/a	n/a	n/a
J.E. Slack-Smith	100%	10 [10]	n/a	n/a	n/a
D.M. Ackery	100%	10 [10]	n/a	n/a	n/a
C. Mentis	100%	10 [10]	n/a	n/a	n/a
M.J. Harvey	100%	10 [10]	n/a	n/a	n/a
C.H. Brown	100%	10 [10]	11 [11]	8 [8]	3 [3]
K.W. Gunderson-Briggs	100%	10 [10]	11 [11]	8 [8]	3 [3]
G.C. Paton	100%	7 [7]	4 [4]	3 [3]	2 [2]
M.J. Craven	100%	10 [10]	n/a	n/a	n/a
L. Catanzaro	100%	3 [3]	7 [7]	n/a	n/a

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

Directors' Relevant Interests

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

DIRECTOR	Ordinary Shares	Performance Rights
G. Harvey	392,620,640	196,500
K.L. Page	19,856,315	549,000
J.E. Slack-Smith	1,143,893	327,000
D.M. Ackery	683,471	327,000
C. Mentis	1,161,297	249,000
M.J. Harvey	3,335,180	-
C.H. Brown	205,525,565	-
K.W. Gunderson-Briggs	10,059	-
M.J. Craven	30,673	-
L. Catanzaro	-	-
TOTAL	624,367,093	1,648,500

Company Secretary

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

Performance Rights

At the date of this report, there were 1,648,500 performance rights (2020: 1,499,000), being a right to acquire ordinary shares in the Company at nil exercise price.

On 1 December 2017, a total of 400,000 performance rights under Tranche 3 of the 2016 LTI Plan were granted to Executive Directors in accordance with the terms and conditions of the LTI Plan. On 1 January 2021, 173,600 performance rights representing 43.4% of Tranche 3 of the 2016 LTI Plan had lapsed and will never be exercisable by the participants. On 6 January 2021, 191,025 performance rights under Tranche 3 of the 2016 LTI Plan were exercised. On 26 March 2021, the remaining 35,375 performance rights under Tranche 3 of the 2016 LTI Plan were exercised reducing the unissued ordinary shares under Tranche 3 of the 2016 LTI Plan to nil.

On 4 December 2018, a total of 549,500 performance rights under Tranche FY19 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.

On 2 December 2019, a total of 549,500 performance rights under Tranche FY20 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.

On 4 December 2020, a total of 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan were granted to the Executive Directors in accordance with the terms and conditions of the LTI Plan.

DIRECTORS' REPORT (CONTINUED)

CEO and CFO Certification

The CEO and CFO have provided written statements to the Board in accordance with section 295A of the Corporations Act 2001 and have also certified to the Board in relation to the year ended 30 June 2021, that:

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

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

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

Committee Membership

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

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

Mr. Gunderson-Briggs was appointed Chairman of the Audit & Risk Committee and the Nomination Committee on 25 November 2020.

Ms. Catanzaro became a member of the Audit & Risk Committee on 25 November 2020 and became a member of Remuneration Committee on 24 June 2021.

Mr. Craven became a member of the Nomination Committee on 24 June 2021.

Mr. G.C. Paton retired on 25 November 2020. He was the Chairman of the Audit & Risk Committee, Chairman of the Nomination Committee and a member of the Remuneration Committee of the Company up to 25 November 2020.

Corporate Governance

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

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

The Corporate Governance Statement outlines the Company's corporate governance practices, including compliance with the Principles for the year ended 30 June 2021. The Corporate Governance Statement has been approved by the Board. The full Corporate Governance Statement and further details about corporate governance policies adopted by the Company and the Board and committee charters may be accessed via the Company's website www.harveynormanholdings.com.au.

Dividends

The directors recommend a fully franked final dividend of 15.0 cents per share to be paid on 15 November 2021 to shareholders registered on 18 October 2021 (total dividend, fully franked - $186,900,998).

The following fully franked dividends of the Company have also been paid, declared or recommended since the end of the preceding financial year:

	Payment Date	Amount
2020 final fully-franked dividend	2 November 2020	$224,281,198
2021 interim fully-franked dividend	3 May 2021	$249,201,331

The total dividend in respect of the year ended 30 June 2021 of 35.0 cents per share (2020: 24.0 cents per share) represents 51.83% (2020: 62.24%) of profit after tax and non-controlling interests, as set out on page 81 of the financial statements.

Excluding the non-cash net property revaluation increments, the total dividend in respect of the year ended 30 June 2021 of 35.0 cents per share represents 58.69% (2020: 65.59%) of profit after tax and non-controlling interests, as set out on page 81 of the financial statements.

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

DIRECTORS' REPORT (CONTINUED)

Indemnification of Officers

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

Principal Activities

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

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

Significant Changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the year ended 30 June 2021.

Significant Events After Balance Date

From 26 June 2021, the New South Wales (NSW) government announced stay-at-home orders for the greater Sydney area, with progressive lockdowns after that date for franchised complexes in greater Sydney and regional areas of NSW, in response to the Delta Variant of COVID-19 and rising cases of local transmission. Thereafter, and up to the date of this report, decisions have been made by local governments to impose rolling lockdowns in most States and Territories of Australia. These government mandates have affected franchisee sales in July and August 2021.

Apart from the above, there have been no circumstances arising since balance date which have significantly affected or may significantly affect:

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

Rounding of Amounts

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

Capital Management Policy

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

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

As at 30 June 2021, the consolidated entity had unused, available financing facilities of $193.96 million out of total approved financing facilities of $749.52 million. The net debt to equity ratio as at 30 June 2021 was 7.47%, compared to a net debt to equity ratio of NIL as at 30 June 2020.

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

The consolidated entity's borrowings consist primarily of bank debt provided by a syndicate of ten banks (including 3 of the "Big 4" Australian Banks). Concentration risk is minimised by staggering facility renewals and utilising a range of maturities of up to 2 years.

Letter from the Chair of the Remuneration Committee

Dear Shareholders

The consolidated entity delivered a further record financial result for the 2021 year increasing reported profit before tax (**PBT**) by 78.8% to $1.183 billion and reported net profit after tax and non-controlling interests (**NPAT**) by 75.1% to $841.41 million.

It also delivered a strong increase of 12.0% in the net asset base for shareholders to $3.89 billion as at 30 June 2021. The PBT return on net assets was 30% for the 2021 financial year compared to 19% for 2020.

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

At the outset of the 2021 year there was great uncertainty as to the expectation of outcomes. With this in mind the Remuneration Committee applied the following settings to the remuneration framework for the Executive Directors:

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

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

An appraisal of the performance of each Executive Director and the Executive Director team was undertaken following the end of the 2021 year as part of the annual Participant Performance Review by the Remuneration Committee. In this year, the appraisal focused on ensuring that executive remuneration in respect of the record financial result for 2021 was fair and reasonable, was in line with performance, and did not result in unintended windfall gains in remuneration returns for the Executive Directors.

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

- The operation of the consolidated entity across the eight separate countries including in both lock-down and reduced trading circumstances;
- The actions of the Executive Directors in protecting the business and reacting to the changes in market demand, including across the key functions of franchising, physical stores, on-line presence, supply chain management, logistics, marketing and advertising, government relations and property across the eight separate countries;
- The management of risks to the business which included employee and stakeholder welfare; and
- The total shareholder return (**TSR**) for the year of 66% compared to the ASX 200 Consumer Discretionary Index TSR of 46%.

The evaluation of the performance of Executive Directors linked with the design of the remuneration framework has led the Remuneration Committee to the conclusion that the Executive Directors did not receive any windfall gains in their respective remuneration returns. The Remuneration Committee views the outcome of the 2021 STI Plan and the LTI Plan as appropriate recognition of the performance of the Executive Directors in dealing with the multi-faceted challenges imposed during the year, demonstrating resilience in management of the integrated retail, franchise, property and digital business through much uncertainty.

In line with a similar resolution made last year, the Remuneration Committee resolved that in making its decisions and recommendations in respect of remuneration outcomes for the Executive Directors for 2021, it would exclude the effect of COVID-19 support and assistance received by the consolidated entity in each of the countries in which it operates, from remuneration outcomes.

Subsequent to the year-end, in August 2021, all of the wages support and assistance received by controlled entities in Australia of $6.02 million (FY21: $3.63 million and FY20: $2.39 million) was repaid to the Federal Government via the Australian Taxation Office.

Benchmarking for Reasonableness

The Company commissioned an independent remuneration expert review of the level and reasonableness of remuneration of the Executive Directors of the Company during 2021, including analyses and comparison of alternate peer groups, such as those used by the Company and proxy advisors in their prior assessments of executive remuneration, as well as remuneration structure and the components including the level of "at risk" remuneration.

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

- The overall remuneration opportunity remains within a reasonable range given executive tenure and position responsibilities.
- The significant shareholdings of the respective Executive Directors align with the long-term interests of shareholders.
- The remuneration mix is reasonable.
- The STI framework is reasonable.
- There is an opportunity to increase the long-term incentives, particularly for the CEO and the Executive Chairman.

Letter from the Chair of the Remuneration Committee (continued)
Benchmarking for Reasonableness (continued)

In respect to the benchmark peer group used by the Company, the independent remuneration expert findings were as follows:

- The benchmark peer group of the Company validly estimates remuneration applicable to executive positions of the Company by including peer companies that have important operational characteristics necessary to capture expertise required for position matching and excludes companies with operations that are not comparable.
- As the statistical analysis indicated that executive pay varied with the size of the operation for which the executive was accountable, and as the Company is larger than most companies in its industry, paying the median level would not attract or retain executives best suited to running larger businesses.
- The Company should continue to position remuneration around the level that reflects the financial accountability and operational scope of the Company relative to the benchmark peer group, which was around the 75th to 90th percentile of the benchmark peer group.

The conclusions reached by the Remuneration Committee, informed by the independent expert review, in respect of the remuneration of Executive Directors for 2021 were that:

- The level of fixed remuneration was reasonable.
- The level of target and maximum remuneration from the short term incentive (**STI**) was reasonable.
- The level of target and maximum remuneration from the long term incentive (**LTI**) was underdone and could have included further long term or extended term incentives.

Improving the Framework for Remuneration in 2021

The following improvements were made to the remuneration framework for Executive Directors informed by the independent remuneration expert report:

- The performance conditions for the 100% short term incentive pool were changed from being 50% as to financial conditions and 50% as to non-financial conditions, to be 80% as to financial conditions and 20% as to non-financial conditions.
- A malus or business modifier reduction of up to 30% of the 100% achievement pool for non-achievement of further non-financial conditions.

In combination, this increases the overall difficulty of achieving maximum STI outcomes with up to 30% contingent on achieving both financial performance and business modifier (non-financial) outcomes as opposed to only achieving non-financial performance in prior years.

In line with settings adjusted in prior years:

- Profit after tax adjusted for the after-tax effect of property increments and decrements (**APAT**), continues to be the measure used for the achievement of the financial conditions for the short term incentive.
- The 100% STI pool was increased to $3.25 million from $3.0 million in line with the increase in net assets of the Company over the previous financial period, with the 100% STI pool able to be increased if the financial performance conditions for the STI are over-achieved to the maximum extent of the over-achievement pool of $4.0 million from $3.6 million.
- The level of LTI achievement for the determination of vesting continues to be based on a straight-line basis as opposed to a gradation basis to remove the risk of calculation bias.
- The determination of return on net assets (**RONA**) for the on-foot LTI tranches exclude the effects of the financial impact of the adoption of the lease accounting standard AASB 16, to allow calculation consistency year-on-year.

Continuing the Framework in 2021

The framework for the Executive Director remuneration structure in the 2021 financial year remained similar to that which was in place for the 2020 financial year in respect of the following:

- Benchmarked fixed remuneration, with no increase in the level of fixed remuneration. Fixed remuneration of the executives has not increased since it was reset in FY2014 following the Global Financial Crisis (**GFC**);
- Evaluation of satisfactory performance for each Executive Director required for entry into the STI;
- Entry into the 2021 STI subject to the Executive Directors having managed risk in accordance with the risk management framework and the risk appetite of the Company;
- "At Risk" STI subject to a balanced scorecard of measures relevant to the given financial year;
- Entry at the base level of financial achievement for the STI required before the plan becomes activated;
- At risk LTI in the form of performance rights as issued under the terms of the 2016 LTI Plan;
- The use of RONA as the measure of financial performance for LTI capturing the effect of all impairments and write-downs, apart from property revaluation increments and decrements.

Things to Note for the 2021 STI Plan

The Board adopted a STI Plan for Executive Directors relevant to the desired outcomes of the 2021 financial year. The STI Plan is subject to both financial conditions, calculated exclusively using profit after tax adjusted for the after-tax effect of property increments and decrements (**APAT**) as to 80% weighting, and non-financial conditions as to 20% weighting, and malus or penalty reductions of up to 30%. The minimum financial performance conditions (i.e. entry-level achievement) must be achieved prior to the activation of the non-financial performance conditions. With respect to the 2021 STI Plan, the minimum financial performance conditions (entry-level to the 2021 STI Plan) was set at APAT of $400 million (FY2020 $320 million, up 25%), the 100% achievement level at APAT of $502 million (FY2020 $378 million, up 33%), with a maximum over-achievement level at APAT of $553 million (FY2020 $424 million, up 30%).

Letter from the Chair of the Remuneration Committee (continued)

Things to Note for the 2021 STI Plan (continued)

The levels were set by the Remuneration Committee with reference to analyst consensus forecasts compiled by Bloomberg from each of Credit Suisse, Goldman Sachs, Macquarie, Morningstar, JP Morgan, Morgan Stanley, UBS, Jeffries, CLSA and Evans and Partners, updated at the beginning of November 2020. Achievement between the 50% and 100% targets and the 100% to the over-achievement targets remained set on a straight-line basis.

Equivalent to previous STI Plans, each participating Executive Director is subject to the non-financial performance condition that the Executive Directors of the Company managed risk in accordance with the risk management framework and risk appetite of the Company. The Company recognises the critical connection between conduct and reward. The assessment of conduct is informed by the fundamental principles of:

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

Remuneration Outcomes

The achievements of the 2021 financial year are reflected in the remuneration outcomes:

1) Executive Directors achieved 112.86 out of 120 points (94.05%) of their 2021 STI targets for performance against a balanced scorecard of measures, as compared to 116.06 out of 120 points (96.72%) for the 2020 financial year.
    - In respect of the financial performance conditions, APAT of $738.44 million (FY2020 $426.78 million), which excluded COVID-19 assistance and support, exceeded the over-achievement maximum of $553 million.
    - The non-financial performance conditions were achieved as to 87.5% compared to 92.12% in 2020.
    - The malus reduction was 4.64%, i.e. 15.4% of the maximum reduction of 30 points.
    - Aggregated STI expense for 2021 was $3,767,952 compared to $3,481,651 for 2020.
    - The total 2021 STI award was $286,301, or 8.2%, higher than for 2020.
2) RONA of 30.09% for the year (FY2020 18.91%), which excluded COVID-19 assistance and support, resulted in the following:
    - Tranche FY19 of the 2016 LTI Plan, granted on 4 December 2018 being assessed for vesting at 100%;
    - Tranche FY20 of the 2016 LTI Plan, granted on 2 December 2019 was assessed for probable vesting at 100%; and
    - Tranche FY21 of the 2016 LTI Plan, granted on 4 December 2020 was assessed for probable vesting at 100%.
3) The total "at risk" compensation expense for the 2021 financial year was $1,261,775 or 27.8% higher than the "at risk" expense in the 2020 financial year primarily due to the higher level of payment under the STI awards and the higher probability of assessed vesting under the LTI Plan.
4) The total "take-home" pay for Key Management Personnel (**KMP**) Directors was $1,092,343 or 10.7% higher than the 2020 financial year. The total compensation for KMP Directors was $1,584,925 or 13.9% higher than the previous year.
5) Tranche 3 of the 2016 LTI Plan, granted on 1 December 2017 and subject to performance over the 2018, 2019 and 2020 financial years, vested as to 56.6% with effect from 1 January 2021. All vested performance rights have been exercised.
6) All of the Executive Directors continued to be employed throughout the year.
7) Each of the Executive Directors have a significant shareholding in the Company, each more than their respective total fixed remuneration (**TFR**), which provides alignment of the executive management with shareholders.

Correlation of Remuneration Outcomes with Performance Over 5 Years

Correlation is a calculation of the degree of relationship between two items with 100% being strongest and 0% being weakest. The level of statistically significant correlation remains strong, between both the total remuneration expense and the "at risk" remuneration of the Directors, with all of the performance indicators such as profit before tax, return on net assets, net profit after tax and non-controlling interests, earnings per share and average share price over a five year period from 2017 to 2021. The correlation factors range between 85% and 95% over the last five financial years from 2017 to 2021. Correlation is detailed at Item 10 of the Remuneration Report.

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

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

Yours sincerely

Ken Gunderson-Briggs

KEN GUNDERSON-BRIGGS
Remuneration Committee Chairman

Contents of the 2021 Remuneration Report

This remuneration report for the year ended 30 June 2021 outlines the remuneration arrangements of the consolidated entity in accordance with the requirements of the *Corporations Act 2001 (Cth)*, as amended, (the "Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction

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

Details of KMP of the Company and consolidated entity during the 2021 financial year are set out below. Unless otherwise indicated, the individuals were KMP for the entire financial year. For the purposes of this report, the term "executive" includes the Chief Executive Officer ("CEO"), Executive Directors and Senior Executives of the consolidated entity.

Key Management Personnel (KMP)	Position	Term as KMP
Executive Directors		
Gerald Harvey	Executive Chairman	Full financial year
Kay Lesley Page	Executive Director & Chief Executive Officer	Full financial year
John Evyn Slack-Smith	Executive Director & Chief Operating Officer	Full financial year
David Matthew Ackery	Executive Director	Full financial year
Chris Mentis	Executive Director, Chief Financial Officer & Company Secretary	Full financial year
Non-Executive Directors		
Christopher Herbert Brown OAM	Non-Executive Director	Full financial year
Michael John Harvey	Non-Executive Director	Full financial year
Kenneth William Gunderson-Briggs	Non-Executive Director (independent)	Full financial year
Maurice John Craven	Non-Executive Director (independent)	Full financial year
Graham Charles Paton AM	Non-Executive Director (independent)	Retired 25 November 2020
Luisa Catanzaro	Non-Executive Director (independent)	Appointed 25 November 2020
Senior Executives		
Martin Anderson	General Manager–Advertising	Retired 30 June 2021
Thomas James Scott	General Manager–Property	Full financial year
Gordon Ian Dingwall	Chief Information Officer	Full financial year
Lachlan Roach	General Manager–Home Appliances	Full financial year
Glen Gregory	General Manager–Technology & Entertainment	Full financial year
Emmanuel Hohlastos	General Manager–Audio Visual	Full financial year

2. Remuneration Principles and Strategy

The executive remuneration strategy of the consolidated entity in 2021 is designed to attract, motivate and retain high performing individuals and align the interests of executives with shareholders. The relevant factors in determining the suitability of a board member, including the Executive Directors, are integrity, business savvy, an owner-oriented attitude and a deep genuine interest in the business of the consolidated entity.

In applying these principles to the consolidated entity:

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

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

c) An owner orientation or perspective of an owner requires the individual to either have:
   i. "skin in the game" by holding, controlling or benefitting from a significant parcel of shares where the financial interests of the director are aligned with the long term beneficial interest of shareholders; or
   ii. a perspective of advising owners of businesses and understanding that wealth generation is derived from the building of business interests that create long-term sustainable value.

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

e) Interest in and time to do the job means:
   i. the person has an executive role, meaning that the person's career is based on job performance at the company; or
   ii. the individual has a limited number of outside interests (i.e., the person is not a professional non-executive director),

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

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

The following table illustrates how the remuneration strategy of the consolidated entity in 2021 aligns with the strategic direction and links remuneration outcomes to performance.

Objective of the consolidated entity in 2021	To be recognised as a leader in the sectors in which the consolidated entity operates and build long-term sustainable value for shareholders		
Remuneration strategy linkages to objectives of the consolidated entity in 2021	Align the interests of executives with shareholders	The remuneration framework incorporates "at risk" components, through STI and LTI plans	Short-term performance is assessed against a suite of financial and non-financial measures relevant to the success of the consolidated entity in 2021 and generating returns for shareholders
	Long-term performance is assessed against financial performance conditions calculated exclusively in respect of RONA	Attract, motivate and retain high performing individuals Longer-term remuneration encourages retention and multi-year performance focus	The remuneration offering is competitive for companies of a similar sector, size and complexity

2. Remuneration Principles and Strategy (continued)

Component	Vehicle	Purpose	Link to Performance
Fixed remuneration	Comprises base salary, superannuation contributions and other benefits	To provide competitive fixed remuneration set with reference to role, market and experience	Consolidated entity and individual performance are considered during the annual remuneration review
Short-term incentive (STI)	Paid as cash as a performance cash incentive (**PCI**), subject to minimum shareholding of individual Executive Directors	Rewards executives for their contribution to achievement of consolidated entity outcomes	a. There is no STI award for an Executive Director unless the Executive Director satisfies the Participant Performance Review in terms of the Individual Executive Director Assessment Report. b. There is no STI award unless the Entry Level financial condition is achieved. c. The STI pool in respect of 100% achievement level is subject to performance criteria as to: i. 80% subject to financial conditions; ii. 20% subject to business critical non-financial conditions; and iii. Malus reductions of up to 30% of the pool for non-achievement of further non-financial performance conditions. d. Financial achievement calculated over the 100% achievement level is subject to financial conditions only. e. Executive Directors are to hold shares to the value equating to the level of fixed remuneration for that Executive Director at the end of the given financial year. f. If shares held are less than the benchmark, benefits are to be provided in the form of shares.
Where Annual Profit After Tax is calculated as follows:	Annual Net Profit After Tax (APAT), excluding the after-tax effect of property revaluation increments or decrements, the after-tax effect of the net impact of AASB 16 *Leases* and the after-tax effect of COVID-19 support and assistance received		
Long-Term Incentive (LTI)	Awards under the LTI Plan are granted in the form of performance rights, being a right to acquire one ordinary share in the Company at nil exercise price	Rewards executives for their contribution to the financial performance of the consolidated entity and the effective utilisation of net assets to generate wealth for shareholders	Vesting of LTI performance rights is conditional upon achievement, in aggregate, of minimum RONA over the 2021, 2022 and 2023 financial years of 16% (for 20% vesting) with full vesting (i.e. 100%) achieved at 20% RONA.
Where Return on Net Assets (RONA) means the fraction:	$\dfrac{\text{APBT (annual net profit before income tax excluding property revaluation increments or decrements, the net impact of AASB 16 } \textit{Leases} \text{ and any COVID-19 support and assistance received)}}{\text{Net Assets (excluding non-controlling interests) at the close of the preceding financial year}}$		

3. Remuneration Governance

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration arrangements for Executive Directors and Non-Executive Directors (**NEDs**).

The Remuneration Committee assesses the appropriateness of the nature and amount of remuneration of NEDs and executives on a periodic basis by reference to relevant employment market conditions, with the overall objective of ensuring maximum stakeholder benefit from the retention of a high performing director and executive team. In 2021, independent remuneration experts provided remuneration benchmark information for consideration and analysis in respect of the level of Executive Director remuneration, including fixed remuneration, the short-term incentives framework and the long-term incentives framework, and the reasonableness of the framework.

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

Remuneration Approval Process

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

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

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

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

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

At the outset of the 2021 year there was great uncertainty as to the expectation of outcomes. With this in mind the Remuneration Committee applied the following settings to the remuneration framework for the Executive Directors:

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

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

An appraisal of the performance of each Executive Director and the Executive Director team was undertaken following the end of the 2021 year as part of the annual Participant Performance Review by the Remuneration Committee. In this year, the appraisal focused on ensuring that executive remuneration in respect of the record financial result for 2021 was fair and reasonable, was in line with performance, and did not result in unintended windfall gains in remuneration returns for the Executive Directors.

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

- The operation of the consolidated entity across the eight separate countries including in both lock-down and reduced trading circumstances;
- The actions of the Executive Directors in protecting the business and reacting to the changes in market demand, including across the key functions of franchising, physical stores, on-line presence, supply chain management, logistics, marketing and advertising, government relations and property across the eight separate countries;
- The management of risks to the business which included employee and stakeholder welfare; and
- The total shareholder return (**TSR**) for the year of 66% compared to the ASX 200 Consumer Discretionary Index TSR of 46%.

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

3. Remuneration Governance (continued)
Evaluation of Performance of Executive Directors to consider any Windfall Gain Effect (continued)

The Remuneration Committee views the outcome of the 2021 STI Plan and the LTI Plan as appropriate recognition of the performance of the Executive Directors in dealing with the multi-faceted challenges imposed during the year, demonstrating resilience in management of the integrated retail, franchise, property and digital business through much uncertainty.

In line with a similar resolution made last year, the Remuneration Committee resolved that in making its decisions and recommendations in respect of remuneration outcomes for the Executive Directors for 2021, it would exclude the effect of COVID-19 support and assistance received by the consolidated entity in each of the countries in which it operates, from remuneration outcomes.

Subsequent to the year-end, in August 2021, all of the wages support and assistance received by controlled entities in Australia of $6.02 million (FY21: $3.63 million and FY20: $2.39 million) was repaid to the Federal Government via the Australian Taxation Office.

No Unfair Benefit

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

4. Remuneration Mix–Target

For the 2021 financial year, the executive remuneration framework comprised fixed remuneration, STI and LTI.

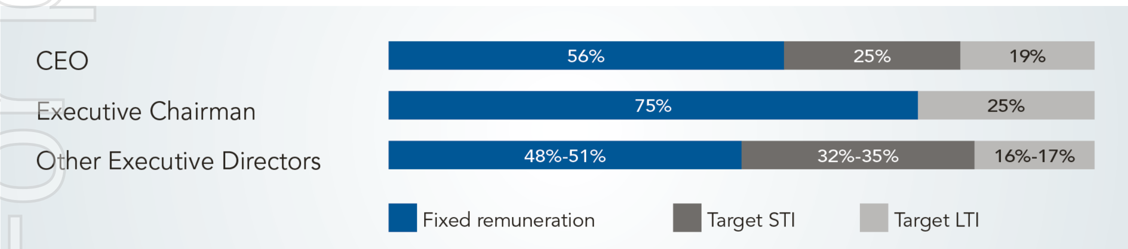
The consolidated entity aims to reward executives with a level and mix of remuneration appropriate to their position and responsibilities, while being market competitive.

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

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

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

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



Relationship to Benchmark Peer Group:
Below Target Range
Below Target Range
Within Maximum Range

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

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

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

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

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

2021 STI Plan

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

Who participates?	Executive Directors
How is the STI delivered?	STI awards, in the form of a cash bonus or performance cash incentive (PCI) or equity, have been made annually to Executive Directors in order to align remuneration with the achievement of a number of performance measures, targets and initiatives covering both financial and non-financial, corporate and individual measures of performance. Executive directors are to hold shares in the Company to the value equating to the level of fixed remuneration for that Executive Director at the end of the given financial year (the Benchmark Shareholding Level), with any STI paid in equity or cash subject to the following: a. If the Executive Director is under the Benchmark Shareholding Level, the STI reward will be paid in equity, subject to shareholder approval and compliance with the ASX Listing Rules, to the value that increases the holding of the Executive Director to the Benchmark Shareholding Level, with any remaining balance of the STI reward paid in cash. b. If the Executive Director is over the Benchmark Shareholding Level, the STI reward will be paid in cash.
When is the STI paid?	The payment of the 2021 STI Plan PCI to an Executive Director under the 2021 STI Plan is to be made on 30 September 2021, or as soon as reasonably practicable after that date, subject to the satisfaction of 2021 STI Plan Performance Conditions and 2021 STI Plan Service Conditions.
What is the 2021 STI opportunity?	Executive Directors, excluding the Executive Chairman, have a target STI opportunity of between 45% to 72% of fixed remuneration. The target STI opportunity is set at a level so as to provide sufficient incentive to Executive Directors to achieve the operational targets and such that the cost to the consolidated entity is reasonable in the circumstances. For the year ended 30 June 2021, the 100% STI Pool for the 2021 STI Plan PCI was $3,250,000 allocated as follows: (1) Gerald Harvey nil; (2) Kay Lesley Page $942,500; (3) John Evyn Slack-Smith $812,500; (4) David Matthew Ackery $812,500; and (5) Chris Mentis $682,500. The maximum over-achievement pool for allocation was $750,000, with the maximum STI pool being $4,000,000. The over-achievement pool was allocated in proportion to the 100% STI Pool.
What are the STI performance conditions for FY2021?	Actual STI payments awarded to each Executive Director depend on the extent to which specific measures, targets, initiatives and conditions for the 2021 financial year (STI Targets) were met. STI Targets cover financial and non-financial measures of performance. There is no STI award for an Executive Director unless the Executive Director satisfies the Participant Performance Review in terms of the Individual Executive Director Assessment Report. There is no STI award unless the Entry Level financial condition is achieved. The primary weighting of the 2021 STI Plan Performance Conditions are as follows: a. Financial Condition as to 80% entitlement to the 100% STI Pool; b. Non-Financial Conditions as to 20% entitlement to the 100% STI Pool; c. Malus reductions of up to 30% for non-achievement of certain other non-financial performance conditions; and d. Financial Condition as to the Over-Achievement Pool.

(a) STI 80% Financial Condition

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

The Financial Condition is calculated in respect of the year ended 30 June 2021 and will be achieved at the following levels:

- Entry Level at APAT of $400 million, equating to 50% entitlement of the STI subject to the financial condition (i.e., 40% entitlement to the 100% STI pool = $1.30 million);
- 100% Level at APAT of $502million, equating to 100% entitlement of the STI subject to the financial condition (i.e., 80% entitlement to the 100% STI pool = $2.60 million);
- Straight-line sliding scale between Entry Level and 100% Level;
- Over-Achievement Level at APAT of $553 million, equating to 100% entitlement of the 100% STI Pool subject to the financial condition (i.e., 80% entitlement to the 100% STI pool = $2.60 million) and 100% entitlement to the Over-Achievement Pool Amount of $0.75 million, resulting in a total Over-Achievement entitlement of $3.35 million;
- Straight-line sliding scale for achievement between 100% and the Over-Achievement Level.

(b) STI 20% Non-Financial Conditions

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

- Productivity improvements equating to 50% entitlement of the STI subject to the non-financial conditions (i.e., 10% entitlement to the STI pool = $0.325 million); and
- Digital innovations equating to 50% entitlement of the STI subject to the non-financial conditions (i.e., 10% entitlement to the STI pool = $0.325 million).

Full achievement of the non-financial conditions will equate to 20% entitlement to the STI pool i.e., a total of $0.65 million.

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

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

- Customer Experience in Australia and NZ = 10% of the 30%
- Franchisee learning, development and growth = 5% of the 30%;
- Company-operated store expansion strategy = 15% of the 30%.

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

5. Details of the Short-Term Incentive (STI) Plan (continued)
2021 STI Plan (continued)

How is performance assessed?	In respect of the 2021 STI, each participating Executive Director will be subject to an additional non-financial performance condition in the form of a Participant Performance Review which is to: • Measure the extent of the proper performance and discharge of the executive responsibilities and accountabilities of that Individual Participant Executive Director; • Measure the extent of the proper performance and discharge of the duties of that Individual Participant Executive Director, as an officer and director of the Company. To determine whether an individual is eligible for the 2021 STI, in terms of performance, the following process is undertaken: • A report by the CEO in respect to which each Individual Participant Executive Director has satisfied the Participant Performance Review in the form of an Individual Executive Director Assessment Report. In respect of the assessment of the CEO, the Chairman of the Remuneration Committee shall undertake the report and assessment in respect of the CEO. • An objective appraisal by the Internal Auditor of the process and conclusions reached in the Individual Executive Director Assessment Reports, to be provided to the Remuneration Committee promptly after 30 June 2021. Subject to a satisfactory Participant Performance Review, and after consideration of reports and performance against STI Targets, the Remuneration Committee makes a final determination of the amount of STI to be paid to the CEO and other Executive Directors. The extent to which the financial conditions and non-financial conditions have been satisfied will be documented in the Performance Report and an Internal Audit Report, for consideration by the Remuneration Committee in accordance with the terms and conditions of the 2021 STI Plan. The Remuneration Committee (acting on behalf of the Company) may at any time, in its absolute discretion, decrease the amount of the STI which is, or may become, payable to an executive under the 2021 STI Plan by serving a written notice to the relevant executive at any time before the payment date.
What happens if an executive leaves?	For "Bad Leavers" (defined by the Company as resignation or termination for cause), any STI is forfeited, unless otherwise determined by the Board. For any other reason, the Board has discretion to award STI on a pro-rated basis taking into account time and the current level of performance against performance hurdles.

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

There were three active tranches of the 2016 LTI Plan operating in respect of the 2021 financial year. The FY19 Tranche was issued in FY2019 and is measured over 2019, 2020 and 2021. The FY20 Tranche was issued in FY2020 and is measured over 2020, 2021 and 2022. The FY21 Tranche was issued in FY2021 as follows:

Tranche FY21 of the 2016 LTI Plan

Tranche FY21 of the 2016 LTI Plan	LTI grants are made annually to Executive Directors in order to align remuneration with the creation of sustainable shareholder value over the long-term.
Who participates?	Executive Directors which have an impact on the performance of the consolidated entity against the relevant long-term performance measures.
How is the LTI delivered?	Shareholders at the AGM held on 24 November 2015 approved the terms and conditions of the 2016 LTI Plan that permitted the grant of performance rights to Executive Directors in three separate tranches in the 2016, 2017 and 2018 financial years. Shareholders at the AGM held on 27 November 2018 permitted the grant of a further three separate tranches of performance rights to Executive Directors in the 2019, 2020 and 2021 financial years, subject to the terms and conditions of the 2016 LTI Plan.

Executive	Tranche FY19 Exercisable between 1 January 2022 and 30 June 2024	Tranche FY20 Exercisable between 1 January 2023 and 30 June 2025	Tranche FY21 Exercisable between 1 January 2024 and 30 June 2026
G. Harvey	65,500	65,500	65,500
K.L Page	183,000	183,000	183,000
J.E. Slack-Smith	109,000	109,000	109,000
D.M. Ackery	109,000	109,000	109,000
C. Mentis	83,000	83,000	83,000
Total	549,500	549,500	549,500

6. Details of the Long-Term Incentive (LTI) Plan (continued)
Tranche FY21 of the 2016 LTI Plan (continued)

What is the LTI opportunity issued in FY2021?

A performance right is the right to acquire one ordinary share in the Company at nil exercise price. No amount is payable in respect of the grant of a performance right. If exercised, each performance right will be converted into one ordinary share in the Company.

Executive Directors have a target LTI opportunity of 34% of fixed remuneration.

A total of 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan were granted to Executive Directors on 4 December 2020.

The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date, with a fair value of $3.85 per entitlement share based on a share price of $4.66.

The fair value was derived from a discounted cash flow technique where the value of the performance right is the face value of the share at grant date less the present value of the dividends expected to be paid on the share but not received by the holder during the vesting period. Subject to the satisfaction of the financial performance condition and service conditions of the 2016 LTI Plan, the total fair value of Tranche FY21 performance rights amounted to $2,115,575 in aggregate.

Tranche FY21	Key Dates
Grant date	4 December 2020
Vesting date	31 December 2023
First exercise date	1 January 2024
Last exercise date	30 June 2026

What are the performance conditions for Tranche FY21 of the 2016 LTI Plan

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

100% Financial Condition

The financial condition in respect of the achievement of Tranche FY21 of the 2016 LTI Plan is based on RONA, where Tranche FY21 RONA means the fraction:

Tranche FY21 Aggregate APBT ÷ Tranche FY21 Aggregate Net Assets, expressed as a percentage.

Where:

Tranche FY21 Financial Years means the financial years ending 30 June 2021, 2022 and 2023;

Tranche FY21 Aggregate APBT means the aggregate amounts of the annual net profit before income tax of the consolidated entity for each of the Tranche FY21 Financial Years, but excluding amounts accounted for in the financial statements of the consolidated entity for increments or decrements arising from the revaluation of land or buildings, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received in the Tranche FY21 Financial Years;

Tranche FY21 Aggregate Net Assets means the aggregate amounts of the net assets of the consolidated entity, excluding non-controlling interests, as at each of 30 June 2020, 2021 and 2022 as described in the annual report of the consolidated entity in respect of each of the Tranche FY21 Financial Years.

Full vesting of the Tranche FY21 performance rights is conditional upon achievement of Tranche FY21 RONA of at least 20%, with a lesser vesting as set out in the table below:

Tranche FY21 RONA Achieved	Tranche FY21 % of Performance Rights that will become
Less than 16%	NIL
16%	20%
17%	40%
18%	60%
19%	80%
20%	100%

The level of LTI achievement for the determination of vesting will be based on a straight-line basis between 16% RONA as to 20% achievement and 20% RONA as to 100% achievement.

6. Details of the Long-Term Incentive (LTI) Plan (continued)
Tranche FY21 of the 2016 LTI Plan (continued)

How is performance assessed?	Level of satisfaction of LTI Plan conditions is monitored by the Remuneration Committee, with assistance from Internal Audit, each year, with the vesting outcomes ultimately determined at the end of the three-year performance period. The LTI award for each of the financial years will be measured over a three-year period, with Tranche FY21 of the 2016 LTI Plan measured over the period for financial years ending 30 June 2021, 30 June 2022 and 30 June 2023.
When does the LTI vest?	Performance rights granted under Tranche FY21 of the 2016 LTI Plan will vest on 31 December 2023, subject to meeting the financial performance conditions and service conditions, and will be capable of exercise between 1 January 2024 and 30 June 2026.
How are potential LTI awards treated on termination?	In general, where a participant resigns or is terminated for cause before a performance right vests, all unvested performance rights will lapse. The Board (after consideration of the recommendations of the Remuneration Committee of the Board), has discretion to determine the treatment of any unvested performance rights where a participant ceases employment in "good leaver" circumstances (such as by reason of death, disability or otherwise in circumstances approved by the Board). In the event of fraud, dishonesty or breach of obligations, the Board may make a determination, including lapsing an award of performance rights, to ensure no unfair benefit is obtained by a participant.
How are potential LTI awards treated if a change of control occurs?	In the event of a takeover, scheme of arrangement or other transaction which may result in a person becoming entitled to exercise control over the Company, the Board has a discretion to determine whether any unvested performance rights should vest, lapse or become subject to different performance conditions, or whether any resulting shares that are subject to a restriction period, should become unrestricted.
Are executives eligible for dividends?	Performance rights will not carry any voting or dividend rights. Performance rights are non-transferable except in limited circumstances or with the consent of the Board. If exercised, each performance right will be converted into one ordinary share in the Company. Executives will then be entitled to dividends on those ordinary shares after conversion.

7. Performance and Executive Remuneration Outcomes in FY21

7A. Actual Remuneration Earned by Key Management Personnel (KMP) in FY21

The compensation expensed in respect of KMP in FY21 is set out in Table 1 (for Directors) and Table 2 (for Senior Executives) on pages 55 and 56 of this report. This provides shareholders with a view of the remuneration earned by KMP for performance in the 2021 financial year and the value of any LTIs expensed during the financial year.

The 'take-home pay' for KMP Directors of the Company, representing the benefits paid to each Director during the year ended 30 June 2021, or as soon as practicable after that date, is set out in Section 13 of the Remuneration Report on page 59.

7B. Fixed Remuneration

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

In line with the independent review undertaken during the 2020 financial year by an independent remuneration expert, the determination of fixed remuneration of Executive Directors was subject to the following principles:

a) The performance of the Company, the longevity of the Executive Directors in their respective roles and the assessment of opportunity costs in respect of replacement;

b) Be in line with the remuneration policies of the Company for Executive Directors so as to position fixed remuneration at around 75th to 90th percentile of the peer group; and

c) Target total remuneration to provide the opportunity for Executive Directors to earn top quartile rewards for outstanding performance.

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

For FY2021, there was no increase in the level of fixed remuneration for the Executive Directors. The fixed remuneration of the Executive Directors has not increased since the fixed remuneration was re-set in FY2014 following the Global Financial Crisis (GFC).

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

7. Performance and Executive Remuneration Outcomes in FY21 (continued)

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

A combination of financial and non-financial measures are used to measure performance for STI awards. The STI 100% opportunity pool was $3,250,000 (2020: $3,000,000). The pool for over-achievement was $750,000 (2020: $600,000). The maximum aggregate pool for allocation was $4,000,000 (2020: $3,600,000).

80% of the STI is dependent on the satisfaction of financial performance conditions (based on APAT) and 20% is measured against the achievement of non-financial measures.

Actual performance against those measures is as follows for the 2021 financial year:

a) 100% achievement of the 80% Financial Condition **(score of 80 out of 80)** of the 100% STI pool = $2,600,000
b) 100% achievement of the Over-Achievement Pool subject to the Financial Condition **(score of 20 out of 20)** = $750,000
c) 87.5% achievement of the 20% Non-Financial Conditions **(score of 17.5 out of 20)** = $568,752
d) 15.5% reduction for malus penalties of up to 30% of the STI Pool **(score of 4.64 out of 30)** = reduction of $150,800

The total 2021 STI Plan payable in respect of the 2021 financial year is $3,767,952 (2020: $3,481,651). This represented a **total achievement of 112.86 points out of 120 points (94.05%)** as shown in the tables below.

Financial Conditions of the 2021 STI Plan

Achievement of 80% Financial Condition			
Calculation of FY2021 APAT	Annual Net Profit After Tax (APAT) excluding the after-tax effects of property revaluation increments or decrements, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received	= $738.44 million for FY21	Achievement = 120% Over-Achievement

	100% Level 2021 STI PCI	% Financial Conditions	2021 STI PCI Financial Condition	% Financial Condition Satisfied	2021 STI PCI Payable
Gerald Harvey	Nil	n/a	Nil	n/a	Nil
Kay Lesley Page	$942,500	80%	$754,000	100% (80 out of 80)	**$754,000**
John Evyn Slack-Smith	$812,500	80%	$650,000	100% (80 out of 80)	**$650,000**
David Matthew Ackery	$812,500	80%	$650,000	100% (80 out of 80)	**$650,000**
Chris Mentis	$682,500	80%	$546,000	100% (80 out of 80)	**$546,000**
Total	$3,250,000		$2,600,000		$2,600,000

Achievement of Over-Achievement Pool	120% Over-Achievement Pool	% Financial Conditions	2021 STI PCI Financial Condition	% Financial Condition Satisfied	2021 STI PCI Payable
Gerald Harvey	Nil	n/a	Nil	n/a	Nil
Kay Lesley Page	$217,500	100%	$217,500	100% (20 out of 20)	**$217,500**
John Evyn Slack-Smith	$187,500	100%	$187,500	100% (20 out of 20)	**$187,500**
David Matthew Ackery	$187,500	100%	$187,500	100% (20 out of 20)	**$187,500**
Chris Mentis	$157,500	100%	$157,500	100% (20 out of 20)	**$157,500**
Total	$750,000		$750,000		$750,000

APAT for the 2021 financial year was $738.44 million resulting in the full achievement of the financial conditions for the STI 100% Pool (level required $502 million), and full achievement of the financial conditions in respect of the Over-Achievement Pool (level required $553 million).

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

7. Performance and Executive Remuneration Outcomes in FY21 (continued)
7C. Actual Performance Against Short Term Incentive (STI) Measures (continued)

Non-Financial Conditions of the 2021 STI Plan

Achievement of 20% Non-Financial Conditions	For 2021, 20% of the 100% opportunity pool i.e., $650,000 was subject to non-financial performance measures as to: • Productivity improvements of 50% for $325,000; and • Digital innovations of 50% for $325,000.				
	100% Level 2021 STI PCI	% Non-Financial Conditions	2021 STI PCI Non-Financial	% Non-Financial Condition Satisfied	2021 STI PCI Payable
Gerald Harvey	Nil	n/a	Nil	n/a	Nil
Kay Lesley Page	$942,500	20%	$188,500	87.5% (17.5 out of 20)	$164,938
John Evyn Slack-Smith	$812,500	20%	$162,500	87.5% (17.5 out of 20)	$142,188
David Matthew Ackery	$812,500	20%	$162,500	87.5% (17.5 out of 20)	$142,188
Chris Mentis	$682,500	20%	$136,500	87.5% (17.5 out of 20)	$119,438
Total	$3,250,000		$650,000		$568,752

The Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management, including the Individual Director Assessment Reports and Internal Audit Reports, and noted that 87.5% of the non-financial performance hurdles for the 2021 STI Plan were achieved, equating to a score of 17.5 points out of 20 points.

Achievement of the Non-Financial Performance Conditions for the 2021 STI Plan are set out in the following table:

	Assessment of Non-Financial Conditions of the 2021 STI Plan					
Measure	Target	Primary Weighting	Initiatives and Conditions	Weighting of initiatives & conditions	Achieve-ment	Score
Productivity Improvements	Implement process improvements and systems to enhance the Online-to-Offline (020) Strategy of the consolidated entity.	10%	Establish and commence the build phase for the up-grade of finance platforms of the consolidated entity in Australia, with governance established for each stream of the project within approved scope and budget.	25%	80%	2.0%
			Franchisees are to be provided with licences and training to use tools to improve the profitability of their franchised business:			
			(1) Trak by Harvey Norman® functionality in no less than 80 franchised complexes with the third phase of the approved program within approved scope and budget.	25%	100%	2.5%
			(2) Complete phase 3 of the approved project to replace all end-of-life and at-capacity hardware used by franchisees within approved scope and budget.	25%	100%	2.5%
			(3) Establish and commence the security and improve-ment program for franchisees with governance established for each stream of the program within approved scope and budget.	25%	100%	2.5%
Digital Innovations	Implement innovation and improvement initiatives to enhance the digital operations of the consolidated entity.	10%	Franchisees are to be provided with licences and train-ing to use the digital innovations to improve the profitability of the franchised business:			
			(1) Establish a program of improvement initiatives within franchised complexes and the Marketplace franchisee operational environments including a schedule for scope approval and an execution timetable.	50%	100%	5.0%
			(2) Upgrade the digital platform licensed to the Marketplace franchisee with appropriate governance over the approved scope and budget.	50%	60%	3.0%
Total		20%				17.5%

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

7. Performance and Executive Remuneration Outcomes in FY21 (continued)
7C. Actual Performance Against Short Term Incentive (STI) Measures (continued)

Malus Reduction in Respect of 2021 STI Plan

Malus Reductions of up to 30% of the 2021 STI	Malus (financial penalty) provisions to reduce the overall achievement of the 100% STI pool by up to 30% i.e., $975,000, in respect of: • Customer Experience in Australia and New Zealand, as to 10 points of the 30%; • Franchisee learning, development and growth, as to 5 points of the 30%; and • Company-operated store expansion strategy, as to 15 points of the 30%.

	100% Level 2021 STI PCI	% Malus Reductions	2021 STI PCI Malus Reductions	% Malus Reductions (Score)	Reduction in 2021 STI PCI Payable
Gerald Harvey	Nil	n/a	Nil	n/a	Nil
Kay Lesley Page	$942,500	-30%	($282,750)	-15.47% (4.64 out of 30)	**($43,732)**
John Evyn Slack-Smith	$812,500	-30%	($243,750)	-15.47% (4.64 out of 30)	**($37,700)**
David Matthew Ackery	$812,500	-30%	($243,750)	-15.47% (4.64 out of 30)	**($37,700)**
Chris Mentis	$682,500	-30%	($204,750)	-15.47% (4.64 out of 30)	**($31,668)**
Total	$3,250,000		($975,000)		($150,800)

Total achievement of the 2021 STI was reduced by 4.64% ($150,800) relating to the assessment of malus reductions as indicated in the table below.

Measure	Target	Primary Weighting	Initiatives and Conditions	Weighting of initiatives & conditions	Achieve-ment / Score	Malus Reduc-tion
	Assessment of the Malus Provisions					
Customer Experience	Grant licences to use tools to reinforce and enhance the "Shop with Confidence" Harvey Norman® brand positioning through the Customer Service Standards.	-10%	(1) Each franchisee in a Harvey Norman® complex to achieve an aggregate satisfaction rating from customer experience surveys of no less than 50% for that complex in Australia (expected achievement of 75%).	40%	100% (Score of 4.0%)	0.0%
			(2) Each franchisee in Australia to achieve a reduction in the number of total consumer complaints of 4% in FY21 over the prior year on a like -for-like basis.	40%	9.0% (Score of 0.36%)	-3.64%
			(3) Company-operated stores in New Zealand to achieve an aggregate independent rating from the planned and budgeted customer experience surveys during FY21 of at least 50% (expected achievement of 75%).	10%	100% (Score of 1.0%)	0.0%
			(4) Company-operated stores in New Zealand to achieve a net reduction in total complaints of 3% in FY21 over the prior year on a like-for-like basis.	10%	0.0% (Score of 0.0%)	-1.0%
People & Culture / Franchisee Learning, Development and Growth	Ongoing refinement of the process by each franchisee that promotes and encourages measure-able improvement in the knowledge and capability of the franchisee and their employees.	-5%	(1) Franchisees to identify and nominate a minimum number of 50 candidates to attend the "Franchisees and Proprietor in Training (FIT)" development program during FY21.	50%	100% (Score of 2.5%)	0.0%
			(2) Franchisees to achieve a successful completion rate of 75% by participants in the FIT development program during FY21.	50%	100% (Score of 2.5%)	0.0%
Company-Operated Store Expansion Strategy	Company-operated store expansion strategy in Singa-pore, Malaysia, Ireland and Croatia.	-11.25%	(1) Singapore: open 3 new stores during FY21. (2) Malaysia: open 3 new stores during FY21	75%	100% (11.25%)	0.0%
		-1.875% -1.875%	(3) Ireland: One (1) new store to be opened at Sligo. (4) Croatia: One (1) new store to be opened at Pula.	12.5% 12.5%	Both 100% (1.875%)	0.0% 0.0%
Total		-30%				-4.64%

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

7. Performance and Executive Remuneration Outcomes in FY21 (continued)
7C. Actual Performance Against Short Term Incentive (STI) Measures (continued)

SUMMARY OF TOTAL ACHIEVEMENT OF 2021 STI	100% Pool Amount			Over-Achievement Pool	TOTAL 2021 STI
	Financial	Non-Financial	Malus	Financial	
Gerald Harvey	-	-	-	-	-
Kay Lesley Page	$754,000	$164,938	($43,732)	$217,500	$1,092,706
John Evyn Slack-Smith	$650,000	$142,188	($37,700)	$187,500	$941,988
David Matthew Ackery	$650,000	$142,188	($37,700)	$187,500	$941,988
Chris Mentis	$546,000	$119,438	($31,668)	$157,500	$791,270
Total	$2,600,000	$568,752	($150,800)	$750,000	$3,767,952

Service Conditions of the 2021 STI Plan

The 2021 STI Plan Service Conditions will be deemed to be satisfied, if and only if, as at the relevant payment date (30 September 2021):

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

Shareholding Benchmark of the 2021 STI Plan

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

Each of the Executive Directors that participated in the 2021 STI Plan held shares in the Company of a value that was in excess of the Benchmark Shareholding Level. The STI benefit under the 2021 STI Plan is to be paid in cash.

7D. Actual Performance Against Long Term Incentive (LTI) Measures for Tranche FY21 of the 2016 LTI Plan

A total of 549,500 performance rights were granted to Executive Directors on 4 December 2020. The Remuneration Committee had regard to certificates and reports from officers of the Company, other Board committees and management and Internal Audit Reports, and has estimated, based on the available evidence, that the financial performance condition for Tranche FY21 of the 2016 LTI Plan will be 100% achieved by the end of the vesting period and it is probable that 100% of the estimated fair value of the performance rights will meet the performance condition.

The Remuneration Committee resolved in making its decisions and recommendations in respect of remuneration outcomes for the Executive Directors of the Company, it will exclude the effect of COVID-19 support and assistance in respect of remuneration outcomes, so as to eliminate unintended windfall gains in "at risk" remuneration returns for the Executive Directors in respect of COVID-19 support and assistance. The probability of 100% vesting has been estimated based on the calculation of Tranche FY21 RONA for the 2021 financial year of 30.09%. A 30.09% RONA for FY21 would result in a 100% vesting for year 1 of the three-year measurement period. A 100% vesting probability will result in an estimated cumulative Tranche FY21 fair value of $2,115,575 over the vesting period. An amount of $393,726 has been recognised as remuneration to Executive Directors and expensed in the income statement on a straight-line basis for FY2021.

Achievement of 100% Financial Condition for Tranche FY21 of 2016 LTI

Calculation of FY21 RONA:			
	FY21 APBT (net profit excluding property revaluations, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received)	$1,036.91 million	= 30.09% RONA
	FY20 Net Assets (excluding non-controlling interests)	$3,446.34 million	

	Number of Performance Rights	Fair Value Per Right	Fair Value of Performance Rights	Probability of Vesting %	Estimated Value of Tranche FY21 2016 LTI Plan to Vest	Tranche FY21 LTI Plan Expense in FY21
Gerald Harvey	65,500	$3.85	$252,175	100%	$252,175	$46,932
Kay Lesley Page	183,000	$3.85	$704,550	100%	$704,550	$131,123
John Evyn Slack-Smith	109,000	$3.85	$419,650	100%	$419,650	$78,100
David Matthew Ackery	109,000	$3.85	$419,650	100%	$419,650	$78,100
Chris Mentis	83,000	$3.85	$319,550	100%	$319,550	$59,471
Total	549,500		$2,115,575		$2,115,575	$393,726

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

7. Performance and Executive Remuneration Outcomes in FY21 (continued)

7D. Actual Performance Against Long Term Incentive (LTI) Measures for Tranche FY21 of the 2016 LTI Plan (continued)

Subject to the satisfaction of the financial performance condition and service conditions of the 2016 LTI Plan, Tranche FY21 will vest on 31 December 2023. The exercise price for each performance right will be nil. If exercised, each performance right will be converted into one ordinary share of the Company. Unexercised performance rights will lapse, irrespective of whether the performance rights have become exercisable on 1 July 2026 or:

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

7E. Reassessment of Tranche FY20 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY21

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

In the 2020 Remuneration Report, it was reported that the estimated achievement of Tranche FY20 of the 2016 LTI Plan would have been 60% by the end of the vesting period and that 60% of the estimated fair value of the Tranche FY20 performance rights will meet the performance condition. The probability of 60% vesting had been estimated based on the calculation of Tranche FY20 RONA for the 2020 financial year of 18.91%.

The financial performance condition of Tranche FY20 is subject to reassessment during each of the Tranche FY20 Financial Years being the financial years ending 30 June 2020, 2021 and 2022. A reassessment of the Tranche FY20 Aggregate APBT and Tranche FY20 Aggregate Net Assets for the 2020 and 2021 financial years has resulted in a revised RONA for the two-year aggregated period of 24.73%. The revised RONA of 24.73% has resulted in a revised probability of vesting of 100%. This revised probability of vesting of 100% is higher than the previously estimated probability of vesting of 60% calculated in FY20 based on Tranche FY20 RONA.

The cumulative expense in respect of Tranche FY20 has been reassessed in the 2021 financial year as $1,906,765, an increase of $762,706 from the previous assessment of cumulative Tranche FY20 expense in the 2020 financial year of $1,144,059 as reported in the 2020 Remuneration Report. The total value of Tranche FY20 expense recognised in the 2021 financial year was $761,714, comprised of $618,173 relating to the recognition of the Tranche FY20 expense on a straight-line basis for FY2021, and $143,541 relating to an adjustment to the Tranche FY20 expense recognised in the previous financial year due to the reassessment of the probability of vesting from 60% to 100%.

Reassessment of 100% Financial Condition for Tranche FY20 of 2016 LTI Plan						
Calculation of Aggregated RONA for Tranche FY20 Financial Years (FY2020 and FY2021)		Tranche FY20 Aggregated APBT (net profit excluding property revaluations, the net impact of AASB 16 *Leases* and any COVID-19 support and assistance received) (2020 + 2021) / Tranche FY20 Aggregated Net Assets (2019 + 2020)			$1.635.84 million / $6,613.75 million	= 24.73% RONA
	Probability Vesting % in FY20	Tranche FY20 Estimated Fair Value in FY20	Revised Probability Vesting in FY21	Revised Estimated Tranche FY20 Fair Value in FY21	Adjustment due to reassessment	Tranche FY20 LTI Plan Expense in FY21
Gerald Harvey	60%	$136,371	100%	$227,285	$90,914	**$90,796**
Kay Lesley Page	60%	$381,006	100%	$635,010	$254,004	**$253,674**
John Evyn Slack-Smith	60%	$226,938	100%	$378,230	$151,292	**$151,095**
David Matthew Ackery	60%	$226,938	100%	$378,230	$151,292	**$151,095**
Chris Mentis	60%	$172,806	100%	$288,010	$115,204	**$115,054**
Total		$1,144,059		$1,906,765	$762,706	$761,714

7F. Reassessment of Tranche FY19 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY21

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

7. Performance and Executive Remuneration Outcomes in FY21 (continued)

7F. Reassessment of Tranche FY19 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY21 (continued)

In the 2020 Remuneration Report, it was reported that the estimated achievement of Tranche FY19 of the 2016 LTI Plan would have been 60% by the end of the vesting period and that 60% of the estimated fair value of the Tranche FY19 performance rights will meet the performance condition.

The probability of 60% vesting was reassessed in 2020 based on a 2-year aggregated RONA, being the Tranche FY19 Aggregate APBT and Tranche FY19 Aggregate Net Assets for the 2019 and 2020 financial years. The reassessment in 2020 resulted in a revised 2-year aggregated RONA of 18.15%.

The financial performance condition of Tranche FY19 was subject to reassessment during each of the Tranche FY19 Financial Years being the financial years ending 30 June 2019, 2020 and 2021. A reassessment of the Tranche FY19 Aggregate APBT and Tranche FY19 Aggregate Net Assets for the 2019, 2020 and 2021 financial years has resulted in a revised RONA for the three-year aggregated period of 22.47%. A revised aggregated RONA of 22.47% for the Tranche FY19 Financial Years has resulted in the actual achievement of 100% of the Tranche FY19 performance rights. This revised achievement calculation of 100% is higher than the previously estimated probability of vesting of 60% calculated in FY20.

The cumulative expense in respect of Tranche FY19 has been reassessed in the 2021 financial year as $1,423,205, an increase of $569,282 from the previous assessment of cumulative Tranche FY19 expense in the 2020 financial year of $853,923 as reported in the 2020 Remuneration Report. The total value of Tranche FY19 expense recognised in the 2021 financial year was $753,359, comprised of $462,115 relating to the recognition of the Tranche FY19 expense on a straight-line basis for FY21, and $291,244 relating to an adjustment to the Tranche FY19 expense recognised in the 2019 and 2020 financial years due to the reassessment of the probability of vesting from 60% to 100%. FY2021 was the final year of measurement for Tranche FY19 with the performance rights scheduled to vest at 31 December 2021.

Reassessment of 100% Financial Condition for Tranche FY19 of 2016 LTI Plan						
Calculation of Aggregated RONA for Tranche FY19 Financial Years (2019, 2020 and 2021)		Tranche FY19 Aggregated APBT (2019+ 2020 + 2021) / Tranche FY19 Aggregated Net Assets (2018 + 2019 + 2020)			$2,140.10 million / $9,524.76 million	= 22.47% RONA
	Probability Vesting % in FY20	Tranche FY19 Estimated Fair Value in FY20	Revised Probability Vesting in FY21	Revised Tranche FY19 Fair Value in FY21	Adjustment due to Reassessment	Tranche FY19 LTI Plan Expense in FY21
Gerald Harvey	60%	$101,787	100%	$169,645	$67,858	**$89,800**
Kay Lesley Page	60%	$284,382	100%	$473,970	$189,588	**$250,891**
John Evyn Slack-Smith	60%	$169,386	100%	$282,310	$112,924	**$149,438**
David Matthew Ackery	60%	$169,386	100%	$282,310	$112,924	**$149,438**
Chris Mentis	60%	$128,982	100%	$214,970	$85,988	**$113,792**
Total		$853,923		$1,423,205	$569,282	$753,359

7G. Assessment of Tranche 3 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY21

In 2018, a total of 400,000 performance rights were granted to Executive Directors on 1 December 2017 under Tranche 3 of the 2016 LTI Plan. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at a fair value of $3.34 per share, based on a share price of $4.02 as at grant date, resulting in a total fair value of Tranche 3 of $1,336,000. Tranche 3 of the 2016 LTI Plan was measured over a three-year period for financial years ending 30 June 2018, 30 June 2019 and 30 June 2020.

In the 2020 Remuneration Report, it was reported that the estimated achievement of Tranche 3 of the 2016 LTI Plan would have been 56.6% by the end of the vesting period and that 56.6% of the estimated fair value of the performance rights would meet the performance condition.

The cumulative expense in respect of Tranche 3 was $756,177 as reported in the 2020 Remuneration Report. The 2020 financial year was the final year of Tranche 3 measurement. During the 2021 financial year, an expense of $123,456 was recognised in respect of Tranche 3 of the 2016 LTI Plan representing the remaining vesting period up to 31 December 2020.

Of the 400,000 performance rights granted to Executive Directors during 2018, a total of 56.6%, or 226,400 performance rights vested on 31 December 2020 and were exercisable from 1 January 2021. On 6 January 2021, 191,025 performance rights under Tranche 3 of the 2016 LTI Plan were exercised and on 26 March 2021, a further 35,375 performance rights under Tranche 3 were exercised, reducing the unissued ordinary shares under Tranche 3 of the 2016 LTI Plan to nil.

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

7. Performance and Executive Remuneration Outcomes in FY21 (continued)

7G. Assessment of Tranche 3 of the 2016 LTI Plan Performance Conditions and Expense Recognised in FY21 (continued)

Assessment of 100% Financial Condition for Tranche 3 of 2016 LTI Plan				
Calculation of Aggregated RONA for Tranche 3 Financial Years (2018, 2019 and 2020)	Tranche 3 Aggregated APBT (2018 + 2019 + 2020) / Tranche 3 Aggregated Net Assets (2017 + 2018 + 2019)		$1,581.71 million / $8,868.88 million	= 17.83% RONA
	Actual Achievement in FY20	Actual Tranche 3 Fair Value	Tranche 3 LTI Plan Expense in FY21	
Gerald Harvey	56.6%	$118,153	$19,290	
Kay Lesley Page	56.6%	$212,675	$34,722	
John Evyn Slack-Smith	56.6%	$141,783	$23,148	
David Matthew Ackery	56.6%	$141,783	$23,148	
Chris Mentis	56.6%	$141,783	$23,148	
Total		$756,177	$123,456	

7H. Summary of Performance and Executive Remuneration Outcomes in FY21

Remuneration Component	Value of STI and LTI Disclosed in 2021 and 2020 Remuneration Reports						
	100%-Level Achievement Amount	Achievement	Score	Amount Payable	Vesting Period	2021 Remuneration Amount	2020 Remuneration Amount
2021 STI Plan							
- Financial conditions (80/100)	$2,600,000	100.00%	80.00	$2,600,000	1 Year	$2,600,000	-
- Over-achievement pool (20/20)	$750,000	100.00%	20.00	$750,000		$750,000	-
- Non-financial conditions (20/100)	$650,000	87.50%	17.50	$568,752		$568,752	-
- Malus Adjustments (up to 30/100)		15.47%	(4.64)	($150,800)		($150,800)	-
Total	$4,000,000		112.86	$3,767,952		$3,767,952	-
2020 STI Plan							
- Financial conditions (50/100)	$1,500,000	100.00%	50.00	$1,500,000	1 Year	-	$1,500,000
- Over-achievement pool (20/20)	$600,000	100.00%	20.00	$600,000		-	$600,000
- Non-financial conditions (50/100)	$1,500,000	92.12%	46.06	$1,381,651		-	$1,381,651
Total	$3,600,000		116.06	$3,481,651			$3,481,651
Total Short-Term Incentive PCI						$3,767,952	$3,481,651
Tranche FY21 of 2016 LTI Plan							
- Financial conditions (100%)	$2,115,575	100%	100%	$2,115,575	4 Years	$393,726	-
- Non-financial conditions (0%)	-	-	-	-	(Yr 1 of 4)	-	-
Total 100%	$2,115,575			$2,115,575		$393,726	-
Tranche FY20 of 2016 LTI Plan							
- Financial conditions (100%)	$1,906,765	100%	100%	$1,906,765	4 Years	$761,714	$215,312
- Non-financial conditions (0%)	-	-	-	-	(Yr 2 of 4)	-	-
Total 100%	$1,906,765			$1,906,765		$761,714	$215,312
Tranche FY19 of 2016 LTI Plan							
- Financial conditions (100%)	$1,423,205	100%	100%	$1,423,205	4 Years	$753,359	$330,980
- Non-financial conditions (0%)	-	-	-	-	(Yr 3 of 4)	-	-
Total 100%	$1,423,205			$1,423,205		$753,359	$330,980
Tranche 3 (FY18) of 2016 LTI Plan							
- Financial conditions (100%)	$1,336,000	56.6%	56.6%	$756,177	4 Years	$123,456	$359,118
- Non-financial conditions (0%)	-	-	-	-	(Yr 4 of 4)	-	-
Total 100%	$1,336,000			$756,177		$123,456	$359,118
Tranche 2 (FY17) of 2016 LTI Plan							
- Financial conditions (100%)	$1,548,000	60%	60%	$928,800	n/a	-	$151,371
- Non-financial conditions (0%)	-	-	-	-		-	-
Total 100%	$1,548,000			$928,800		-	$151,371
Total LTI Performance Rights						$2,032,255	$1,056,781
Total Value of STI and LTI						$5,800,207	$4,538,432

The total value of STI and LTI expensed in the Income Statement for the 2021 financial year and disclosed in this remuneration report was $5.80 million compared to $4.54 million expensed in the 2020 financial year, an increase of $1.26 million or 27.8%, relative to the previous year.

8. Executive Contractual Arrangements

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

Chief Executive Officer

The CEO, Ms. K.L. Page is employed under a rolling contract.
Under the terms of the present contract the CEO's total potential employment cost is $3,964,550 comprised of:

- fixed remuneration of $2,100,000 per annum;
- maximum STI opportunity in respect of the year ended 30 June 2021 of $1,160,000 (including the 120% over-achievement level); and
- maximum LTI opportunity in respect of the year ended 30 June 2021 of $704,550.

The CEO's termination provisions are as follows:

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

Minimum Shareholding Requirement

There are no minimum shareholding requirements imposed on the CEO. There is a Benchmark Shareholding Level in respect of the 2021 STI Plan to determine whether the reward is to be paid as cash or in shares. The CEO held 19,845,750 shares in the Company at 30 June 2021 equating to a value of $108.75 million.

Other KMPs

All other KMPs have rolling contracts.

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

9. Non-Executive Director Remuneration Arrangements

Remuneration Policy

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

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

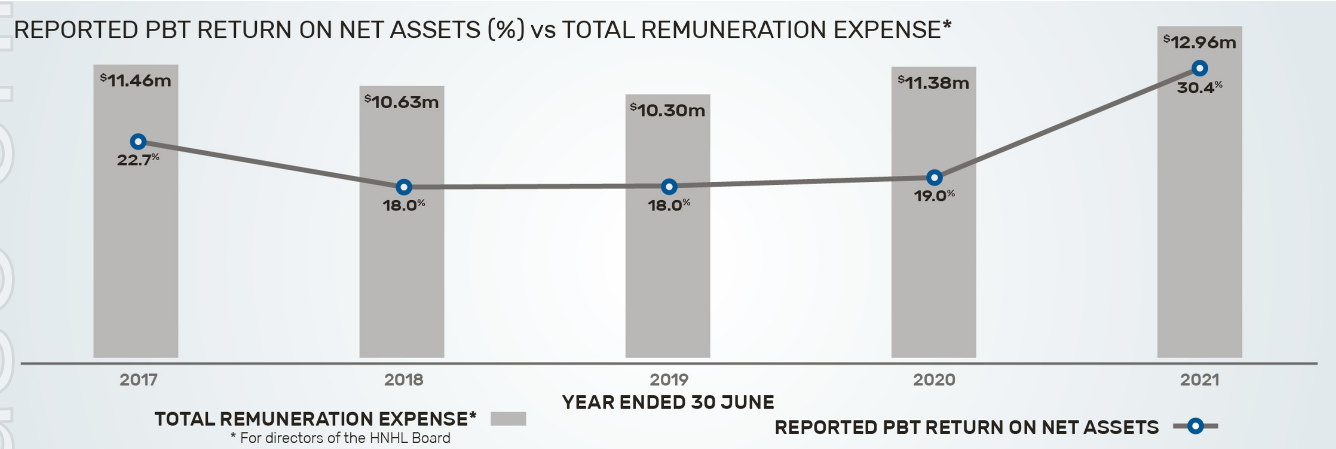
The Company's constitution and the ASX listing rules specify that the NED fee pool shall be determined from time to time by a general meeting. At the 2020 annual general meeting (AGM) held on 25 November 2020, shareholders approved an increase of $500,000 to the aggregate NED pool from $1,000,000 to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

Structure

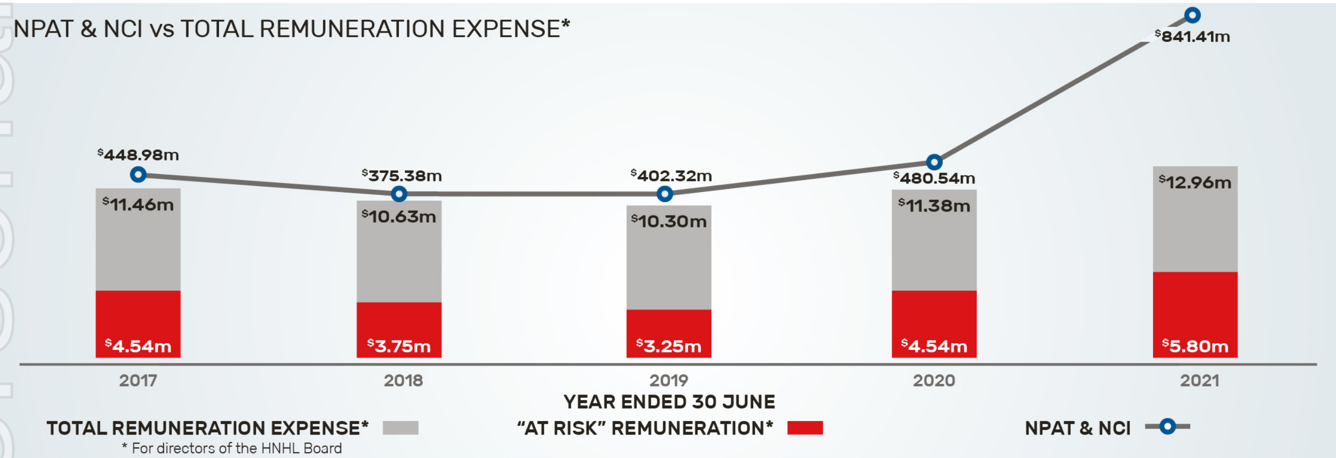
The remuneration of NEDs consists of directors' fees. NEDs do not receive retirement benefits, nor do they participate in any incentive programs. Each NED receives a fee for being a director of the Company. The structure of NED remuneration is separate and distinct from executive remuneration. The remuneration of NEDs for the years ended 30 June 2021 and 30 June 2020 are disclosed in Table 1 on page 55 of this report.

10. Relationship between Remuneration and the Performance of the Company

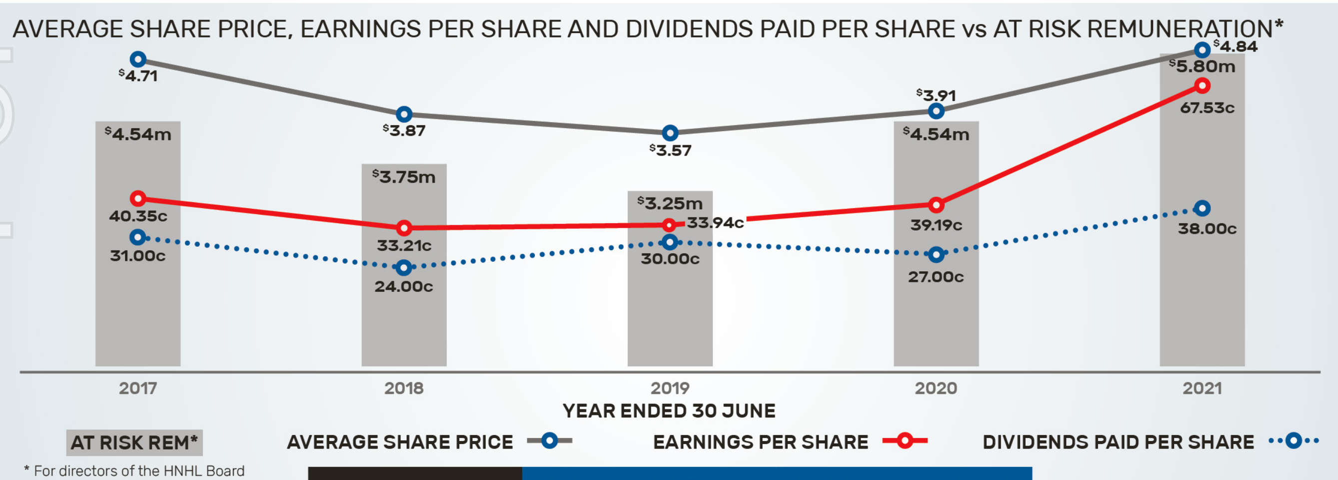
The graphs below illustrate the performance of the Company for the past five financial years and the high level of correlation between remuneration and performance. Correlation is a calculation of the degree of relationship between two items with 100% being strongest and 0% being weakest. Correlation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



CORRELATION	5 YEAR: 94.9%	3 YEAR: 94.2%



CORRELATION	TOTAL REMUNERATION	"AT RISK" REMUNERATION
5 YEAR	94.3%	90.2%
3 YEAR	96.9%	93.5%



CORRELATION	AVERAGE SHARE PRICE	EARNINGS PER SHARE
5 YEAR	85.9%	91.7%
3 YEAR	96.4%	92.7%

11. Compensation of Key Management Personnel

Table 1: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2021 Directors of Harvey Norman Holdings Limited:

		Short-term benefits				Post Employment	Long Term Incentives	Other		
		Salary & Fees	Performance Cash Incentive	Other Short Term	Non-Monetary Benefits	Superannuation	Performance Rights	Long Service Leave (c)	Total Remuneration	*% earned at risk*
Gerald Harvey Executive Chairman	2021	717,906	-	10,400	-	21,694	246,818	-	996,818	*24.8%*
	2020	682,668	-	10,400	-	21,003	144,882	-	858,953	*16.9%*
Kay Lesley Page Executive Director/CEO	2021	2,054,631	1,092,706	-	23,675	21,694	670,410	-	3,863,116	*45.6%*
	2020	1,958,198	998,073	-	17,812	21,003	325,505	-	3,320,591	*39.9%*
John Evyn Slack-Smith Executive Director/COO	2021	1,228,306	941,988	-	-	21,694	401,781	20,472	2,614,241	*51.4%*
	2020	1,167,547	870,413	-	-	21,003	204,081	19,459	2,282,503	*47.1%*
David Matthew Ackery Executive Director	2021	1,210,306	941,988	18,000	-	21,694	401,781	20,472	2,614,241	*51.4%*
	2020	1,150,447	870,413	18,000	-	21,003	204,081	19,474	2,283,418	*47.1%*
Chris Mentis Executive Director/CFO	2021	886,093	791,270	-	42,213	21,694	311,465	14,768	2,067,503	*53.3%*
	2020	841,426	742,752	-	43,664	21,003	178,232	14,024	1,841,101	*50.0%*
Michael John Harvey Non-Executive Director	2021	54,795	-	-	-	5,205	-	-	60,000	-
	2020	52,055	-	-	-	4,945	-	-	57,000	-
Christopher Herbert Brown Non-Executive Director	2021	146,119	-	-	-	13,881	-	-	160,000	-
	2020	138,813	-	-	-	13,187	-	-	152,000	-
Kenneth William Gunderson-Briggs Non-Executive Director	2021	260,764	-	-	-	19,741	-	-	280,505	-
	2020	274,560	-	-	-	18,528	-	-	293,088	-
Graham Charles Paton (a) Non-Executive Director	2021	60,883	-	-	-	5,784	-	-	66,667	-
	2020	138,813	-	-	-	13,187	-	-	152,000	-
Maurice John Craven Non-Executive Director	2021	132,420	-	-	-	12,580	-	-	145,000	-
	2020	125,799	-	-	-	11,951	-	-	137,750	-
Luisa Catanzaro (b) Non-Executive Director	2021	86,975	-	-	-	8,263	-	-	95,238	-
	2020	-	-	-	-	-	-	-	-	-
Total for the 2021 Financial Year		6,839,198	3,767,952	28,400	65,888	173,924	2,032,255	55,712	12,963,329	*44.7%*
Total for the 2020 Financial Year		6,530,326	3,481,651	28,400	61,476	166,813	1,056,781	52,957	11,378,404	*39.9%*

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

(a) Graham Charles Paton retired on 25 November 2020.

(b) Luisa Catanzaro was appointed a Non-Executive Director of Harvey Norman Holdings Limited on 25 November 2020.

(c) Table 1 includes the accrual for long service leave entitlements in respect of the years ended 30 June 2021 and 30 June 2020. The Chairman (G. Harvey) and Chief Executive Officer (K.L. Page) do not have a long service leave accrual as they have elected to forgo this employee entitlement.

11. Compensation of Key Management Personnel (continued)

Table 2: Compensation of Key Management Personnel Expensed for the Year Ended 30 June 2021
Senior Executives of Harvey Norman Holdings Limited:

		Short-term benefits				Post Employment	Other			
		Salary & Fees	Performance Cash Incentive	Other Short Term	Non-Monetary Benefits	Superannuation	Termination Benefits [f]	Long Service Leave [g]	Total Remuneration	*% earned at risk*
Thomas James Scott GM – Property	2021	573,159	-	-	-	21,694	-	9,553	604,406	-
	2020	573,850	-	-	-	21,003	-	9,564	604,417	-
Martin Anderson [e] GM – Advertising	2021	296,281	-	-	27,423	23,422	33,985	4,938	386,049	-
	2020	305,271	-	-	27,543	22,781	-	5,088	360,683	-
Gordon Ian Dingwall Chief Information Officer	2021	511,181	-	-	-	21,694	-	8,520	541,395	-
	2020	503,997	-	-	-	21,003	-	8,400	533,400	-
Lachlan Roach GM – Home Appliances	2021	409,306	-	9,000	-	21,694	-	6,822	446,822	-
	2020	409,997	-	9,000	-	21,003	-	6,833	446,833	-
Emmanuel Hohlastos [a] GM – Audio Visual	2021	418,306	-	-	-	21,694	-	6,972	446,972	-
	2020	69,833	-	-	-	5,251	-	1,164	76,248	-
Glen Gregory [b] GM – Technology & Entertainment	2021	422,806	-	12,000	-	21,694	-	7,047	463,547	-
	2020	346,533	-	9,733	-	17,035	-	5,776	379,077	-
Ajay Calpakam [c] GM – Audio Visual	2021	-	-	-	-	-	-	-	-	-
	2020	307,496	-	6,750	-	15,752	32,765	-	362,763	-
Frank Robinson [d] GM – Technology & Entertainment	2021	-	-	-	-	-	-	-	-	-
	2020	121,012	-	3,750	-	5,251	56,300	-	186,313	-
Total for the 2021 Financial Year		2,631,039	-	21,000	27,423	131,892	33,985	43,852	2,889,191	-
Total for the 2020 Financial Year		2,637,989	-	29,233	27,543	129,079	89,065	36,825	2,949,734	-

(a) Commenced as GM – Audio Visual on 1 May 2020
(b) Commenced as GM – Technology & Entertainment on 9 September 2019
(c) Resigned 30 April 2020
(d) Resigned 30 September 2019
(e) Retired on 30 June 2021
(f) This amount represents the cash payment of employee leave entitlements upon resignation or retirement
(g) This amount represents the accrual for long service leave entitlements in respect of the years ended 30 June 2021 and 30 June 2020

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

Options Granted to Executive Directors as Part of Remuneration:

There were no options granted to any Executive Director during the year ended 30 June 2021. There were no movements in option holdings during the year ended 30 June 2021.

Options Holdings of Key Management Personnel for the Year Ended 30 June 2021:

There were no options held by any director or senior executive during the year ended 30 June 2021.

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

The table below discloses the number of performance rights granted to Executive Directors as remuneration during the year ended 30 June 2021 as well as the number of performance rights that vested, were exercised or lapsed during the year. Performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

	Performance Rights Granted as Remuneration During the Year (a)		Performance Rights Vested During the Year (b)		Performance Rights Lapsed During the Year (b)		Unvested Performance Rights at 30 June 2021 (c)		Performance Rights Exercised During the Year	
	Number Granted	Fair Value Granted $	Number Vested	Fair Value Vested $	Number Lapsed	Fair Value Lapsed $	Number Unvested	Fair Value Unvested $	Number Exercised	Fair Value Exercised $
Gerald Harvey	65,500	$252,175	35,375	$118,153	27,125	$90,597	196,500	$649,105	35,375	$118,153
Kay Lesley Page	183,000	$704,550	63,675	$212,675	48,825	$163,075	549,000	$1,813,530	63,675	$212,675
John Evyn Slack-Smith	109,000	$419,650	42,450	$141,783	32,550	$108,717	327,000	$1,080,190	42,450	$141,783
David Matthew Ackery	109,000	$419,650	42,450	$141,783	32,550	$108,717	327,000	$1,080,190	42,450	$141,783
Chris Mentis	83,000	$319,550	42,450	$141,783	32,550	$108,717	249,000	$822,530	42,450	$141,783
Total	549,500	$2,115,575	226,400	$756,177	173,600	$579,823	1,648,500	$5,445,545	226,400	$756,177

(a) A total of 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan were granted to Executive Directors on 4 December 2020. The performance rights were independently valued by Mercer Consulting (Australia) Pty Limited at grant date with a fair value of $3.85 per entitlement on 4 December 2020, based on a share price of $4.66, resulting in a total fair value of Tranche FY21 performance rights of $2,115,575 in aggregate.

(b) On 1 January 2021, 226,400 performance rights representing 56.6% of Tranche 3 of the 2016 LTI Plan vested after all financial conditions and service conditions were satisfied. On that same day, 173,600 performance rights representing 43.4% of Tranche 3 of the 2016 LTI Plan lapsed and will never be exercisable by the participants. On 6 January 2021, 191,025 performance rights under Tranche 3 of the 2016 LTI Plan were exercised and on 26 March 2021, a further 35,375 performance rights under Tranche 3 were exercised, reducing the unissued ordinary shares under Tranche 3 of the 2016 LTI Plan to nil.

(c) As at 30 June 2021, a total of 1,648,500 performance rights were outstanding, unvested and not capable of exercise comprised of:
i. 549,500 performance rights under Tranche FY19 of the 2016 LTI Plan (FY2019);
ii. 549,500 performance rights under Tranche FY20 of the 2016 LTI Plan (FY2020); and
iii. 549,500 performance rights under Tranche FY21 of the 2016 LTI Plan (FY2021).

Table 4: Performance Rights of Key Management Personnel for the Year Ended 30 June 2021

The table below discloses the number of performance rights granted to Executive Directors as remuneration during the year ended 30 June 2021 as well as the number of performance rights that vested, were exercised or lapsed during the year. Performance rights do not carry any voting or dividend rights and can be exercised once the vesting conditions have been met until their expiry date.

						Due for Vesting during the year ended 30 June 2021		
	1 July 2020 Balance at beginning of the year	Granted as Remuneration	Performance Rights Exercised	Performance Rights Lapsed	30 June 2021 Balance at end of the year	Total	Exercised	Lapsed
Gerald Harvey	193,500	65,500	(35,375)	(27,125)	196,500	62,500	35,375	27,125
Kay Lesley Page	478,500	183,000	(63,675)	(48,825)	549,000	112,500	63,675	48,825
John Evyn Slack-Smith	293,000	109,000	(42,450)	(32,550)	327,000	75,000	42,450	32,550
David Matthew Ackery	293,000	109,000	(42,450)	(32,550)	327,000	75,000	42,450	32,550
Chris Mentis	241,000	83,000	(42,450)	(32,550)	249,000	75,000	42,450	32,550
Total	1,499,000	549,500	(226,400)	(173,600)	1,648,500	400,000	226,400	173,600

12. Additional Disclosures Relating to Options, Performance Rights and Shares (continued)
Table 4: Performance Rights of Key Management Personnel for the Year Ended 30 June 2021 (continued)

Apart from the KMPs disclosed above, comprised of the Executive Directors of the Company, each of the Non-Executive Directors or senior executives of the Company did not have any performance rights during the year ended 30 June 2021.

The closing balance of the performance rights in the Company of 1,648,500 as at 30 June 2021 is comprised of:

(a) 549,500 performance options under Tranche FY19 of the 2016 LTI Plan (FY19) at a fair value at grant date of $2.59 to vest on 31 December 2021. The FY19 Tranche is exercisable between 1 January 2022 and 30 June 2024.

(b) 549,500 performance options under Tranche FY20 of the 2016 LTI Plan (FY20) at a fair value at grant date of $3.47 to vest on 31 December 2022. The FY20 Tranche is exercisable between 1 January 2023 and 30 June 2025.

(c) Granted as remuneration during the 2021 financial year: 549,500 performance options under Tranche FY21 of the 2016 LTI Plan (FY21) at a fair value at grant date of $3.85 to vest on 31 December 2023. The FY21 Tranche is exercisable between 1 January 2024 and 30 June 2026.

Table 5: Shareholdings/Relevant Interests of Key Management Personnel for the Year Ended 30 June 2021

	1 July 2020 Balance at Beginning of the Year	On Exercise of Performance Rights (a)	Net Change Other (b)	30 June 2021 Balance at End of the Year
Gerald Harvey	392,160,265	35,375	225,000	392,420,640
Kay Lesley Page	19,772,685	63,675	9,390	19,845,750
John Evyn Slack-Smith	1,101,443	42,450	-	1,143,893
David Matthew Ackery	641,021	42,450	-	683,471
Chris Mentis	1,118,847	42,450	-	1,161,297
Michael John Harvey	3,335,180	-	-	3,335,180
Christopher Herbert Brown	205,525,565	-	-	205,525,565
Kenneth William Gunderson-Briggs	10,059	-	-	10,059
Graham Charles Paton	17,582	-	(17,582)	-
Maurice John Craven	30,673	-	-	30,673
Luisa Catanzaro	-	-	-	-
KMP: Senior Executives				
Thomas James Scott	10,000	-	-	10,000
Lachlan Roach	10,000	-	-	10,000
Total	623,733,320	226,400	216,808	624,176,528

(a) On 4 January 2021, the Company announced that 226,400 performance rights, representing 56.6% of the performance rights issued in accordance with Tranche 3 of the 2016 LTI Plan, had vested and was exercisable from 1 January 2021.
On 4 January 2021, the Company announced that 173,600 performance rights, representing 43.4% of the performance rights issued in accordance with Tranche 3 of the 2016 LTI Plan, had lapsed on 1 January 2021 and will never be exercisable by the participants. The consolidated entity acquired 226,400 shares in the Company via an 'on-market trade' at an average price of $4.68 per share for the purposes of satisfying the entitlements of each Executive Director to the performance rights in respect of Tranche 3 of the 2016 LTI Plan.

(b) The 'Net Change Other' column discloses the number of shares acquired by each Director of the Company via an 'on-market trade' in accordance with the prevailing market conditions on the ASX at the time of the transaction. These trades were on no more favourable terms and conditions than those that would be reasonably expected of an arm's length transaction. The reduction in the shareholding of Graham Charles Paton relates to the removal of disclosures as Mr. Paton is no longer a NED as at 30 June 2021 (retired on 25 November 2020).

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

The below table shows the 'take-home pay' for each director of the Company, representing the benefits paid to each director during the year ended 30 June 2021, or as soon as practicable after that date.

Total 'take-home pay' for the directors of the Company amounted to $11.35 million for the year ended 30 June 2021. The total value of remuneration expensed for directors of the Company in respect of the 2021 financial year was $12.96 million (refer to Table 1 on page 55 of this report).

For the 2021 financial year, total 'take-home pay' was $1.62 million lower than the value of remuneration expensed to the income statement.

KMP: Board of Directors	Salary & Fees	Other Short Term	Non-Monetary Benefits	Superannuation	Short-term Performance Cash Incentive (a)	Exercise of Tranche 2 2016 LTI Plan	Exercise of Tranche 3 2016 LTI Plan (b)	FY2021 Total Take-Home Pay	FY2020 Total Take-Home Pay
Gerald Harvey	717,906	10,400	-	21,694	-	-	118,153	868,153	859,196
Kay Lesley Page	2,054,631	-	23,675	21,694	998,073	-	212,675	3,310,748	2,983,118
John Evyn Slack-Smith	1,228,306	-	-	21,694	870,413	-	141,783	2,262,196	1,996,970
David Matthew Ackery	1,210,306	18,000	-	21,694	870,413	-	141,783	2,262,196	1,997,870
Chris Mentis	886,093	-	42,213	21,694	742,752	-	141,783	1,834,535	1,623,903
Michael John Harvey	54,795	-	-	5,205	-	-	-	60,000	57,000
Christopher Herbert	146,119	-	-	13,881	-	-	-	160,000	152,000
Kenneth William Gunderson-Briggs	260,764	-	-	19,741	-	-	-	280,505	293,088
Graham Charles Paton	60,883	-	-	5,784	-	-	-	66,667	152,000
Maurice John Craven	132,420	-	-	12,580	-	-	-	145,000	137,750
Luisa Catanzaro	86,975	-	-	8,263	-	-	-	95,238	-
Total Take-Home Pay 2021 Financial Year	6,839,198	28,400	65,888	173,924	3,481,651	-	756,177	11,345,238	
Total Take-Home Pay 2020 Financial Year	6,530,326	28,400	61,476	166,813	2,537,080	928,800	-	-	10,252,895

(a) The short-term incentive of $3.48 million represented the payment of the 2020 STI Plan that was earned in respect of the 2020 financial year, and was paid to Executive Directors in September 2020.

(b) The aggregate fair value of the performance rights exercised during the 2021 financial year was $756,177, calculated at a fair value of $3.34 per right multiplied by 226,400 performance rights exercised.

14. Other Matters for Disclosure

The previous AGM of the Company was held on 25 November 2020.

- The Company received 519.24 million votes for the adoption of the 2020 Remuneration Report representing 92.5% of the 561.35 million shares that were eligible to vote on that resolution. A total of 684.65 million shares were ineligible to vote on the adoption of the 2020 Remuneration Report as the shares were held by KMPs or their related parties. The vote against the Remuneration Report represented 7.5% of the eligible votes and 3.3% of the shares on issue.

The following improvements were made to the remuneration framework for Executive Directors informed by the independent remuneration expert:

- The performance conditions for the 100% short term incentive pool were changed from being 50% as to financial conditions and 50% as to non-financial conditions, to be 80% as to financial conditions and 20% as to non-financial conditions.
- A malus or business modifier reduction of up to 30% of the 100% achievement pool was introduced for non-achievement of further non-financial conditions.

In combination, this increases the overall difficulty of achieving maximum STI outcomes with up to 30% contingent on achieving both financial performance and business modifier (non-financial) outcomes as opposed to only achieving non-financial performance in prior years.

15. Loans to Key Management Personnel and their Related Parties

There were no loans granted to key management personnel and their related parties during the year ended 30 June 2021 (2020: nil). There were no loans outstanding from key management personnel and their related parties as at 30 June 2021 (2020: nil).

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

	CONSOLIDATED	
	June 2021 $	June 2020 $
(i) Lease of business premises from Ruzden Pty Limited		
The consolidated entity leases business premises at Bundall, Queensland from Ruzden Pty Limited. Mr G. Harvey, Ms K.L. Page, Mr M.J. Harvey and I.J. Norman Nominees Pty Limited (C.H. Brown) have an equity interest in Ruzden Pty Limited. The lease arrangements were approved by shareholders in the General Meeting held 25 May 1993, and in the General Meeting held 31 August 1999. The lease is subject to normal commercial terms and conditions. Lease payments and outgoings made by the consolidated entity to Ruzden Pty Limited was:	5,334,262	5,231,401
(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.	2,731,330	3,090,533
(iii) Other income derived by related entities of key management personnel		
Certain franchises are operated by entities owned or controlled by relatives of key management personnel under normal franchisee terms and conditions. Aggregated net income derived by entities owned or controlled by relatives of key management personnel was:	2,064,758	2,647,890

(iv) Perth City West Complex

Gerald Harvey has a 50% equity interest and a subsidiary of Harvey Norman Holdings Limited has a 50% equity interest in the Perth City West Property. The property was subject to a lease of part of the property in favour of a subsidiary of Harvey Norman Holdings Limited (the "P.C.W. Lessee"). Gerald Harvey is entitled to one-half of the lease payments and outgoings paid by the P.C.W. Lessee. The amount of lease payments and outgoings paid by the P.C.W. Lessee to Gerald Harvey and the subsidiary of Harvey Norman Holdings Limited for the year ended 30 June 2021 was $1.01 million (2020: $0.74 million). Each of the above transactions were executed under terms and conditions no more favourable than those which it is reasonable to expect would have applied if the transactions were at arm's length.

(v) Gepps Cross Home HQ

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

By a contract for sale dated 23 December 2010, GH Gepps Cross Pty Limited, an entity associated with Gerald Harvey ("Gerald Harvey Entity") and MJH Gepps Cross Pty Limited, an entity associated with Michael Harvey ("Michael Harvey Entity") and, M&S Gepps Cross Pty Limited, purchased the one-half share as tenants in common of the G.C. Co-Owner in the G.C. Land and retail complex. The sale was subject to the G.C. Lease. In the financial statements of the consolidated entity, the day-to-day management of the Gepps Cross Joint Venture has been accounted for as equity accounted investment as disclosed in Note 27. The Gerald Harvey Entity is entitled to one-quarter of the lease payments and outgoings paid by the G.C. Lessee. The Michael Harvey Entity is entitled to one-eighth of the lease payments and outgoings paid by the G.C. Lessee. The application of AASB 16 *Leases* resulted in the recognition of a lease liability of $18.42 million by the G.C. Lessee as at 30 June 2021 (2020: $18.98 million). The amount of lease payments and outgoings paid by the G.C. Lessee to the Gepps Cross Joint Venture for the year ended 30 June 2021 was $3.48 million (2020: $3.41 million).

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

Our Approach

At Harvey Norman Holdings Limited (the **consolidated entity**), we are part of the wider community and aspire to make a positive impact within each community that our company-operated stores operate in across 7 countries. Each Australian Harvey Norman®, Domayne® and Joyce Mayne® franchisee is also committed to making a positive impact in the community in which they carry on business. The consolidated entity, and our franchisees, are committed to diversity and inclusion, environmental responsibility and a sustainable future.

The consolidated entity has established a new Executive Sustainability Committee to determine ESG-related strategy, assess corporate ESG risks and monitor ESG performance across our global operations.

Our Board of Directors, alongside management, has a business strategy that supports responsible decision making and sustainable long-term value creation. The Code of Conduct of the consolidated entity reinforces our commitment to honest, fair and transparent business practices, and outlines the standards of behaviour expected of all our employees globally and of our franchisees in Australia.

As this report outlines, we are committed to and well advanced in terms of diversity and inclusion, as well as our other "people" related ESG initiatives. In particular, this financial year, the consolidated entity is pleased to have achieved gender balance (based on 40:40:20) in both our global workforce (of which over 45% are women), and our global senior executive teams, with women now holding 40% of our senior executive roles. This is up on last year's results of 35%.

We are at the start of our journey to disclose climate-related risks and opportunities informed by the Task Force on Climate-Related Financial Disclosures (**TCFD**) framework. This task will take time to achieve as we build capacity, update internal processes, explore and quantify the financial risk of climate change and, design and report on decision useful metrics and targets.

Today, we report on the sustainability issues most relevant to the consolidated entity and our value chain.

Statement of Values

Values set out in this statement below are the embodiment of what the consolidated entity stands for and are the basis for the behaviour of the enterprise and its employees. These values underpin the culture of the consolidated entity. We recognise that behaviour cannot be prescribed or legislated. The culture of any organisation needs to reflect its values.

The Board will regularly test whether our culture in practice reflects the values articulated in this statement. These values guide how the consolidated entity will interact with anyone engaging with us, including colleagues, customers, shareholders, suppliers, independent franchisees and the community generally.

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

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

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

Optimism We are optimistic. We are passionate about what we do. We search for opportunity and manage risk. We recognise that our environment is constantly evolving. We innovate with product and technology. We believe we can all keep learning – and learn from our failures as well as our successes.

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

People

Our people are the greatest asset of Harvey Norman®,
and are central to the success of our business strategy and
realisation of our Vision.

We recognise that having an engaged, invested, and productive workforce is not only important for our business success, but also for the wellbeing of the over 6,000 individuals that work for us globally. Our business is strong because our people are strong.

People (continued)

With an average employee tenure in Australia of over seven years, our people often tell us that our strong family culture, innovative development opportunities, and working alongside our good, honest and knowledgeable people every day, are key contributing factors to their decision to work for the consolidated entity.

We constantly look for ways to improve our attraction, development, recognition and retention strategies as a means to continue building our talent pipelines, encouraging innovation and entrepreneurship, and maximising success and results for our individual company team members.

Response to COVID-19

The ongoing impacts of COVID-19 felt across our global operations in FY2021 and into FY2022 have reinforced our commitment to maintaining an environment where our people, and our franchisees and their staff, can work safely and customers can shop safely.

The Incident Management Team of the consolidated entity has communicated regularly to each team member to recommend and enable swift and decisive actions in response to the evolving risks and Government restrictions experienced across many of the different countries and jurisdictions in which we, and our franchisees, operate. The learnings gained from our overseas responses to the emerging Delta variant meant that we were ready to rapidly respond when the Delta variant arrived in Australia.

COVID-safe practices implemented since March 2020 were further refined in FY2021. Each franchisee focused on safety controls at their franchised complex including:

- Personal protective equipment
- Personal hygiene protocols
- Sanitisation practices
- COVID-19 employee training
- Physical distancing measures
- Shop Smart and Shop Safe customer offerings (including Contactless Click and Collect, and Contactless Delivery).

Along with physical safety, psychological wellbeing has also been an ongoing focus for us during FY2021 as employees, and franchisees and their staff, dealt and continue to deal with varying levels of personal and work impacts due to COVID-19. Our overseas stores continued to engage with and support their teams in order to maintain connections to each other, particularly during periods of lockdowns. Franchisees in Australia have found new and innovative ways to support their staff and remain connected to their businesses during Government-mandated periods of lockdowns or other precautionary measures taken to keep their staff and customers safe.

Franchisees and their staff have undertaken a range of training and education opportunities in health and safety throughout the year, including continuous refresher training on various Work Health and Safety (WHS) focus areas, and completion of Family and Domestic Violence Contact Officer training for nominated employees. The consolidated entity also undertook a range of training and education opportunities to keep their employees well-informed and safe.

During FY2021 we continued work on the development of our renewed Health and Safety Framework and Strategy that will improve and mature the governance, oversight and alignment of our global health and safety initiatives and outcomes. This work will continue into FY2022.

Diversity and Inclusion

The consolidated entity continues to be an inclusive place to work that is representative of the customers and communities in which we, and our franchisees, carry on business. The consolidated entity is a member of the Diversity Council of Australia.

We promote an inclusive environment throughout our global operations in which all colleagues are able to be themselves at work, feel valued for their contribution and are supported to perform their best. The goal is to continue to reinforce this reputation and position. We are passionate about supporting the creation of employment opportunities and promoting the development and training of employees from diverse backgrounds and experiences, to grow and strengthen our talent pool of future leaders. Based on disclosed information by its employees, the consolidated entity in Australia is fortunate to have a workforce that is diverse in background, with employees self-identifying from over 40 different cultural backgrounds.

Employee engagement is important to our success as a business. Each year we conduct an employee engagement survey in Australia that provides actionable, anonymised reports at a team level. While this year's survey in Australia could not be completed in full due to COVID-19 lockdowns and challenges, our New Zealand employees completed the survey with positive results showing:

- 92% of respondents feel safe at work
- 87% of respondents enjoy their role
- 87% of respondents feel like they are part of a team.

People (continued)

Diversity and Inclusion (continued)

Harvey Norman® has always been a supporter of women in sports and in the community, and this support is no different when it comes to supporting the women that will or do work for us.

Led by Katie Page, our Chief Executive Officer for the past 22 years, who is one of only 10 female CEOs in ASX 200 companies (5% of total), conversations and active strategies to build the visible representation of women in leadership across the consolidated entity, and a strong talent pipeline globally, has always been part of our day-to-day.

Achievements towards Gender Balance

Following year-on-year improvements, we are pleased to report continued growth in female representation in our Senior Executive roles in FY2021, with women now making up 40% of our Global Senior Executives (up from 35% in FY2020). This is an achievement that brings the consolidated entity to a gender balance within our most senior roles.

The breakdown of the HNHL Board and the Group as a whole by gender as at the end of FY2021 was:

30 JUNE 2021	Number			Percentage	
	Male	Female	Total	Male	Female
Chair and CEO	1	1	2	50%	50%
Board	8	2	10	80%	20%
Senior Executives	90	60	150	60%	40%
All Employees	3,617	2,923	6,540	55%	45%

The breakdown at the end of FY2020 was:

30 JUNE 2020	Number			Percentage	
	Male	Female	Total	Male	Female
Chair and CEO	1	1	2	50%	50%
Board	9	1	10	90%	10%
Senior Executives	92	50	142	65%	35%
All Employees	3,430	2,798	6,228	55%	45%

With 45% of our global workforce made up of women, the consolidated entity is proud to have a diverse, talented employee population from which to draw from and develop its future leaders, and we are committed to continuing the support and development of women into the future.

Over the past 12 months we also have implemented several activities to further enhance our already high level of diversity and inclusion, including:

- Ongoing Development of our *Discrimination, Harassment and Workplace Bullying Prevention Policy*
- Recognition of Harvey Norman® Ireland in FY21 for the 4th year running as one of the top 20 Best Workplaces™, and Best Workplaces™ for Women, by Great Place To Work® Institute
- Inaugural Life @ Work Engagement Survey completed by Harvey Norman New Zealand to gain insights into the views of employees
- Refined employee feedback mechanisms in Australia including informal and formal channels such as employee exit interviews and pulse snapshots, to inform strategies
- Celebrated our long history of encouraging and supporting Australian women through a sponsorship program celebrating the next generation of women and girls in Sport, Education, Employment & Innovation
- Created diversity focused projects such as our "*Taste of Harmony*" family recipes & associated stories e-book
- Participation in National Reconciliation Week
- Acting as naming rights partner for two prestigious Women of the Year awards; Gold Coast Bulletin's Women of the Year 2021 and NSW Women of the Year 2021.

Our key priorities for the next 12 months include:

- Continue to proactively monitor gender balance outcomes within different levels of the organisation and within our different teams, including Senior Executive positions
- Proactive engagement with colleagues to increase knowledge of Diversity & Inclusion in the workplace, such as webinars, events, and videos from business leaders
- Review and consider our Flexible Work Policy and Parental Leave Policy.

COMMUNITY & PARTNERSHIPS

With 192 franchised complexes in Australia, independently operated by 539 franchisees, and 107 company-operated stores in 7 countries across the globe, the Harvey Norman® brand is a truly international business. Harvey Norman® has always felt a strong connection to community – both on local and national levels – forming a symbiotic relationship of mutual strength and support.

It is times like these that reinforce the importance of giving back and supporting each local community, and this is something that Harvey Norman® has been doing since its establishment in 1982.

INITIATIVES IN 2021:

Good360

Harvey Norman® continued the working partnership with Good360 to help distribute goods to those in need. Good360 help ensure individuals facing challenging life circumstances are able to get the goods they need – this includes flood affected communities as well as those still rebuilding their homes after last year's bushfires or struggling due to the pandemic. To date, Harvey Norman® has donated a variety of goods - covering everything from fridges and washing machines to beds and furniture - to help ensure these communities can get back on their feet.

Good360 GOODS FOR THE GREATER GOOD™

Our Town - Sky News

Harvey Norman® continued their partnership with Sky News and the Paul Murray Live program to stage a series of monthly Our Town shows shining a light on regional Australia. These shows raised awareness and helped support regional organisations and causes such as food manufacturers, thoroughbred farms, frontline health workers, disadvantaged multicultural Australian youth, emergency food relief, grassroots rugby league and female participation and much more.

Paul Murray Live

Sydney Zoo

In 2021, Harvey Norman® collaborated with Sydney Zoo to enable every Year 2, NSW Public School student the opportunity to receive a FREE self-guided school excursion. Students also learned about conservation and were immersed into the Indigenous Australian culture, as part of the Bungarribee Dreaming Experience!

The new Sydney Zoo is a world-class zoo in the heart of Western Sydney and aims to create an amazing experience for the local and international community. With clever habitat design, Sydney Zoo provides an experience that is more immersive and engaging than traditional zoos.

The Harvey Norman® Amphitheatre has seen over 25,000 attendees and 140 shows and events including Aboriginal cultural talks, keeper talks and NAIDOC week presentations to thousands of families in NSW.

Katie Page & Gerry Harvey at the new Sydney Zoo

Boys to the Bush mentoring program

Boys to the Bush

Boys to the Bush (BTTB) offers a variety of mentoring programs to assist disengaged, disadvantaged or 'at risk' youth. In 2020, on our Paul Murray Live visit to Albury, Harvey Norman® donated to Boys to the Bush and covered the cost of a camp of 15 disadvantaged young boys. The aim of the camps is to give the young men an opportunity to escape their current environment, surround them with positive adult influences, teach them new skills, experience life on a farm and to also give them the opportunity to connect and belong to something.

The camp supported by Harvey Norman® was held on a property 40km south of Forbes and was made up of 15 young men who came together for 4 memorable days. Some of the boys were winners of an online competition which BTTB conducted whilst the majority were nominated by Out of Home Care service providers. The participants came from all over NSW, including regional areas such as Leeton, Dubbo, Bathurst, Wagga Wagga, Forbes, Parkes, Peak Hill and Albury.

Sir Roden & Lady Cutler Foundation (SRLCF)

Harvey Norman® are proud partners of Sir Roden & Lady Cutler Foundation's FREE Patient Transport Service with a total of 7 years commitment to the foundation.

Established in 1999 the foundation honours a great Australian and humanitarian. Sir Arthur Roden Cutler VC was the longest serving Governor of NSW and a recipient of the Victoria Cross award, serving fellow Australians and providing for the most vulnerable in the community. The foundation has grown rapidly to meet an important community need through its free medical patient transport service.

The SRLCF is a self-funded organisation and relies on the support of the local community, sponsors, donors and volunteers.

The SRLCF currently has 9 cars in its fleet, 2 of them with wheelchair access, servicing Sydney's CBD, Eastern Suburbs, South, Inner West, South West, North, West and Hills District.

Patient Transport proudly sponsored by Harvey Norman® have successfully made a total of 5,218 free trips this year!

Unfortunately, the service has been placed on hold due to the current situation however, the incredible volunteers are dedicated to ensure their clients are not forgotten by adopting the 'Buddy Program' and making weekly calls to check in on each other during this difficult time.

Harvey Norman® proudly sponsor the SRLCF Annual Golf Day and this year's event was yet again a fantastic success with over $30,000 after costs raised towards the foundation's unique and free community medical transport service. A record 140 people attended the event and luncheon at the prestigious Concord Golf course.

Lady Cutler presenting the SRLCF Annual Golf Day Trophy

PARALYMPICS AUSTRALIA PARTNERSHIP

Harvey Norman® is proud to partner with Paralympics Australia and also support the AUS Squad, the official cheer squad of the Australian Paralympic Team. Featuring talented athletes across all disciplines, the Australian Paralympic Team are an inspiring force in the community, and Harvey Norman® is proud to provide support on their journey to achievement.

Paralympics Australia
Harvey Norman
Official Partner

Against unprecedented odds amid the massive disruption caused by the COVID pandemic from early 2020 in the lead up to Tokyo 2020, Australia's elite Para-athletes won 80 medals to finish sixth on the overall medal tally and 21 gold to come eighth on the gold medal count.

The Australian Paralympic Team produced perhaps the most courageous and successful campaign in the nation's 61-year Games history with not only an exceptional medal count but also records broken on a world stage and countless awe-inspiring performances that lifted the many Australians watching back home and made incredible progress for the Paralympic movement.

In 2021, Harvey Norman® worked closely with Paralympics Australia to develop an Employment Initiative for Para-athletes. The initiative aims to connect Para-athletes looking for employment with opportunities in local stores across the country as well as corporate roles in administration offices.

Katie Kelly
Paralympian Tokyo 2020
Paralympic Games

Harvey Norman®
Brand Ambassador
Picture: Chris Chen

Athlete Profile: Katie Kelly

Harvey Norman® have been proud partners of Katie Kelly and her Paratriathlon journey since her Gold at Rio 2016 and have continued to support Katie to the Tokyo 2020 Paralympic Games.

Katie Kelly competed in the Para-Triathlon race in Tokyo, where she pushed right through to the very end to come away with an incredible 6th place!

The PTVI (para-triathlon vision impaired) category in which Katie competes means she does the entire race with a guide. For the swim and run, they are tethered together with a short rope clipped to their clothing. For the cycling leg, they ride a tandem bike, with the guide taking the front seat.

We are proud of the way she used her platform after winning in Rio. Rather than indulge herself, she wondered how she could help others. Not long after that great day on Copacabana Beach in Rio, she set up Sport Access Foundation, which raises money to provide grants to help people with a disability access sport, with which Harvey Norman® are also proud partners.

Whatever the future holds for Katie, she will forever be Australia's first Triathlon gold medallist at a Paralympic Games.

In its third year, there were over 100 Gold Coast women nominated across seven categories - from entrepreneurs and mentors to champions of sport, entertainers, education and young women – in an event that recognises and celebrates the inspiring, influential and innovative women living and working on Queensland's Gold Coast.

2021 Winner, Support the Girls Founder Jane Holmes, aims to lift up the plight of marginalised, disenfranchised women, particularly in regional areas with correctly fitted bras and sanitary and beauty care packs.

Jane Holmes

Dr Samantha Wade

NSW WOMEN OF THE YEAR AWARDS

The NSW Women of the Year Awards recognise and celebrate the outstanding contribution made by women across New South Wales. In 2021, Harvey Norman® was the naming partner for the Young Woman of the Year award, which was won by Dr Samantha Wade.

Dr Wade worked on a team which developed a drug delivery device aimed at improving outcomes for pancreatic cancer patients. Supervised and guided by renowned cancer biologists, oncologists and material scientists, Dr Wade spent six years engineering the device.

Although still in the pre-clinical stage of development, it could change how medicine is delivered. Pancreatic cancer has a five-year survival rate of just 10 per cent. The device has the potential to make more cases curable and help patients avoid major surgery.

SHINE AWARDS

The Shine Awards is an annual event that shines a spotlight on regional and rural women who are making a real difference to their communities, businesses and industries.

Produced in partnership with The Weekly Times, and now heading into their fourth year, these awards celebrate the vision, dedication, spirit, belief, grace and courage of women across rural and regional Australia. With the past 12 months presenting extreme challenges for so many communities, it feels more important than ever to share stories of hope, celebrate their perseverance, and to recognise the positive impact of these women.

2020 Shine Award Overall Winner, Carmel Beresford lost her 21 year old son Sam in a shock gyrocopter accident. Consumed by sorrow, Carmel poured her anguish to paper, writing the story of Sam's life; the adventure and challenges of rearing stock in the Outback. She published the book, Unforgiving: The Story of Life and Death of Sam.

CELEBRATING WOMEN OF RURAL AUSTRALIA
Shine
AWARDS
2020
PROUDLY PRESENTED BY
The WEEKLY TIMES
Harvey Norman

Carmel Beresford,
2020 Shine Award Overall Winner

ENVIRONMENT, SOCIAL & GOVERNANCE (ESG) REPORT (CONTINUED)

DELICIOUS PRODUCE AWARDS

The 2021 delicious Harvey Norman® Produce Awards are the country's most prestigious food industry campaign. Now in its 16th year, the Awards celebrate the new, innovative, native and consistently outstanding Australian ingredients grown, caught, sourced or produced with dedication, passion, knowledge and regard for the environment.

Seventeen trophies were awarded by some of Australia's most renowned chefs. The overall Producer of the Year Award, presented by Harvey Norman®, was awarded to Gary, Jo and Sam Rodely from Tathra Oysters in NSW.

COMMUNITY FATHER OF THE YEAR AWARD

Each year the Australian Father's Day Council and The Shepherd Centre select a distinguished father who has demonstrated support, guidance and love to his children or other children through his working role or family life to take out the prestigious Australian Father of the Year Award.

In 2021, Harvey Norman® was proud to sponsor the Community Father of the Year Award, presented to Dr Mark Cross, best known for his work as The Anxious Shrink. A psychiatrist for over 30 years, Mark is dedicated to breaking the social stigma around mental health issues, encouraging others to speak up by talking about his own anxiety.

Dr Mark Cross,
Awarded Community Father of the Year Award

NRL HARVEY NORMAN® ALL-STARS

2021 saw Harvey Norman® continue in its role as the naming rights partner of the NRL All-Stars match between Indigenous and Maori teams.

Prior to the match on 20th February 2021, both male and female representatives from each team attended an in-store exclusive event at Harvey Norman® Townsville, where the local community was able to come and hear from some of their favourite players such as local icon Jonathon Thurston, All Stars Founder Preston Campbell and current players Josh Kerr and Shaniah Power.

As the first major Rugby League event of the calendar year, this was a great opportunity to bring the community together in a positive way that celebrates the contribution of Indigenous & Maori players.

(Left to right) Dallin Watene-Zelezniak & Josh Kerr

(Left to right) Jasmine Peters, Botille Vette-Welsh & Shaniah Power

(Left to right) Tyrone Roberts, Preston Campbell, Johnathan Thurston, Katrina Fanning

ENVIRONMENT, SOCIAL & GOVERNANCE (ESG) REPORT (CONTINUED)

WOMEN IN SPORT

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

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

Harvey Norman® proudly supporting Ariarne since 2020

Ariarne Titmus
Australian Olympic Gold Medalist Tokyo 2020 Olympics

Harvey Norman® Brand Ambassador

Congratulations to Ariarne Titmus who brought Australia to its feet, not once but twice, when she won the gold medal in the women's 200 and 400m freestyle at the Tokyo Olympic Games.

Ariarne, now an Olympic champion and household name, went on to win silver in the 800m and bronze in the 4 x 200m freestyle relay.

WSL Australian Surfer Isabella Nichols

(Left to right) Women's State of Origin Captains Ali Brigginshaw and Kezie Apps

GIANTS AFLW Player Alyce Parker

People (continued)

Learning & Development

We recognise that the ongoing training and development of our people is a sound investment and can only lead to better outcomes for our stakeholders.

While in-person meetings and development opportunities were limited in FY2021 due to COVID-19, our teams have continued to innovate and invest in training and development initiatives. Online facilitation has become a part of normal, day to day engagement, and has increased our ability and provided scope to offer more frequent targeted initiatives with lower cost impacts to a wider audience, while also improving collaboration across teams in different regions.

Employees have the opportunity to complete a range of courses, from compliance based training, to soft skills such as leadership, management, and mental health training, to technical and professional training in roles such as IT, Digital, Accounting, and HR.

With the growing importance of keeping communications and connections in place while we are at times, physically distant, the Connect Intranet was successfully implemented across the consolidated entity in FY2021. Connect allows us to facilitate employee engagement, broadcast clear and concise internal communications, and increases interactions between business units, all of which are important to successful business and employee outcomes.

Environment and Climate Change

Disclosures and Standards – Environmental

The world's changing climate is a major consideration for the future of the business operations, supply chain, colleagues, franchisees and customers of the consolidated entity. Over the past 12 months we have continued to progress how we manage, report and address climate change issues.

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

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

The consolidated entity has undertaken the following recent actions with respect to energy reduction and waste reduction.

Energy Reduction

Using FY2016 as the baseline year of measurement, the complexes of the consolidated entity have reduced energy consumption in Australia by 20.2%. The effect of store closures and reduced operations during Government-mandated periods of temporary lockdown has affected this figure in FY2021.

Across the complexes in Australia, solar installations have been completed at 39 complexes, with another 29 complexes awaiting commissioning or being planned for installation and commissioning. Using FY2016 electricity consumption as a baseline, the electricity consumption for 30 selected complexes has dropped 20.5% as a result of the solar and other energy efficiency initiatives commenced at these complexes.

An audit of the effectiveness of the installed solar panels at each location was undertaken in FY2021, revealing that on average, the installed systems produce over 120,000 kilowatt hours (KWh) of electricity per annum per array, for use at that property. In total, 4,761,563 KWh of electricity was generated by installed solar arrays at properties across Australia in FY2021. Using emission factors for electricity generated in New South Wales, that equates to approximately 3,900 tonnes of Co2e abated by these solar installations. Solar installations at our overseas company-owned stores will be part of the forward planning for emissions reduction.

Our Irish operations already have all electricity generated from renewable sources. In FY2021, two company-operated stores in Ireland began trialling energy efficient heating, ventilation and cooling systems, and an LED lighting retrofit program is underway across stores and warehouses in Ireland.

Environment and Climate Change (continued)
Disclosures and Standards – Environmental (continued)

Waste Reduction

The consolidated entity is committed to an internal circular economy model to ensure minimisation and eradication of landfill waste across our company-operated stores and complexes in Australia. Our new Executive Sustainability Committee will further develop a 'circular waste' solution and work to reduce waste and improve re-use via store product 'take-back' schemes.

Waste management performance of the franchisees during FY2021 was as follows:

Waste Stream	Waste Management Performance
E-Waste	E-waste recycling is available through most Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes.
Mattresses	15,868 mattresses were recycled through Soft Landing in FY2021. Soft Landing is an accredited supplier to the Australian Bedding Stewardship Council (ABSC). The ABSC is a not-for-profit organisation dedicated to the development of a mattress product stewardship scheme in Australia. Certain Harvey Norman® and Domayne® franchisees are members of the ABSC.
Polystyrene	Approximately 80% of franchised complexes in Australia recycle this separate waste stream.
Cardboard and plastic recycling	Each franchisee in each franchised complex in Australia carries out cardboard and plastic recycling. Harvey Norman®, Domayne® and Joyce Mayne® franchisees recycled 7,825 tonnes, in aggregate, of cardboard and paper and 5.30 tonnes of plastic (LDPE), in aggregate, in FY2021.
Plastic bag distribution	Harvey Norman®, Domayne® and Joyce Mayne® franchisees are currently considering removal of plastic bags and replacement with paper bags.

Overseas Company-Operated Retail

The following initiatives were implemented at company-owned stores:

- All electricity used by operations in Ireland is generated from renewable sources
- An LED lighting retrofit program is underway across stores and warehouses in Ireland
- Two sites in Ireland are trailing energy efficient heating, ventilation and cooling systems
- E-waste and battery recycling initiatives are in place in our Irish operations
- Cardboard, plastic and polystyrene recycling is maximised using compactors in stores.
- Mattress recycling is available at some of our stores in Ireland
- Plastic bags are not provided to customers in retail stores in Ireland and Slovenia, with Croatia also phasing these out by the end of the 2021 calendar year
- The New Zealand operations actively recycle cardboard, paper, polystyrene, plastic and timber from pallets. A new Executive Sustainability Committee has been formed with initial focus on waste diversion, energy emission reduction, packaging and ethical sourcing.

Supply Chain

Responsible Sourcing Standards

With a significant number of suppliers across the globe, supplier obligations are conveyed via robust trading terms which include an obligation to comply with the law in each relevant jurisdiction.

Modern Slavery

We support the objectives of Governments around the world to eradicate all forms of modern slavery and human trafficking. It is planned that all contracted suppliers to the consolidated entity will have positive obligations on modern slavery and human rights as prescribed by the relevant jurisdiction in which they operate.

In FY2021, we continued to build on our position in the 2020 modern slavery statement by surveying suppliers to the consolidated entity, and undertaking additional questioning to some of the suppliers to ensure compliance with relevant standards.

We are implementing our internal modern slavery policy with a view to including a risk assessment in the business as usual activities of each subsidiary vendor management program. Our modern slavery training is set to be delivered in November 2021, and our second modern slavery statement will be posted on the website of the Company by the due date of 31 December 2021.

Governance and Risk

For a description of the governance and risk practices in place at the consolidated entity, please refer to page 32 of this Annual Report and to the Governance section of the website of the Company: www.harveynormanholdings.com.au.

Auditor Independence and Non-Audit Services

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

Details of the amounts paid or payable to the auditor, Ernst & Young, for the provision of non-audit services during the year ended 30 June 2021 are outlined in Note 30. Remuneration of Auditors of this annual report.

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

EY
Building a better working world

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

As lead auditor for the audit of the financial report of Harvey Norman Holdings Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

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

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

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
30 September 2021

Signed in accordance with a resolution of the directors.

G. HARVEY
Chairman
Sydney
30 September 2021

K.L. Page

K.L. PAGE
Chief Executive Officer
Sydney
30 September 2021

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Independent Auditor's Report to the Members of Harvey Norman Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Harvey Norman Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

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

Basis for Opinion

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

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

Key Audit Matters

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

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

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1. Valuation of investment properties and owner-occupied properties

Why significant	How our audit addressed the key audit matter
Investment properties and owner-occupied properties (collectively, "properties") represent 50.5% of the Group's total assets as at 30 June 2021. Investment properties are carried at fair value with changes in fair value recognised in the income statement. Note 14 of the financial report describes the basis upon which fair value has been determined. Owner-occupied properties, represented as Land and Buildings are carried at fair value, with changes in fair value recognised in equity. Note 12 of the financial report describes the basis upon which fair value has been determined. Fair value is assessed by the directors with reference to either external independent property valuations or internal valuations and are based on market conditions existing at the reporting date. At 30 June 2021 there is significant valuation uncertainty arising from the COVID-19 pandemic and the response of Governments to it. The valuation of investment properties is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values. The impact of COVID-19 at 30 June 2021 has resulted in a wider range of possible assumptions and values than at past valuation points. In addition, property values may change significantly and unexpectedly over a short period of time. Given the market conditions at balance date, the independent valuers have reported on the basis of the existence of 'significant valuation uncertainty', noting that less certainty and a higher degree of caution should be attached to the valuations than would normally be the case. The disclosures in the financial statements provide particularly important information about the assumptions made in the property valuations and the market conditions at 30 June 2021. For these reasons we consider it important that attention is drawn to the information in Notes 12 and 14 in assessing the property valuations at 30 June 2021.	Our audit procedures included the following: ► Assessed the Group's accounting policies with respect to investment properties and owner-occupied properties for compliance with the relevant Australian Accounting Standards. ► Assessed whether we could rely on the work of those responsible for the Director's valuations and the work of the independent valuation experts by considering their qualifications, competence and objectivity. For a sample of properties we: ► Assessed the reasonableness of key assumptions used in the valuations with reference to external market evidence. ► Assessed whether any relief provided to tenants in connection with COVID-19 had been factored into the valuations and that changes in tenant occupancy risk were considered. ► We involved our real estate valuation specialists to assist with the assessment of the valuation assumptions and methodologies for both internal and external valuations. ► Evaluated the suitability of the valuation methodology across the portfolio based on the type of asset. ► Considered whether there have been any indicators of material changes in property valuations subsequent to 30 June 2021. We involved our real estate valuation specialists to assist us in making this assessment. ► Considered whether the financial report disclosures and in particular those relating to the valuation uncertainty are appropriate.

Why significant	How our audit addressed the key audit matter
For the year ended 30 June 2021, valuation of investment properties and owner-occupied properties was considered a key audit matter given: ► The value of the properties relative to total assets of the Group ► The number of judgements exercised by both independent valuation specialists and the Directors in determining fair value ► By their nature, the use of Directors' valuations, and ► Uncertainty regarding key valuation assumptions as a result of the COVID-19 economic impact	

2. Recoverability of Receivables from Franchisees

Why significant	How our audit addressed the key audit matter
At 30 June 2021, the balance of receivables from franchisees was $793.2 million representing 12% of the Group's total assets at 30 June 2021. Note 7 of the financial report describes the nature of the balances receivable from franchisees and outlines the accounting policy in relation to receivables from franchisees. The recoverability of receivables from franchisees was considered a key audit matter given the value of the balance and the judgements exercised by the Group in making their recoverability assessment.	Our audit procedures included the following: ► Evaluated the Group's assessment of the recoverability of receivables from franchisees. ► Performed a range of scenarios to 'stress test' assumptions applied by management in determining the recoverability of receivables from franchisees. ► For a sample of franchisee receivables, we obtained confirmation from the franchisees acknowledging the amounts owing at year end. ► Reviewed a sample of General Security Deeds between the franchisees and the Group that provides the Group with security over the assets of franchisees. ► Considered the value of assets provided as security by the franchisees against the franchisee receivable balances. ► Enquired of management and considered any evidence arising post year end of adverse performance of the franchisees, which could impact the recoverability of receivables from franchisees. ► Considered the adequacy of the disclosures included in Note 7 of the financial report.

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

The directors are responsible for the other information. The other information comprises the information included in the Company’s 2021 Annual Report, but does not include the financial report and our auditor’s report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

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

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

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

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

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

Building a better
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Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 37 to 60 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Harvey Norman Holdings Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner

Sydney
30 September 2021

DIRECTORS' DECLARATION

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

In the opinion of the directors:

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

i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

ii. complying with Accounting Standards and the Corporations Regulations 2001;

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

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

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

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

On behalf of the Board.

G. HARVEY
Chairman
Sydney
30 September 2021

K.L. PAGE
Chief Executive Officer
Sydney
30 September 2021

STATEMENT OF FINANCIAL POSITION – 30 JUNE 2021

		Note	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Current Assets	Cash and cash equivalents	26(a)	264,431	313,195
	Trade and other receivables	7	889,201	511,579
	Other financial assets	8	41,376	30,237
	Inventories	9	479,093	391,984
	Other assets	10	39,555	34,872
	Intangible assets	11	258	278
	Assets held for sale	28	12,662	16,186
	Total current assets		1,726,576	1,298,331
Non-current Assets	Trade and other receivables	7	72,560	49,269
	Investments accounted for using the equity method	27	1,321	4,692
	Other financial assets	8	33,083	18,176
	Property, plant and equipment	12	729,847	662,889
	Property, plant and equipment: Right-of-use assets	13	511,167	513,782
	Investment properties: Freehold	14	2,905,509	2,593,330
	Investment properties: Leasehold Right-of-use assets	15	620,461	621,903
	Intangible assets	11	63,668	63,003
	Deferred tax assets		8,742	3,227
	Total non-current assets		4,946,358	4,530,271
	Total Assets		6,672,934	5,828,602
Current Liabilities	Trade and other payables	16	355,663	351,772
	Interest-bearing loans and borrowings	17	359,969	102,841
	Lease liabilities	19	135,389	130,280
	Income tax payable		148,031	70,229
	Other liabilities	20	108,847	96,141
	Provisions	21	37,162	34,181
	Total current liabilities		1,145,061	785,444
Non-Current Liabilities	Interest-bearing loans and borrowings	17	200,000	195,000
	Lease liabilities	19	1,043,276	1,042,807
	Provisions	21	9,823	9,226
	Deferred tax liabilities		380,932	317,937
	Other liabilities	20	823	863
	Total non-current liabilities		1,634,854	1,565,833
	Total Liabilities		2,779,915	2,351,277
	NET ASSETS		3,893,019	3,477,325
Equity	Contributed equity	22	717,925	717,925
	Reserves	25	267,393	216,837
	Retained profits	23	2,879,511	2,511,580
	Parent entity interests		3,864,829	3,446,342
	Non-controlling interests	24	28,190	30,983
	TOTAL EQUITY		3,893,019	3,477,325

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

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Note	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Sales of products to customers	3	2,768,328	2,294,913
Cost of sales		(1,838,365)	(1,555,271)
Gross profit		**929,963**	**739,642**
Revenues received from franchisees	3	1,345,782	1,055,866
Revenues and other income items	3	324,521	194,995
Distribution expenses		(49,971)	(45,089)
Marketing expenses		(377,639)	(380,099)
Occupancy expenses	4,13,15	(243,066)	(239,041)
Administrative expenses	4	(637,583)	(554,753)
Other expenses		(67,585)	(58,067)
Finance costs	4,19	(50,213)	(59,794)
Share of net profit of joint venture entities	27	8,320	7,628
Profit before income tax		**1,182,529**	**661,288**
Income tax expense	5	(335,684)	(175,265)
Profit after tax		**846,845**	**486,023**
Attributable to:			
Owners of the parent		841,414	480,541
Non-controlling interests		5,431	5,482
		846,845	**486,023**
Earnings per share			
Basic earnings per share (cents per share)	6	67.53 cents	39.19 cents
Diluted earnings per share (cents per share)	6	67.45 cents	39.15 cents
Dividends per share (cents per share)	23	35.0 cents	24.0 cents

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

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Profit for the year	846,845	486,023
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(16,897)	(9,236)
Net movement on cash flow hedges	46	(47)
Income tax effect on net movement on cash flow hedges	(14)	14
Items that will not be reclassified subsequently to profit or loss		
Fair value revaluation of land and buildings	55,616	28,384
Income tax effect on fair value revaluation of land and buildings	(5,578)	(4,655)
Net fair value gains / (losses) on financial assets at fair value through other comprehensive income	12,655	(1,030)
Other comprehensive income for the year (net of tax)	45,828	13,430
Total comprehensive income for the year (net of tax)	892,673	499,453
Total comprehensive income attributable to:		
Owners of the parent	889,249	494,391
Non-controlling interests	3,424	5,062
	892,673	499,453

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 2021

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

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

CONSOLIDATED $000	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Reserve	FVOCI Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-Controlling Interests	Total
At 1 July 2019 as previously reported	552,250	2,397,436	152,850	65,853	10,949	(2)	10,125	(22,051)	30,383	3,197,793
Transition adjustments arising from adoption of AASB 16	-	(43,892)	(18,067)	-	-	-	-	-	80	(61,879)
At 1 July 2019, post transition	552,250	2,353,544	134,783	65,853	10,949	(2)	10,125	(22,051)	30,463	3,135,914
Revaluation of land and buildings	-	-	23,825	-	-	-	-	-	(96)	23,729
Currency translation differences	-	-	-	(8,912)	-	-	-	-	(324)	(9,236)
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	2	-	-	-	2
Fair value of forward foreign exchange contracts	-	-	-	-	-	(35)	-	-	-	(35)
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(1,030)	-	-	-	-	(1,030)
Other comprehensive income	-	-	23,825	(8,912)	(1,030)	(33)	-	-	(420)	13,430
Profit for the year	-	480,541	-	-	-	-	-	-	5,482	486,023
Total comprehensive income for the year	-	480,541	23,825	(8,912)	(1,030)	(33)	-	-	5,062	499,453
Cost of share based payments	-	-	-	-	-	-	739	-	-	739
Utilisation of employee equity benefits reserve	-	-	-	-	-	-	(859)	-	-	(859)
Shares issued	165,675	-	-	-	-	-	-	-	-	165,675
Sale of a controlled entity	-	-	-	-	-	-	-	3,450	-	3,450
Dividends paid	-	(322,505)	-	-	-	-	-	-	(3,345)	(325,850)
Distribution to members	-	-	-	-	-	-	-	-	(1,197)	(1,197)
At 30 June 2020	717,925	2,511,580	158,608	56,941	9,919	(35)	10,005	(18,601)	30,983	3,477,325

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		Note	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Operating Activities	**Cash Flows from Operating Activities**			
	Net receipts from franchisees		886,344	1,304,230
	Receipts from customers		2,984,441	2,461,539
	Payments to suppliers and employees		(2,984,050)	(2,471,564)
	Distributions received from joint ventures		9,332	8,385
	GST paid		(103,403)	(65,501)
	Interest received		5,496	8,142
	Interest and other costs of finance paid		(8,953)	(20,489)
	Interest paid on lease liabilities		(40,941)	(40,538)
	Income taxes paid		(206,595)	(128,967)
	Dividends received		2,198	1,727
	Net Cash Flows From Operating Activities	26(b)	**543,869**	**1,056,964**
Investing Activities	**Cash Flows from Investing Activities**			
	Payments for purchases of property, plant and equipment and intangible assets		(100,300)	(93,905)
	Payments for purchase and refurbishments of freehold investment properties		(173,822)	(51,474)
	Proceeds from sale of property, plant and equipment and properties held for resale		1,922	26,510
	Payments for purchase of units in unit trusts and other investments		(2,312)	(215)
	Payments for purchase of equity accounted investments		(409)	(2,215)
	Payments for purchase of listed securities		(2,360)	(5,000)
	Proceeds from sale of listed securities		78	-
	Proceeds from sale of a controlled entity		15,082	-
	Proceeds from insurance claims		2,689	2,628
	Loans repaid from / (granted to) joint venture entities, joint venture partners, related and unrelated entities		5,316	(13,292)
	Net Cash Flows Used In Investing Activities		**(254,116)**	**(136,963)**
Financing Activities	**Cash Flows from Financing Activities**			
	Lease payments (principal component)		(130,849)	(124,770)
	Proceeds from shares issued – renounceable pro-rata Entitlement Offer		-	165,675
	Proceeds from / (Repayments of) Syndicated Facility		295,000	(520,000)
	Dividends paid		(473,483)	(322,505)
	Loans repaid to related parties		-	(8)
	Repayments of other borrowings		(26,140)	(9,763)
	Net Cash Flows Used In Financing Activities		**(335,472)**	**(811,371)**
	Net (Decrease) / Increase in Cash and Cash Equivalents		(45,719)	108,630
	Cash and Cash Equivalents at Beginning of the Year		294,446	185,816
	Cash and Cash Equivalents at End of the Year	26(a)	**248,727**	**294,446**

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

1 Statement of Significant Accounting Policies

(a) Corporate Information

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

(b) Basis of Preparation

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

The consolidated financial statements of the Company and its subsidiaries (the "consolidated entity") for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the directors on 30 September 2021.

(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 2021. For details on the impact of future accounting standards, refer to page 89.

(d) Basis of Consolidation

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

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

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

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

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

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

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

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

1 Statement of Significant Accounting Policies (continued)

(e) Summary of Significant Accounting Policies

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

The accounting policies adopted are consistent with those of the previous financial year ended 30 June 2020. The consolidated entity has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

The consolidated entity is currently assessing the impact of the recently published IFRIC agenda decisions in relation to the accounting treatment for cloud computing costs and costs to be included in determining net realisable value of inventories, which was published by IFRIC in April 2021 and June 2021 respectively. The consolidated entity expects to complete its assessment of the above IFRIC agenda decisions by 31 December 2021.

(ii) Significant accounting judgements and estimates

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

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

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

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

At least on an annual basis, the directors of HNHL assess the requirements of control in accordance with AASB 10 *Consolidated Financial Statements*. During the 2021 financial year, after considering both the legal arrangements in place between the consolidated entity and Harvey Norman®, Domayne® and Joyce Mayne® franchisees and the practical application of those arrangements, the directors have continued to conclude that HNHL, or any subsidiary of HNHL, does not control the business operations of franchisees. In particular, HNHL, or any subsidiary of HNHL, does not have any existing rights that give the consolidated entity the current ability to direct the relevant activities that most significantly affect the returns of the franchisee. The ability to direct the relevant activities that most significantly affect the returns of the franchisee, rest with the franchisee.

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

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

1 Statement of Significant Accounting Policies (continued)

(e) Summary of Significant Accounting Policies (continued)

(ii) Significant accounting judgements and estimates (continued)

- Impairment of Non-Financial Assets

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

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

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

(iii) Taxes

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

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

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

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

1 Statement of Significant Accounting Policies (continued)

(iv) Foreign Currency Translation

Both the functional and presentation currency of Harvey Norman Holdings Limited and its subsidiaries is Australian dollars. Transactions in foreign currencies are initially recorded in the functional currency at exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at balance date. Differences arising on settlement or translation of monetary items are recognised in the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

f) Future Accounting Standards

The table below lists the Australian Accounting Standards which have recently been issued or amended but not yet effective and have not been adopted by the consolidated entity for the year ended 30 June 2021. The consolidated entity does not expect a material impact on the application of the below standards.

Reference	New Standard	Effective Date	Application Date
AASB 2020-8	Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform–Phase 2	1 January 2021	1 July 2021
AASB 2021-3	Amendments to Australian Accounting Standards – COVID-19 Related Rent Concessions beyond 30 June 2021	1 April 2021	1 July 2021
AASB 2020-3	Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022	1 July 2022
AASB 2014-10	Amendments to Australian Accounting Standards – Sale or Contribution of Assets between and Investor and its Associate or Joint Venture	1 January 2022	1 July 2022
AASB 2020-1	Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current	1 January 2023	1 July 2023
AASB 2021-2	Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023	1 July 2023
AASB 2021-5	Amendments to Australian Accounting Standards – Deferred Tax Related to Assets and Liabilities arising from a Single Transaction	1 January 2023	1 July 2023

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Operating Segments

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

Operating Segment Revenue: 30 June 2020	CONSOLIDATED ($000) Sales of products to customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	949,037	949,037
Retail – New Zealand	960,185	23,086	983,271
Retail – Singapore & Malaysia	525,746	11,685	537,431
Retail – Slovenia & Croatia	154,362	2,399	156,761
Retail – Ireland & Northern Ireland	440,513	8,491	449,004
Other Non-Franchised Retail	224,780	4,318	229,098
TOTAL RETAIL	2,305,586	49,979	2,355,565
Retail Property	25	300,507	300,532
TOTAL PROPERTY	25	300,507	300,532
EQUITY INVESTMENTS	-	1,450	1,450
OTHER	2,229	14,996	17,225
INTERCOMPANY ELIMINATIONS	(12,927)	(65,108)	(78,035)
TOTAL SEGMENT REVENUE	2,294,913	1,250,861	3,545,774

2 Operating Segments (continued)

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

Operating Segment Result 30 June 2020	CONSOLIDATED ($000)					
	Segment Result Before Interest, Tax, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Depreciation & Fair Value Re-measurement of ROU Asset	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	495,847	(23,698)	(25,197)	(78,060)	(20,300)	348,592
Retail – New Zealand	120,196	(4,282)	(7,059)	(9,354)	(345)	99,156
Retail – Singapore & Malaysia	73,550	(6,068)	(6,843)	(31,818)	(1,206)	27,615
Retail – Slovenia & Croatia	13,908	(908)	(2,701)	(1,723)	(143)	8,433
Retail – Ireland & Northern Ireland	43,263	(7,520)	(5,186)	(13,512)	(172)	16,873
Other Non-Franchised Retail	(2,640)	(1,859)	(2,525)	(1,508)	(305)	(8,837)
TOTAL RETAIL	248,277	(20,637)	(24,314)	(57,915)	(2,171)	143,240
Retail Property	199,022	(14,099)	(11,430)	-	(305)	173,188
TOTAL PROPERTY	199,022	(14,099)	(11,430)	-	(305)	173,188
EQUITY INVESTMENTS	(2,001)	(152)	-	-	-	(2,153)
OTHER	4,874	(1,378)	(5,075)	-	-	(1,579)
INTER-COMPANY ELIMINATIONS	(170)	170	-	-	-	-
TOTAL SEGMENT RESULT BEFORE TAX	945,849	(59,794)	(66,016)	(135,975)	(22,776)	661,288

2 Operating Segments (continued)

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

Operating Segment Assets and Liabilities 30 June 2020	CONSOLIDATED ($000) Segment Assets	Inter-Company Eliminations	Segment Assets After Eliminations	Segment Liabilities	Inter-Company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,495,462	(2,222,820)	1,272,642	916,694	(139,436)	777,258
Retail – New Zealand	434,573	-	434,573	269,969	(4,188)	265,781
Retail – Singapore & Malaysia	446,675	(1,671)	445,004	298,827	(40,670)	258,157
Retail – Slovenia & Croatia	74,388	(3,260)	71,128	63,719	(368)	63,351
Retail – Ireland & Northern Ireland	243,916	(262)	243,654	266,188	(615)	265,573
Other Non-Franchised Retail	211,721	(43,627)	168,094	237,933	(144,973)	92,960
TOTAL RETAIL	1,411,273	(48,820)	1,362,453	1,136,636	(190,814)	945,822
Retail Property	3,061,520	(63,486)	2,998,034	2,040,088	(1,848,851)	191,237
Property Developments for Resale	16,186	-	16,186	-	-	-
TOTAL PROPERTY	3,077,706	(63,486)	3,014,220	2,040,088	(1,848,851)	191,237
EQUITY INVESTMENTS	45,688	-	45,688	1,737	-	1,737
OTHER	188,513	(58,141)	130,372	261,223	(214,166)	47,057
TOTAL SEGMENT ASSETS/LIABILITIES BEFORE TAX	8,218,642	(2,393,267)	5,825,375*	4,356,378	(2,393,267)	1,963,111*

* Segment assets for FY21 and FY20 are exclusive of deferred tax assets. Segment liabilities for FY21 and FY20 are exclusive of income tax payable and deferred tax liabilities.

2 Operating Segments (continued)

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

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

3 Revenues

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Revenue from contracts with customers and franchisees:		
Sale of products to customers (a)	2,768,328	2,294,913
Services to customers (c)	33,496	27,676
Franchise fees in accordance with franchise agreements (b)	1,075,753	780,237
Total revenue from contracts with customers and franchisees	**3,877,577**	**3,102,826**
Other revenue from franchisees:		
Rent and outgoings received from franchisees	248,598	247,291
Interest to implement and administer the financial accommodation facilities	21,431	28,338
Total other revenue received from franchises (b)	**270,029**	**275,629**
Gross revenue from other unrelated parties:		
Rent and outgoings received from external tenants	98,006	98,610
Interest received from financial institutions and other parties	5,068	6,388
Dividends received	2,340	1,450
Total other revenue received from unrelated parties (c)	**105,414**	**106,448**
Other income items:		
Net property revaluation increment on Australian freehold investment properties	138,686	34,268
Property revaluation increment for overseas controlled entity	1,688	688
Net revaluation increment of equity investments to fair value	8,763	-
Other income	36,474	25,915
Total other income items (c)	**185,611**	**60,871**
Disclosed in the Income Statement as follows:		
(a) Sale of products to customers	2,768,328	2,294,913
(b) Revenue received from franchisees	1,345,782	1,055,866
(c) Revenues and other income items	324,521	194,995

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

3 Revenues (continued)

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

Operating Segments 30 June 2020	TYPES OF CONTRACTS $000			
	Sale of Products to Customers	Services to Customers	Franchisee Fees from Franchisees	Total Revenue from Contracts with Customers
FRANCHISING OPERATIONS	-	-	780,237	780,237
Retail – New Zealand	960,185	13,933	-	974,118
Retail – Singapore & Malaysia	525,746	4,818	-	530,564
Retail – Slovenia & Croatia	154,362	1,759	-	156,121
Retail – Ireland & Northern Ireland	440,513	6,604	-	447,117
Other Non-Franchised Retail	224,780	562	-	225,342
TOTAL RETAIL	2,305,586	27,676	-	2,333,262
Retail Property	25	-	-	25
TOTAL PROPERTY	25	-	-	25
EQUITY INVESTMENTS	-	-	-	-
OTHER	2,229	-	-	2,229
INTER-COMPANY ELIMINATIONS	(12,927)	-	-	(12,927)
TOTAL SEGMENT REVENUE	2,294,913	27,676	780,237	3,102,826

3 Revenues (continued)

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

	PRIMARY GEOGRAPHICAL MARKETS $000				
Operating Segments 30 June 2020	Australia	New Zealand	Asia	Europe	Total Revenue from Contracts with Customers
FRANCHISING OPERATIONS	780,237	-	-	-	780,237
Retail – New Zealand	-	974,118	-	-	974,118
Retail – Singapore & Malaysia	-	-	530,564	-	530,564
Retail – Slovenia & Croatia	-	-	-	156,121	156,121
Retail – Ireland & Northern Ireland	-	-	-	447,117	447,117
Other Non-Franchised Retail	213,799	11,563	-	-	225,362
TOTAL RETAIL	213,799	985,681	530,564	603,238	2,333,282
Retail Property	25	-	-	-	25
TOTAL PROPERTY	25	-	-	-	25
EQUITY INVESTMENTS	-	-	-	-	-
OTHER	2,229	-	-	-	2,229
INTER-COMPANY ELIMINATIONS	(1,891)	(10,424)	(612)	-	(12,927)
TOTAL SEGMENT REVENUE	994,379	975,257	529,952	603,238	3,102,826

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Expenses and Losses

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Employee benefits expense:		
Wages and salaries *	351,110	297,214
Workers compensation	2,768	3,236
Superannuation contributions	16,782	16,612
Payroll tax	14,828	12,414
Share-based payments	1,488	745
Other employee benefits	12,797	10,461
Total employee benefits expense	399,773	340,682
Finance costs:		
Interest on lease liabilities (accretion)	40,941	40,538
Bank interest paid to financial institutions	7,975	17,829
Other	1,297	1,427
Total finance costs	50,213	59,794
Occupancy expenses:		
Variable lease payments (including short-term and low-value leases)	30,407	25,844
Property, plant and equipment: Right-of-use assets - Depreciation expense	62,908	61,769
Investment properties (leasehold): Right-of-use assets - Fair value re-measurement	74,076	74,206
Other occupancy expenses	75,675	77,222
Total occupancy expenses	243,066	239,041
Depreciation, amortisation and impairment:		
Depreciation of (excluding AASB 16 depreciation in occupancy expenses above):		
- Buildings	9,276	10,983
- Plant and equipment	57,838	55,033
Amortisation of:		
- Computer software	19,777	19,814
- Net licence property and other intangible assets	520	1,786
Impairment of non-current assets	-	876
Impairment of other financial assets	-	300
Total depreciation, amortisation and impairment	87,411	88,792

* These amounts are net of the following COVID-19 wages support and assistance received:

- $4.43 million received overseas, in aggregate, by our overseas company-operated stores in Malaysia, Singapore, Northern Ireland and Slovenia; and
- $3.63 million received in Australia by controlled non-franchised retail businesses in Australia.

Subsequent to the year-end, in August 2021, all of the wages support and assistance received by controlled entities in Australia of $6.02 million (FY21: $3.63 million and FY20: $2.39 million) was repaid to the Federal Government via the Australian Taxation Office. No provision has been made in the Statement of Financial Position as at 30 June 2021 for this post year-end repayment.

5 Income Tax

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
(a) Income tax recognised in the Income Statement:		
Current income tax:		
Current income tax charge	285,742	180,801
Adjustments in respect of current income tax of previous years	(76)	(462)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	50,018	(5,074)
Total income tax expense reported in the Income Statement	335,684	175,265
(b) Income tax recognised in the Statement of Changes in Equity :		
Deferred income tax:		
Net gain / (loss) on revaluation of cash flow hedges	14	(14)
Net gain on revaluation of land and buildings	5,578	4,559
Total income tax expense reported in other comprehensive income	5,592	4,545
(c) Reconciliation between income tax expense and prima facie income tax:		
Accounting profit before tax	1,182,529	661,288
At the Australian statutory income tax rate of 30% (2020: 30%)	354,759	198,386
Adjustments to arrive at total income tax expense recognised for the year:		
Transactions undertaken by Harvey Norman Holdings Limited and Harvey Norman Holdings (Ireland) Limited as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012	11,125	5,793
Adjustments in respect of current income tax of previous year	(76)	(462)
Share-based payment expenses	129	(36)
Expenditure not allowable for income tax purposes	1,931	1,194
Income not assessable for income tax purposes	(2,445)	(894)
Unrecognised tax losses	105	294
Utilisation of previously unrecognised tax losses	(13,196)	(7,899)
Tax concession for research and development expenses	(189)	(189)
Difference between tax capital gain and accounting profit on revaluation of pre-CGT properties	(334)	(304)
Non-allowable building and motor vehicle depreciation	266	488
Reversal of non-allowable building depreciation due to a legislative change in New Zealand in FY20	-	(14,766)
Receipt of fully franked dividends	(771)	(424)
Sundry items	(74)	(382)
Effect of different rates of tax on overseas income and exchange rate differences	(15,546)	(5,534)
Total adjustments	(19,075)	(23,121)
Total income tax reported in the Income Statement	335,684	175,265
Effective income tax rate (%)	28.39%	26.50%

5 Income Tax (continued)

SIGNIFICANT ACCOUNTING POLICIES

Tax consolidation

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

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

(d) Deferred income tax assets and liabilities:	STATEMENT OF FINANCIAL POSITION		INCOME STATEMENT	
Deferred income tax at 30 June relates to the following:	June 2021 $000	June 2020 $000	June 2021 $000	June 2020 $000
Deferred tax liabilities:				
Revaluations of freehold investment properties to fair value	(233,220)	(193,801)	40,982	9,876
Revaluations of owner-occupied land and buildings to fair value	(45,125)	(39,699)	-	-
Non-allowable building depreciation in respect of properties in New Zealand	-	(15,389)	(760)	1,897
Reversal of non-allowable building depreciation due to a legislative change in New Zealand in FY20	-	14,766	-	(14,766)
Reversal of building depreciation expense for freehold investment properties	(130,307)	(116,570)	13,969	11,736
Research and development	(13,548)	(15,279)	(1,731)	(1,123)
Other items	(8,455)	(5,020)	3,795	830
Total deferred tax liabilities	(430,655)	(370,992)		
Deferred tax assets:				
Employee provisions	10,904	9,862	(1,221)	(120)
Unused tax losses and tax credits	8,875	3,444	(5,592)	(3,206)
Right-of-use assets and lease liabilities	19,146	17,410	(1,702)	(8,013)
Losses in respect of the Coomboona joint venture	9,188	11,365	300	300
Other provisions	7,416	11,451	2,275	(2,397)
Provisions for lease makegood	440	401	(61)	(78)
Provision for executive remuneration	968	822	(146)	(10)
Revaluations of owner-occupied land and buildings to fair value	1,527	1,527	-	-
Total deferred tax assets*	58,464	56,282		
Total deferred tax	(372,191)	(314,710)	50,018	(5,074)

* Of the total deferred tax assets of $58.46 million (30 Jun 2020: $56.28 million), $49.72 million (30 June 2020: $53.06 million) was offset with the deferred tax liabilities in accordance with the deferred income tax accounting policy outlined on page 100.

The consolidated entity has not recognised deferred tax assets relating to tax losses of $88.71 million (2020: $176.00 million) which are available for offset against taxable profits of the companies in which the losses arose. At 30 June 2021, no deferred tax liability has been recognised (2020: nil) in respect of the unremitted earnings of certain subsidiaries, associates or joint ventures.

5 Income Tax (continued)

SIGNIFICANT ACCOUNTING POLICIES

Current income tax

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

Deferred income tax

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

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

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

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Recovery of deferred tax assets

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

6 Earnings Per Share

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Basic earnings per share (cents per share)	67.53c	39.19c
Diluted earnings per share (cents per share)	67.45c	39.15c

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

	June 2021 $000	June 2020 $000
Profit after tax	846,845	486,023
Less: Profit after tax attributable to non-controlling interests	(5,431)	(5,482)
Profit after tax attributable to owners of the parent	841,414	480,541

	NUMBER OF SHARES June 2021 Number	NUMBER OF SHARES June 2020 Number
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	1,246,006,654	1,226,271,429
Effect of dilutive securities (b)	1,413,644	1,267,770
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,247,420,298	1,227,539,199

(a) Weighted Average Number of Ordinary Shares

The weighted average number of ordinary shares used in calculating basic earnings per share for the 2020 financial year was inclusive of the new shares totalling 66,270,064 ordinary shares in the Company issued on 18 October 2019 pursuant to the pro-rata Entitlement Offer, weighted on a pro-rata basis from issue date to 30 June 2020. As there were no new shares issued during the current year, the weighted average number of ordinary shares used in calculating basic earnings per share for the 2021 financial year was the number of shares on issue as at 30 June 2021.

(b) Effect of Dilutive Securities

Performance rights pursuant to Tranche FY19, Tranche FY20 and Tranche FY21 of the 2016 LTI Plan that have been issued to Executive Directors, but have not yet vested as at 30 June 2021, have been included in the calculation of dilutive earnings per share. Refer to Table 4. Performance Rights of Key Management Personnel for the Year Ended 30 June 2021 on page 57 of this report for further information.

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

SIGNIFICANT ACCOUNTING POLICIES

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Trade and Other Receivables

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Current		
Receivables from franchisees	793,228	352,359
Trade receivables (a)	78,917	109,077
Consumer finance loans (b)	2,094	2,258
Allowance for expected credit loss (a) (b)	(3,578)	(3,716)
Trade receivables, net	77,433	107,619
Amounts receivable in respect of finance leases (c)	3,206	3,291
Non-trade debts receivable from (d):		
- Related parties (including joint ventures and joint venture partners)	1,824	23,059
- Unrelated parties	13,738	25,745
Allowance for expected credit loss (d)	(228)	(494)
Non-trade debts receivable, net	15,334	48,310
Total trade and other receivables (current)	889,201	511,579
Non-Current		
Trade receivables (a)	6,703	7,276
Consumer finance loans (b)	441	476
Allowance for expected credit loss (a) (b)	(3)	(4)
Trade receivables, net	7,141	7,748
Amounts receivable in respect of finance leases (c)	713	912
Non-trade debts receivable from (d):		
- Related parties (including joint ventures and joint venture partners)	56,022	49,442
- Unrelated parties	29,352	19,835
Allowance for expected credit loss (d)	(20,668)	(28,668)
Non-trade debts receivable, net	64,706	40,609
Total trade and other receivables (non-current)	72,560	49,269

SIGNIFICANT ACCOUNTING POLICIES

Trade and other receivables

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

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

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

7 Trade and Other Receivables (continued)

SIGNIFICANT ACCOUNTING POLICIES

Allowance for expected credit losses

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

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

Receivables from franchisees

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

The receivables from franchisees balance of $793.23 million as at 30 June 2021 (2020: $352.36 million) comprises the aggregate of the balances due from each franchisee to Derni, and is net of any uncollectible amounts. The indebtedness of each franchisee to Derni is reduced on a daily basis by an electronic funds transfer process. Each franchisee directs the financial institution of that franchisee to transfer the net cash receipts in the bank account of the franchisee to Derni, in reduction of outstanding indebtedness.

Receivables from franchisees have been measured at amortised cost. The consolidated entity has performed a recoverability assessment as at 30 June 2021 to assess whether an allowance for expected credit loss was required in respect of the aggregate franchisee receivables balance. This expected credit loss assessment was conducted by applying the general approach for provisioning for expected credit losses prescribed by AASB 9, and was applied to the carrying value of franchisee receivables as at 30 June 2021 totalling $793.23 million (2020: $352.36 million). Based on the assessment, there is no expected credit loss in respect of receivables from franchisees and therefore no allowance for expected credit loss has been raised as at 30 June 2021 (2020: nil). Receivables from franchisees are neither past due nor impaired as at 30 June 2021.

(a) Trade receivables and allowance for expected credit loss

Trade receivables are non-interest bearing and are generally on 30-day terms. An allowance has been made for estimated unrecoverable trade receivable amounts arising from the past sale of goods and rendering of services when there is objective evidence that an individual trade receivable is impaired. An impairment loss of $0.25 million (2020: $3.68 million) has been recognised by the consolidated entity in the current year for trade receivables. This amount has been included in the other expenses line item in the Income Statement.

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

- $72.08 million of the trade receivables balance as at 30 June 2021 (2020: $91.30 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- $9.98 million of the trade receivables balance as at 30 June 2021 (2020: $21.36 million) are past due but not impaired as there has not been a significant change in credit quality and the consolidated entity believes that the amounts are still considered recoverable. The consolidated entity does not hold any collateral over these balances as at 30 June 2021 (2020: nil).
- $3.56 million of the trade receivables balance as at 30 June 2021 (2020: $3.70 million) are past due and impaired, and have been provided for in full as at balance date.

Ageing Analysis	Neither past due or impaired	Past due but not impaired			Past due and impaired			Total
		31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	
2021 ($000)	72,077	2,629	2,193	5,161	507	246	2,807	85,620
2020 ($000)	91,301	8,593	4,087	8,675	78	98	3,521	116,353

7 Trade and Other Receivables (continued)

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Reconciled to:		
Trade receivables (Current)	78,917	109,077
Trade receivables (Non-current)	6,703	7,276
Total trade receivables	85,620	116,353
Movement in the allowance for expected credit loss for trade receivables were as follows:		
At 1 July	3,697	414
Charge for the year	254	3,684
Foreign exchange translation	(16)	(10)
Amounts written off	(375)	(391)
At 30 June	3,560	3,697

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

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

- $0.86 million of the consumer finance loans at 30 June 2021 (2020: $1.70 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- If a customer has missed a repayment in a consumer finance loan, the remaining balance of the consumer finance loan is treated as past due. $1.66 million of the consumer finance loans balance as at 30 June 2021 (2020: $1.01 million) are past due but not impaired. The consolidated entity does not hold any collateral over these balances and believes that these amounts will be recovered.
- $0.02 million of the consumer finance loans at 30 June 2021 (2020: $0.02 million) are past due and impaired, and have been provided for in full as at balance date.

		Past due but not impaired			Past due and impaired			
Ageing Analysis	Neither past due or impaired	31-60 Days	61-90 Days	+90 Days	31-60 Days	61-90 Days	+90 Days	Total
2021 ($000)	858	393	297	966	-	-	21	2,535
2020 ($000)	1,699	372	432	208	-	-	23	2,734

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Reconciled to:		
Consumer finance loans (Current)	2,094	2,258
Consumer finance loans (Non-current)	441	476
Total consumer finance loans	2,535	2,734
Movement in the allowance for expected credit loss for consumer finance loans were as follows:		
At 1 July	23	36
Amounts written off	(2)	(13)
At 30 June	21	23

7 Trade and Other Receivables (continued)

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

Finance lease receivables are reconciled as follows:

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Aggregate of minimum lease payments and guaranteed residual values:		
Not later than one year	3,365	3,438
Later than one year but not later than five years	758	1,019
	4,123	4,457
Future finance revenue:		
Not later than one year	(135)	(147)
Later than one year but not later than five years	(69)	(107)
	3,919	4,203
Reconciled to:		
Amounts receivable in respect of finance leases (current)	3,230	3,291
Amounts receivable in respect of finance leases (non-current)	689	912
Total finance lease receivables	3,919	4,203

The consolidated entity offers finance lease arrangements as part of the consumer finance business. Finance leases are offered in respect of motor vehicles and livestock with lease terms not exceeding 4 years. All finance leases are at fixed rates for the term of the lease. An expected credit loss allowance is made for estimated unrecoverable finance lease receivable amounts when there is objective evidence that a finance lease receivable is impaired. No expected credit loss was recognised in the 2021 financial year (2020: nil).

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

- $1.20 million of the finance lease receivable balance as at 30 June 2021 (2020: $1.48 million) are neither past due nor impaired.
- $2.72 million of the finance lease receivable balance as at 30 June 2021 (2020: $2.72 million) are past due but not impaired. These receivables are subject to regular monitoring to ensure that they are recoverable. As at balance date, there were no events that required the consolidated entity to sell or re-pledge the secured leased assets.

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

Non-trade debts receivable are generally interest-bearing and are normally payable at call. The aggregate balance of current and non-current non-trade debts receivable as at 30 June 2021 was $100.94 million (2020: $118.08 million) as follows:

- $54.15 million of the non-trade debts receivable balance as at 30 June 2021 (2020: $69.24 million) are neither past due nor impaired. It is expected that these balances will be collected by the consolidated entity on, or prior to, the due date.
- $25.89 million of the non-trade debts receivable balance as at 30 June 2021 (2020: $19.68 million) are past due but not impaired. These receivables are subject to regular monitoring and periodic impairment testing to ensure that they are recoverable.
- $20.90 million of the non-trade debts receivable balance as at 30 June 2021 (2020: $29.16 million) are past due and impaired, and have been provided for in full as at balance date.

Ageing Analysis	Neither past due or impaired	Past due but not impaired 31-60 Days	Past due but not impaired 61-90 Days	Past due but not impaired +90 Days	Past due and impaired 31-60 Days	Past due and impaired 61-90 Days	Past due and impaired +90 Days	Total
2021 ($000)	54,150	-	-	25,890	-	-	20,896	100,936
2020 ($000)	69,241	-	-	19,678	-	-	29,162	118,081

7 Trade and Other Receivables (continued)

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

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Reconciled to:		
Non-trade debts receivable (current)	15,562	48,804
Non-trade debts receivable (non-current)	85,374	69,277
Total non-trade debts receivables	100,936	118,081

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

	June 2021 $000	June 2020 $000
At 1 July	29,162	30,272
Charge for the year	35	1,335
Reversal during the year (i)	(8,000)	(2,000)
Utilisation of allowance for expected credit loss	(301)	(445)
At 30 June	20,896	29,162

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

The consolidated entity has non-trade debts receivable from the mining camp joint ventures totalling $30.69 million (2020: $32.85 million) in aggregate as at 30 June 2021. The recoverable amount of non-trade receivable from the mining camp joint ventures was assessed during the year. An impairment reversal of $8.00 million was recognised in the current year (2020: impairment reversal of $2.00 million). The total balance of the allowance for expected credit loss as at 30 June 2021 relating to non-trade receivables from the mining camp joint ventures was $3.23 million (2020: $11.23 million).

The recoverable amount for these non-trade receivables have been determined based on the present value of estimated cash flow projections as at 30 June 2021 for a five-year period, based on financial budgets and the assets held as security. The effective interest rate applied to the cash flow projections was 7.5%. Cash flow projections were limited to five years due to the inherent risks associated with the mining industry.

Each of the key assumptions in the impairment assessment were subject to significant accounting estimates and assumptions about future economic conditions and its impact on the ongoing trading performance of the mining camp joint ventures and the possible commencement of future projects which are currently out to tender. Judgement has been made, based on available information, to each of these variables to assess the recoverable amount of the non-trade receivables as at balance date.

8 Other Financial Assets

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Current		
Equity investments at fair value through profit or loss	41,281	30,237
Derivatives receivable	95	-
Total other financial assets (current)	**41,376**	**30,237**
Non-Current		
Equity investments at fair value through other comprehensive income	28,046	15,451
Units in unit trusts	414	414
Other non-current financial assets	4,623	2,311
Total other financial assets (non-current)	**33,083**	**18,176**

SIGNIFICANT ACCOUNTING POLICIES

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

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

9 Inventories (Current)

	June 2021 $000	June 2020 $000
Finished goods at cost	490,015	402,363
Provision for obsolescence	(10,922)	(10,379)
Total inventories (current)	**479,093**	**391,984**

SIGNIFICANT ACCOUNTING POLICIES

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	June 2021 $000	June 2020 $000

10 Other Assets (Current)

Prepayments	36,803	30,723
Other current assets	2,752	4,149
Total other assets (current)	39,555	34,872

11 Intangible Assets

Current		
Net licence property (current)	258	278
Non-Current		
Net licence property	1,981	2,494
Other intangible assets	90	156
Computer software:		
At cost	232,571	214,688
Accumulated amortisation and impairment	(170,974)	(154,335)
Net computer software	61,597	60,353
Total net intangible assets (non-current)	63,668	63,003

Reconciliation of non-current computer software is as follows:

Opening balance	60,353	61,910
Additions	20,791	19,167
Disposals	(36)	(921)
Amortisation	(19,777)	(19,814)
Net foreign currency differences arising from foreign operations	266	11
Net computer software (non-current)	61,597	60,353

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets

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

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

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

12 Property, Plant and Equipment

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Land at fair value	185,916	150,235
Buildings at fair value	265,173	252,681
Land and buildings at fair value (a)	451,089	402,916
Plant and equipment:		
At cost	798,335	837,764
Accumulated depreciation	(519,577)	(577,791)
Net plant and equipment	278,758	259,973
Total property, plant and equipment:		
Land and buildings at fair value	451,089	402,916
Plant and equipment at cost	798,335	837,764
Total property, plant and equipment	1,249,424	1,240,680
Accumulated depreciation	(519,577)	(577,791)
Total written down amount of property, plant and equipment	729,847	662,889

Reconciliation of the carrying amounts of property, plant & equipment were as follows:

Land at fair value

	June 2021 $000	June 2020 $000
Opening balance	150,235	199,078
Additions	1,685	3,372
Disposals	-	(1,809)
Increase resulting from revaluation	35,910	8,925
Reclassification to leasehold properties: right-of-use assets	-	(57,641)
Net foreign currency differences arising from foreign operations	(1,914)	(1,690)
Closing balance	185,916	150,235

Buildings at fair value

	June 2021 $000	June 2020 $000
Opening balance	252,681	242,135
Additions	3,222	16,471
Disposals	(646)	(1,542)
Increase resulting from revaluation	21,938	20,477
Depreciation for the year	(9,210)	(10,897)
Reclassification to leasehold properties: right-of-use assets	-	(10,930)
Net foreign currency differences arising from foreign operations	(2,812)	(3,033)
Closing balance	265,173	252,681
Net land and buildings at fair value (a)	451,089	402,916

(a) The net book value of land and buildings (other than land and buildings classified as freehold investment properties) would have been $191.43 million (2020: $199.36 million) if measured on a historical cost basis.

12 Property, Plant and Equipment (continued)

Reconciliation of the carrying amounts of property, plant and equipment (continued):

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Plant and equipment at cost:		
Opening balance	837,764	822,143
Additions	83,776	71,773
Disposals	(115,390)	(53,758)
Net foreign currency differences arising from foreign operations	(7,815)	(2,394)
Closing balance	798,335	837,764
Plant and equipment accumulated depreciation:		
Opening balance	577,791	573,729
Depreciation for the year	57,838	55,033
Disposals	(110,938)	(48,705)
Net foreign currency differences arising from foreign operations	(5,114)	(2,266)
Closing balance	519,577	577,791
Net book value plant and equipment	278,758	259,973
Leased plant and equipment at cost:		
Opening balance	-	6,819
Reclassification to leasehold properties: right-of-use assets	-	(6,819)
Closing balance	-	-
Leased plant and equipment accumulated depreciation:		
Opening balance	-	3,371
Reclassification to leasehold properties: right-of-use assets	-	(3,371)
Closing balance	-	-
Net book value leased plant and equipment	-	-
Lease make good asset at cost:		
Opening balance	-	7,042
Disposals	-	(17)
Net foreign currency differences arising from foreign operations	-	18
Reclassification to leasehold properties: right-of-use assets	-	(7,043)
Closing balance	-	-
Lease make good asset accumulated depreciation:		
Opening balance	-	3,910
Disposals	-	(17)
Net foreign currency differences arising from foreign operations	-	11
Reclassification to leasehold properties: right-of-use assets	-	(3,904)
Closing balance	-	-
Net book value lease make good asset	-	-
Total written down amount of property, plant and equipment	729,847	662,889

12 Property, Plant and Equipment (continued)

SIGNIFICANT ACCOUNTING POLICIES

Freehold owner-occupied properties

Following initial recognition at cost, owner-occupied land and buildings are carried at fair value less any subsequent accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows:

- Land – not depreciated
- Buildings – 20 to 40 years

Any revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement, the increase is recognised in the income statement. Any revaluation deficit is recognised in the income statement, except to the extent that it offsets a previous surplus of the same asset in the asset revaluation reserve. Any accumulated depreciation as at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the fair value of the asset. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the asset at the balance date.

Plant and equipment assets

Plant and equipment assets are recognised at historical cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life of the plant and equipment assets (3 to 20 years). The residual values, useful lives and amortisation methods of plant and equipment assets are reviewed, and adjusted if appropriate, at each financial year end.

Derecognition and disposal

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

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Valuation of freehold owner-occupied properties

The consolidated entity values land and buildings at fair value. Fair value is determined by reference to market-based evidence, which is the amount for which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction as at the valuation date.

The Board of Directors make an assessment of the fair value of each freehold owner-occupied property as at balance date. This assessment is informed by:

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

Independent External Valuations

Commencing from 1 January 2020, the entire freehold owner-occupied property portfolio is being independently valued by an Independent Valuer at least once every two (2) years.

Internal Valuation and Reviews

Freehold owner-occupied properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. The key assumptions used to determine the fair value of freehold owner-occupied properties, and the relevant sensitivity analysis, are disclosed in Note 12(b) and Note 12(c).

Financial Reporting Impacts of COVID-19:

Land of $185.92 million and buildings of $265.17 million are measured at fair value at 30 June 2021. Land and buildings measured at fair value are also subject to similar valuation uncertainties as described in Note 14. Investment Properties: Freehold. The COVID-19 pandemic has created a degree of uncertainty regarding the assessment of fair value, particularly around the critical assumptions regarding market rents, capitalisation rates, terminal yields and discount rates. As a result, estimated fair values may change significantly and unexpectedly over a relatively short period of time.

12 Property, Plant and Equipment (continued)

(a) Reconciliation of owner occupied properties–land and building at fair value

	New Zealand		Slovenia		Singapore	Ireland	Australia	Total	
	Retail $000	Warehouse $000	Retail $000	Warehouse $000	Office $000	Retail $000	Retail $000	2021 $000	2020 $000
Opening balance	282,797	5,298	80,314	-	8,093	16,364	10,050	402,916	441,213
Additions	2,773	-	-	1,684	-	-	448	4,905	19,843
Disposals	(645)	-	-	-	-	-	-	(645)	(3,351)
Fair value adjustments	57,544	-	-	-	-	305	-	57,849	29,402
Depreciation for the year	(6,712)	(93)	(1,950)	-	(19)	(308)	(128)	(9,210)	(10,897)
Transfer to property: ROU assets	-	-	-	-	-	-	-	-	(68,571)
Net foreign currency differences	(1,104)	(21)	(2,637)	-	(426)	(538)	-	(4,726)	(4,723)
Closing balance	334,653	5,184	75,727	1,684	7,648	15,823	10,370	451,089	402,916

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy*	Fair value 30 June 2021 $000	Valuation Technique	Key unobservable inputs	Range of unobservable inputs
Retail	Level 3	436,573	Discounted cash flow	Terminal Yield	3.1% - 7.8%
				Discount Rate	4.0% - 8.5%
			Income capitalisation	Net market rent per sqm p.a	$98 - $362
				Capitalisation Rate	4.5% - 7.9%
			Direct sale comparison	Price per sqm of lettable area	$7,621
Warehouse	Level 3	6,868	Discounted cash flow	Terminal Yield	5.9%
				Discount Rate	6.6%
			Income Capitalisation	Net market rent per sqm p.a	$98
				Capitalisation Rate	5.60%
Office	Level 3	7,648	Discounted cash flow	Terminal Yield	3.5%
				Discount Rate	4.0%
			Income capitalisation	Net market rent per sqm p.a	$215-$250
				Capitalisation Rate	3.3%
			Direct sale comparison	Price per sqm of lettable area	$7,266 - $9,026
TOTAL		451,089			

* Level 3 - fair value is estimated using inputs that are not based on observable market data.

12 Property, Plant and Equipment (continued)

(b) Fair value measurement, valuation techniques and inputs (continued)

The income capitalisation method of valuation was used for the valuation of retail and warehouse properties in New Zealand. A discounted cash flow method was undertaken in respect of the same properties as a secondary method. There were no material differences between the income capitalisation method result and the discounted cash flow method result. The income capitalisation method of valuation was used for the valuation of one (1) retail owner-occupied property in Australia. A direct sale comparison method was used for the same property as a secondary method. There were no material differences between the income capitalisation method result and the direct sale comparison method result. The income capitalisation method of valuation was used for the valuation of retail properties in Slovenia and one (1) retail property in Ireland. The income capitalisation method, the direct sale comparison method and the discounted cash flow method were used for the valuation of office properties in Singapore.

The table on the previous page includes the following descriptions and definitions relating to valuation techniques and key unobservable inputs used in determining the fair value:

Income capitalisation method

Under the income capitalisation method, a property's fair value is estimated using the current market rental value generated by the property, which is divided by the appropriate market capitalisation rate.

Discounted cash flow ("DCF") method

Under the DCF method, a property's fair value is estimated using explicit assumptions about the benefits and liabilities of ownership over the asset's life, including terminal value. This involves the projection of a series of cash flows and the application of an appropriate market-derived discount rate to establish the present value of the income stream.

Direct sale comparison method

Under the direct sale comparison method, a property's fair value is estimated based on comparable transactions. The unit of comparison applied by the consolidated entity is the price per square metre.

Net market rent

Net market rent is the estimated amount for which a property or space within a property could lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In addition, an allowance for recoveries of lease outgoings from tenants is made on a pro-rata basis (where applicable).

Capitalisation rate

The rate at which net market income is capitalised to determine the value of a property. The rate is determined by reference to market evidence and independent external valuations received.

Terminal yield

The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of a given period when carrying out a discounted cash flow calculation. The rate is determined by reference to market evidence and independent external valuations received.

Discount rate

Rate used to discount the net cash flows generated from rental activities during the period of analysis. The rate is determined by reference to market evidence and independent external valuations received.

Price per square metre

Price per square metre is obtained based on recent transactions of similar properties around the vicinity. Appropriate adjustments are made between the comparables and the property to reflect the differences in size, tenure, location, condition and prevailing market conditions and all other relevant factors affecting its value.

(c) Sensitivity information

Key unobservable inputs	Impact on fair value for significant increase in input	Impact on fair value for significant decrease in input
Net market rent	Increase	Decrease
Capitalisation rate	Decrease	Increase
Terminal yield	Decrease	Increase
Discount rate	Decrease	Increase
Price per square metre	Increase	Decrease

The net market rent of a property and the capitalisation rate are key inputs of the income capitalisation valuation method. The income capitalisation valuation method incorporates a direct interrelationship between the net market rent of a property and its capitalisation rate. This methodology involves assessing the total net market income generated by the property and capitalising this in perpetuity to derive a capital value. Significant increases (or decreases) in rental returns and rent growth per annum in isolation would result in a significantly higher (or lower) fair value of the properties. There is an inverse relationship between the capitalisation rate and the fair value of properties. Significant increases (or decreases) in the capitalisation rate in isolation would result in a significantly lower (or higher) fair value of the properties. The discount rate and terminal yield are key inputs of the discounted cash flow method. The discounted cash flow method incorporates a direct interrelationship between the discount rate and the terminal yield as the discount rate applied will determine the rate in which the terminal value is discounted to present value. Significant increases (or decreases) in the discount rate in isolation would result in a significantly lower (or higher) fair value. Similarly, significant increases (or decreases) in the terminal yield in isolation would result in a significantly lower (or higher) fair value. In general, an increase in the discount rate and a decrease in the terminal yield could potentially offset the impact on the fair value of the properties.

12 Property, Plant and Equipment (continued)

(d) Highest and best use

For all freehold owner-occupied properties that are measured at fair value, the current use of the property is considered its highest and best use.

13 Property, Plant and Equipment: Right-Of-Use Assets (ROUA)

	CONSOLIDATED		
	Leasehold properties: ROUA $000	Plant and equipment: ROUA $000	Total ROUA $000
AASB 16 transition adjustments	447,575	2,144	449,719
Reclassification of pre-existing balances	71,330	3,448	74,778
As at 1 July 2019	518,905	5,592	524,497
New and modified leases	53,535	1,102	54,637
Leases exited	(535)	-	(535)
Depreciation	(59,619)	(2,150)	(61,769)
Foreign currency	(3,066)	18	(3,048)
As at 30 June 2020	509,220	4,562	513,782
As at 1 July 2020	509,220	4,562	513,782
New and modified leases	81,116	1,490	82,606
Leases exited	(5,390)	-	(5,390)
Depreciation	(60,788)	(2,120)	(62,908)
Foreign currency	(16,868)	(55)	(16,923)
As at 30 June 2021	507,290	3,877	511,167

(a) The leasehold properties relate to leases of owner-occupied properties.

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Australia	30,181	35,144
New Zealand	113,083	109,244
Singapore & Malaysia	244,163	245,443
Slovenia & Croatia	19,235	11,301
Ireland & Northern Ireland	104,505	112,650
Total lease liabilities of leases of owner occupied properties and plant and equipment assets	511,167	513,782

SIGNIFICANT ACCOUNTING POLICIES

Property, Plant and Equipment: Right-of-Assets

The consolidated entity recognises right-of-use assets in respect of leases of property, plant and equipment at the commencement date of the lease (i.e. the date the underlying asset is available for use). The initial measurement of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to an impairment assessment under AASB 136 *Impairment of Assets* at each reporting date.

14 Investment Properties: Freehold

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Opening balance at beginning of the year, at fair value	2,593,330	2,508,951
Net additions, disposals and transfers	171,805	50,111
Net increase from fair value adjustments	140,374	34,268
Closing balance at end of the year, at fair value	2,905,509	2,593,330

Below is a list of the top 20 freehold investment properties ranked in order of fair value as at 30 June 2021:

Property	Last independent valuation date	Independent valuation at last valuation date ($000)	Fair value 30 June 2021 ($000)	Cap rate 30 June 2021 %
Penrith Homemaker Centre – Harvey Norman® / Domayne®	30 Jun 2019	158,000	197,800	6.00%
Springvale Homemaker Centre – Harvey Norman® / Domayne®	30 Jun 2020	142,000	151,800	6.25%
Watergardens Homeplace – Harvey Norman® (a)	N/A	N/A	102,426	n/a
Maroochydore Homemaker Centre – Harvey Norman® / Domayne® / Joyce Mayne®	30 Jun 2021	98,000	98,000	6.75%
Silverwater Warehouse Complex	31 Dec 2020	68,000	68,976	6.50%
Alexandria Complex – Domayne®	30 Jun 2020	63,000	67,700	6.00%
Toowoomba Centre Complex – Harvey Norman®	31 Dec 2019	61,800	64,700	7.25%
The Cambridge Park Centre – Harvey Norman® / Domayne®	31 Dec 2020	61,300	61,462	8.00%
Perth City West Complex – Harvey Norman® / Domayne® (b)	30 Jun 2020	57,500	59,077	7.00%
Auburn Complex – Domayne® (c)	30 Jun 2020	55,000	55,072	n/a
Albury Homemaker Centre – Harvey Norman®	30 Jun 2021	54,000	54,000	7.25%
Auburn Flagship Store Complex – Harvey Norman®	30 Jun 2021	51,000	51,000	5.75%
Maribyrnong Complex – Harvey Norman®	31 Dec 2020	50,000	50,013	6.50%
Rutherford (Maitland) Complex – Harvey Norman® / Domayne®	31 Dec 2020	47,300	47,584	7.50%
Browns Plains Homemaker Centre – Harvey Norman®	31 Dec 2020	46,000	47,400	7.25%
Gepps Cross Home HQ – Harvey Norman® (b)	30 Jun 2021	42,500	42,500	6.75%
Munno Para Shopping City – Harvey Norman®	31 Dec 2020	42,200	42,207	7.50%
Bendigo Homemaker Centre	30 Jun 2021	41,500	41,500	6.50%
Devonport Homemaker Centre – Harvey Norman®	31 Dec 2018	34,000	38,900	7.00%
Cannington Complex – Harvey Norman®	31 Dec 2020	36,000	36,427	7.50%
TOTAL TOP 20 INVESTMENT PROPERTIES			1,378,544*	

The fair value of the top 20 freehold investment properties amounted to $1.38 billion as at 30 June 2021, representing 47.4% of the total fair value of freehold investment properties of $2.91 billion. The fair value of the remaining 117 freehold investment properties as at 30 June 2021 totalled $1.53 billion, representing 52.6% of the portfolio as at balance date.

(a) The investment property was acquired in April 2021.
(b) Balances represent the consolidated entity's 50% ownership interest in the investment property.
(c) The direct sale comparison method was adopted in the last independent valuation.

* The difference between the fair value of the freehold investment property as at 30 June 2021 and the independent valuation as at the last valuation date mainly relates to Internal Valuations and Reviews and capital additions in respect of the freehold investment property between the periods.

14 Investment Properties: Freehold (continued)

SIGNIFICANT ACCOUNTING POLICIES

Valuation of Freehold Investment Properties

Each freehold investment property, which is property held to earn rentals and/or for capital appreciation is initially measured at cost, including transaction costs, and subsequently valued at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Gains and losses arising from changes in fair value of freehold investment properties are recognised in the income statement in the period in which they arise. An investment property is derecognised when the property has been disposed of. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Each freehold investment property is the subject of a lease or licence in favour of independent third parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Valuation Approach:

The Board of Directors make an assessment of the fair value of each freehold investment property as at balance date. This assessment is informed by:

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

Independent External Valuations

Commencing from 1 January 2020, the entire freehold investment property portfolio in Australia is being valued by an Independent Valuer at least once every two (2) years on a rotational basis.

For the 2021 financial year, sixty-seven (67) valuations of freehold investment properties were performed by an Independent Valuer: thirty-five (35) at 31 December 2020 and thirty-two (32) at 30 June 2021. This represents a total of 48.9% of the number of freehold investment properties independently externally valued this year, and 44.3% in terms of the fair value of the freehold investment property portfolio in Australia subject to independent external valuation. In addition, two (2) freehold investment properties in New Zealand were subject to independent external valuations this year.

Internal Valuations and Reviews

Freehold investment properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. Each internal valuation and management review is informed by the last independent external valuation and reliable market evidence. For the current year, nineteen (19) freehold investment properties had been affected by the same factors as the properties which had been independently externally valued. As a consequence, internal valuations for these nineteen (19) properties were undertaken to determine the effect of these factors.

Valuation Methodologies:

The fair value in respect of each freehold investment property has been calculated primarily using the income capitalisation method of valuation, using the current market rental value, and having regard to, in respect of each property:

- the highest and best use of the property
- the quality of construction
- the age and condition of improvements
- recent market sales data in respect of comparable properties
- current market rental value, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction
- the tenure of franchisees and external tenants
- adaptive reuse of buildings
- non-reliance on turnover rent
- other specific circumstances of the property

As a secondary method, a discounted cash flow valuation or a direct sale comparison valuation is undertaken as a check method.

The fair value of a freehold investment property under construction is determined using the income capitalisation method by estimating the fair value of the property as at the relevant completion date less the remaining costs to complete and allowances for associated risk. As a secondary method, a discounted cash flow valuation is undertaken. An internal valuation or management review is performed for any property less than 75% complete where there is an indication of a substantial change in the risks or benefits to warrant an earlier assessment. Normally, the direct sale comparison method of valuation is used for properties held for future development.

14 Investment Properties: Freehold (continued)

Financial Reporting Impacts of COVID-19 (continued):

The large-format retail market in Australia has proven to be a resilient and buoyant asset class, underpinned by the strength of the Home & Lifestyle retail sector, during the COVID-19 pandemic. Investor competitiveness for scarce, well-located large-format property investments, with strong national lease covenants and lease tenures, has contributed to the surge in large-format retail values.

Despite the recent buoyancy of the large-format retail market, the pandemic continues to produce a degree of uncertainty regarding the assessment of fair value of freehold investment properties, particularly around the critical assumptions regarding market rents, capitalisation rates, terminal yields and discount rates. A large portion of the independent external valuation reports received during FY21 continued to contain the *'significant valuation uncertainty'* clauses that were present in independent valuation reports received for the previous year ended 30 June 2020. This clause continues to imply that valuations are current at the valuation date only, and less certainty and a higher degree of caution should be attached to the valuation. Estimated fair values may change significantly and unexpectedly over a relatively short period of time. Adjustments may have been made by the independent external valuer to one or a number of valuation inputs and estimates, where appropriate, including lower probabilities of tenant recoveries, lower market rent growth rates, potential estimated rent relief, longer lease up periods, increased leasing allowances and adjustments to capitalisation and discount rates to reflect the uncertainty in the amount and timing of cash flows due to COVID-19.

Consistent with June 2020, the inclusion of the *'significant valuation uncertainty'* clause does not mean that the valuation cannot be relied upon. Rather, the clause brings attention to the extraordinary circumstances arising from COVID-19, and therefore there is less certainty regarding some of the critical assumptions in the valuation process than would otherwise be the case.

However, it is important to note that some of the independent external valuation reports received during FY21 no longer contained the *'significant valuation uncertainty'* clauses, but instead highlighted the potential short-term income risks, possible increased incentives and the ongoing uncertainties that COVID-19 could continue to present that may impact the global economy.

Where appropriate, directors have adopted a similar approach in the internal valuation and review process as used for independent external valuations.

As at balance date, the fair value of the freehold investment property portfolio incorporates a judgement and best estimate of the impact of COVID-19, using the information available at the time of preparing the valuations. The duration and depth of the pandemic are still unknown, and, in the event the impacts of the COVID-19 pandemic are more severe or prolonged than anticipated, this may have an adverse impact on the fair value of the freehold investment property portfolio.

A similar approach has been applied to the land and buildings measured at fair value of $451.09 million as disclosed in Note 12. Property, Plant and Equipment.

(a) Reconciliation of investment properties: freehold

	New Zealand		Australia			Total	
	Retail $000	Warehouse $000	Retail $000	Warehouse $000	Office $000	2021 $000	2020 $000
Opening balance	6,713	2,995	2,307,486	237,466	38,670	2,593,330	2,508,951
Additions	1	-	170,577	3,583	81	174,242	51,033
Disposals	-	-	(2,334)	-	-	(2,334)	(612)
Fair value adjustments*	(136)	1,824	123,875	14,811	-	140,374	34,268
Depreciation for the year	(51)	(15)	-	-	-	(66)	(86)
Net foreign currency differences	(26)	(11)	-	-	-	(37)	(224)
Closing balance	6,501	4,793	2,599,604	255,860	38,751	2,905,509	2,593,330

* Fair value adjustments totalling $140.37 million for the year ended 30 June 2021 are included in other income (2020: $34.27 million).

14 Investment Properties: Freehold (continued)

(b) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy*	Fair value 30 June 2021 $000	Valuation Technique	Key unobservable inputs	Range of unobservable inputs
Retail	Level 3	Metropolitan = 1,566,037 Regional = 1,040,068 Total = 2,606,105	Income capitalisation	Net market rent per sqm p.a Capitalisation Rate - Metropolitan - Regional	$70 - $326 4.0% - 8.0% 6.5% - 9.8%
			Discounted cash flow	Terminal Yield Discount Rate	4.1% - 9.8% 5.0% - 9.8%
			Direct sale comparison	Price per sqm of lettable area	$710 - $5,664
Warehouse	Level 3	260,653	Income Capitalisation	Net market rent per sqm p.a Capitalisation Rate	$69 - $160 5.8% - 9.5%
			Discounted cash flow	Terminal Yield Discount Rate	6.0% - 8.3% 6.3% - 8.5%
			Direct sale comparison	Price per sqm of lettable area	$709 - $3,018
Office	Level 3	38,751	Income capitalisation	Net market rent per sqm p.a Capitalisation Rate	$115 - $385 $7.0% - 8.8%
			Discounted cash flow	Terminal Yield Discount Rate	7.3% 7.0%
			Direct sale comparison	Price per sqm of lettable area	$1,442 - $4,793
TOTAL		2,905,509			

* Level 3 - fair value is estimated using inputs that are not based on observable market data.

The income capitalisation method of valuation was primarily used for the valuation of all Retail, Warehouse and Office investment properties in Australia and the Retail and Warehouse investment properties in New Zealand. A discounted cash flow valuation or a direct sale comparison valuation was undertaken, excluding property for development in Australia, as a secondary method. There were no material differences between the income capitalisation method result, the discounted cash flow method result and the direct sale comparison method result. The direct sale comparison method was used for all properties classified as property for development. The descriptions and definitions relating to valuation techniques and key unobservable inputs used in determining the fair value of investment properties are the same as those for freehold owner-occupied properties detailed in Note 12(b).

(c) Sensitivity information

Key unobservable inputs	Impact on fair value for significant increase in input	Impact on fair value for significant decrease in input
Net market rent	Increase	Decrease
Capitalisation rate	Decrease	Increase
Terminal Yield	Decrease	Increase
Discount rate	Decrease	Increase
Price per square metre	Increase	Decrease

(d) Rent and outgoings received and operating expenses of investment properties

Included in rent and outgoings received from franchisees and rent and outgoings received from other tenants other than franchisees as disclosed in Note 3. Revenues is rent and outgoings received from investment properties of $223.15 million for the year ended 30 June 2021 (2020: $220.04 million). Operating expenses, including rates and taxes and repairs and maintenance, recognised in the income statement in relation to investment properties amounted to $52.34 million for the year ended 30 June 2021 (2020: $54.13 million).

15 Investment Properties (Leasehold): Right-Of-Use Assets

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Opening balance at beginning of the year, at fair value	621,903	608,465
New and modified leases	85,659	102,873
Leases exited	(13,025)	(15,229)
Net decrease from fair value re-measurements	(74,076)	(74,206)
Closing balance at end of the year, at fair value	620,461	621,903

(a) Fair value measurement, valuation techniques and inputs

Class of property	Fair value hierarchy*	Fair value 30 June 2021 $000	Valuation Technique	Key unobservable inputs	Range of unobservable inputs
Retail	Level 3	469,623	Discounted cash flow	Discount rate Market rental ranges: - Gross - Net	2.958% to 5.206% $64–$851 per sqm $21–$453 per sqm
Warehouse	Level 3	150,838	Discounted cash flow	Discount rate Market rental ranges: - Gross - Net	2.958% to 5.206% $29-$500 per sqm $39-$300 per sqm
TOTAL		620,461			

* Level 3 - fair value is estimated using inputs that are not based on observable market data.

(b) Sensitivity information

Key unobservable inputs	Impact on fair value for significant increase in input	Impact on fair value for significant decrease in input
Discount rate	Decrease	Increase
Market rent ranges	Increase	Decrease

(c) Rent and outgoings received and operating expenses of leasehold investment properties

Included in rent and outgoings received from franchisees as disclosed in Note 3. Revenues is rent and outgoings received from leasehold investment properties of $115.19 million for the year ended 30 June 2021 (2020: $116.75 million). Operating expenses, excluding interest on lease liabilities and fair value re-measurements on leasehold investment properties: ROU Assets, recognised in the income statement in relation to leasehold investment properties amounted to $24.42 million for the year ended 30 June 2021 (2020: $24.96 million).

15 Investment Properties (Leasehold): Right-Of-Use Assets (continued)

SIGNIFICANT ACCOUNTING POLICIES

Investment Properties (Leasehold): Right-Of-Use Assets

Subsidiaries of Harvey Norman Holdings Limited (HNHL) enter into leases of properties in Australia (each a **Leasehold Investment Property**) with third party landlords. After entry into a lease with an external landlord, the relevant subsidiary of HNHL grants a sub-lease or licence to a Harvey Norman®, Domayne® and Joyce Mayne® franchisee, to occupy an area of that Leasehold Investment Property.

The adoption of AASB 16 *Leases* resulted in the recognition of a right-of-use asset by the consolidated entity in respect of each subsidiary's right to use each Leasehold Investment Property for the respective lease term (each an **IP Leasehold ROU Asset**). As each IP Leasehold ROU Asset meets the definition of investment property under AASB 140 *Investment Property*, the consolidated entity is required to measure each IP Leasehold ROU Asset at fair value. The consolidated entity has adopted the fair value model in AASB 140 and each IP Leasehold ROU Asset is measured at fair value.

In respect of each lease of a Leasehold Investment Property, the present value of the lease payments is determined and carried as a lease liability and the fair value of the lessee's right to use the Leasehold Investment Property over the lease term is recorded as an IP Leasehold ROU Asset. Gains or losses arising from re-measurement of the fair value of an IP Leasehold ROU Asset are included in the Income Statement of the consolidated entity as a fair value increment or decrement in the period in which they arise.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Valuation of Investment Properties (Leasehold): Right-Of-Use Assets

Each IP Leasehold ROU Asset is valued by an Independent Valuer at least once every two (2) years. This review is undertaken by persons qualified by relevant education, training or experience, with the assistance of qualified management. As part of the review, an independent, professionally qualified valuer who holds a recognised relevant professional qualification and has relevant specialised expertise (**Independent Valuer**) is engaged to provide independent verification of key observable inputs.

The re-measurement of an IP Leasehold ROU Asset to fair value comprises the following:

1) A reduction in the IP Leasehold ROU Asset to reflect the decrease in its future value due to the usage of the asset during the period, reflecting the passage of time and a reduction in remaining lease tenure. This is recognised as a fair value decrement in the Income Statement.
2) Re-measurement of the IP Leasehold ROU Asset at the prevailing discount rate as at the reporting date. If the discount rate at the end of the period is higher than the discount rate at the beginning of the period, there will be a decrease in the value of the IP Leasehold ROU Asset and a corresponding fair value decrement is recognised in the Income Statement. If the discount rate at the end of the period is lower than the discount rate at the beginning of the period, there will be an increase in the value of the IP Leasehold ROU Asset and a corresponding fair value increment is recognised in the Income Statement. The discount rate used is determined using market data, information on margins available to the consolidated entity, and other adjustments appropriate as at the reporting date.
3) The Independent Valuer provides independent verification of key observable inputs including the current market rent ranges, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction, at each reporting date. If the current market rent range increases, there may be an increase in the value of the IP Leasehold ROU Asset and a corresponding fair value increment may be recognised in the Income Statement. If the current market rent range decreases, there may be a decrease in the value of the IP Leasehold ROU Asset and a corresponding fair value decrement may be recognised in the Income Statement.

The results and recommendations of the review and the information and professional advice provided by the Independent Valuer are used to inform the assessment of the fair value of each IP Leasehold ROU Asset at balance date.

Discount rate

Investment properties (leasehold): right-of-use assets are re-measured to fair value by using the prevailing discount rate as at the reporting date which is determined by taking into account the following:

- External market based rates for a range of maturities as at the reporting date;
- The lending margins available to the consolidated entity; and
- Other adjustments that may be made by market participants over the lease term.

As at 30 June 2021, the discount rates used in re-measuring investment properties (leasehold): right-of-use asses range from 2.96% to 5.21% (2020: 2.92% to 5.19%).

Market rent ranges

As at each balance date, the Independent Valuer provides market rent ranges for each leasehold investment property, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction at each reporting date. The market rent ranges are used to assess whether future lease payments are representative of what market participants would pay for a particular asset over a similar term.

Financial Reporting Impacts of COVID-19:

The COVID-19 pandemic continues to produce a degree of uncertainty regarding the assessment of fair value of leasehold investment properties, particularly around the critical assumptions regarding market rents and discount rates.

Similar to the challenges experienced and reported for the June 2020 financial year, estimated fair values may change significantly and unexpectedly over a relatively short period of time. To reflect the ongoing potential impact of COVID-19, adjustments may be made, where appropriate, to one or a number of valuation inputs and estimates, including lower market rent growth rates and adjustments to discount rates, to reflect the uncertainty in the amount and timing of cash flows.

As at balance date, the fair value of the leasehold investment property portfolio incorporates a judgement and best estimate of the impact of COVID-19. The duration and depth of the pandemic are still unknown, and, in the event the impacts of the COVID-19 pandemic are more severe or prolonged than anticipated, this may have an adverse impact on the fair value of the leasehold investment property portfolio.

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000

16 Trade and Other Payables

	June 2021 $000	June 2020 $000
Trade and other creditors	269,959	283,838
Accruals	85,704	67,934
Total trade and other payables	355,663	351,772

17 Interest-Bearing Loans and Borrowings

	June 2021 $000	June 2020 $000
Current Secured:		
Bank overdraft (a)	15,704	18,749
Commercial bills payable (b)	5,650	9,750
Syndicated Facility Agreement (c)	290,000	-
Other short-term borrowings (d)	44,202	69,638
Current Unsecured:		
Derivatives payable	-	187
Non-trade amounts owing to:		
- Related parties	4,237	4,237
- Unrelated parties	176	280
Total interest-bearing loans and borrowings (current)	359,969	102,841
Non–Current		
Syndicated Facility Agreement (c)	200,000	195,000
Total interest-bearing loans and borrowings (non-current)	200,000	195,000

(a) Bank Overdraft

The total bank overdraft of $15.70 million as at 30 June 2021 (2020: $18.42 million) relates to a bank overdraft due by Harvey Norman Trading (Ireland) Limited to Bank of Ireland ("BOI") (the "BOI Overdraft Facility"). Australia and New Zealand Banking Group Limited ("ANZ") has provided an indemnity/Guarantee/ Stand-by Letter of Credit Facility in favour of BOI in support of the BOI Overdraft Facility, at the request of the Company ("ANZ-BOI Facility"). The ANZ-BOI Facility is further secured by the Syndicated Facility Agreement described in Note 17(c).

In the prior year, a total of $0.33 million related to a bank overdraft facility with AmBank (M) Berhad in Malaysia which is subject to periodic review.

(b) Commercial bills payable

The commercial bills payable form part of facilities granted by ANZ. The payment of each commercial bill is secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 17(c)), and subject to annual review by ANZ. Each commercial bill has a tenure not exceeding 180 days but is repayable on demand by ANZ, upon the occurrence of any event of default or Relevant Event (as defined in Note 17(c)) under the Syndicated Facility Agreement, or after any annual review date.

(c) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company (**Borrower**) and certain other subsidiaries of the Company (**Guarantors**) entered into a Syndicated Facility Agreement (the **Facility**) with certain banks (**Financiers** and each a **Financier**). On 26 November 2018, the Amending Deed (No. 6) to the Facility was executed with the effect of extending the repayment date of Tranche B of the Facility totalling $240 million to 4 December 2021. On 29 November 2019, the Amending Deed (No. 7) to the Facility was executed with the effect of extending the repayment date of Tranche A1 of the Facility totalling $170 million to 4 December 2021 and Tranche A2 of the Facility totalling $200 million to 4 December 2022. On 26 November 2020, Tranche A3 of the Facility totalling $200 million was cancelled, reducing the aggregate available facility of the Syndicated Facility Agreement from $810 million to $610 million.

The utilised amount of the Facility as at 30 June 2021 was $490 million (2020: $195 million), repayable as set out below, with $290 million classified as current interest bearing loans and borrowings (2020: nil) and $200 million of which was classified as non-current interest-bearing loans and borrowings (2020: $195 million).

17 Interest-Bearing Loans and Borrowings (continued)

(c) Syndicated Facility Agreement (continued)

This Facility is secured by:

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

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

- in respect of Tranche A1 totalling $170 million, on 4 December 2021 ($170 million utilised at 30 June 2021);
- in respect of Tranche A2 totalling $200 million, on 4 December 2022 ($200 million utilised at 30 June 2021); and
- in respect of Tranche B totalling $240 million, on 4 December 2021 ($120 million utilised at 30 June 2021);
- otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:
  - i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;
  - ii) if any change in law or other event makes it illegal or impractical for a Financier to perform its obligations under the Syndicated Facility Agreement or fund or maintain the amount committed by that Financier to the provision of the Facility, the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

(d) Other Short-Term Borrowings

Of the total other short-term borrowings of $44.20 million (2020: $69.64 million):

- a total of $29.11 million (2020: $35.77 million) is secured by the securities given pursuant to the Syndicated Facility Agreement. The facilities are utilised in Slovenia and Croatia and have a maturity date of 4 December 2021.
- a total of $9.84 million (2020: $24.65 million) is secured by the securities given pursuant to the Syndicated Facility Agreement. The facility is utilised in Singapore and has a maturity date of 4 December 2021.
- a total of $4.45 million (2020: $4.70 million) relates to a revolving credit facility with ANZ in Singapore. This facility is subject to periodic review and otherwise repayable on demand. The revolving credit facility is secured by the securities given pursuant to the Syndicated Facility Agreement.
- a total of $0.80 million (2020: $1.02 million) relates to a revolving credit facility with AmBank (M) Berhad in Malaysia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.

(e) Defaults and Breaches

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During the 2021 and 2020 financial years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

SIGNIFICANT ACCOUNTING POLICIES

Financial liabilities

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The consolidated entity's financial liabilities include trade and other payables, derivative payable and loans and borrowings including bank overdrafts, commercial bills payable, Syndicated Facility Agreement, short-term borrowings, non-trade amounts owing to related parties and unrelated parties.

After initial recognition, loans and borrowings are subsequently measured at amortised cost. Gains and losses are recognised in the income statement when the liabilities are derecognised.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

	CONSOLIDATED	
	June 2021 $000	June 2020 $000

18 Financing Facilities Available

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

	June 2021 $000	June 2020 $000
Total facilities:		
Bank overdraft	48,415	51,512
Other borrowings	85,452	107,018
Commercial bank bills	5,650	9,750
Syndicated Facility	610,000	810,000
Total Available Facilities	749,517	978,280
Facilities used at reporting date:		
Bank overdraft	15,704	18,749
Other borrowings (current)	44,202	69,638
Commercial bank bills (current)	5,650	9,750
Syndicated Facility (current)	290,000	-
Syndicated Facility (non-current)	200,000	195,000
Total Used Facilities	555,556	293,137
Facilities unused at reporting date:		
Bank overdraft	32,711	32,763
Other borrowings	41,250	37,380
Syndicated Facility	120,000	615,000
Total Unused Facilities	193,961	685,143

Refer to Note 17. Interest-Bearing Loans and Borrowings for details regarding the security provided by the consolidated entity over each of the financing facilities disclosed above.

19 Lease Liabilities

	June 2021 $000	June 2020 $000
Lease liabilities at beginning of the year	1,173,087	1,161,009
New and modified leases	169,828	155,897
Leases exited	(19,019)	(15,853)
Interest on lease liabilities (accretion)	40,941	40,538
Lease payments	(171,790)	(165,308)
Foreign currency	(14,382)	(3,196)
Lease liabilities at the end of the year	1,178,665	1,173,087
Disclosed as:		
Lease liabilities (current)	135,389	130,280
Lease liabilities (non-current)	1,043,276	1,042,807
Total lease liabilities	1,178,665	1,173,087

19 Lease Liabilities (continued)

(b) The geographical split of lease liabilities is as follows:

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Leases of owner-occupied properties and plant and equipment assets:		
Australia	46,190	52,492
New Zealand	130,554	126,749
Singapore & Malaysia	190,123	184,544
Slovenia & Croatia	21,272	13,340
Ireland & Northern Ireland	143,410	152,282
Total lease liabilities of leases of owner occupied properties and plant and equipment assets	531,549	529,407
Leases of properties sub-leased to external parties:		
Australia	647,116	643,680
Total lease liabilities of leases of sub-leased to external parties	647,116	643,680
Total lease liabilities	1,178,665	1,173,087

(c) The maturity profile of undiscounted lease liabilities as at 30 June 2021 is as follows:

	June 2021 $000	June 2020 $000
Less than 1 year	174,665	171,185
1 to 2 years	166,888	168,722
2 to 5 years	440,412	445,904
Over 5 years	661,850	656,160
Total undiscounted lease liabilities	1,443,815	1,441,971

(d) Commitments for leases not yet commenced

The consolidated entity had committed to leases which had not yet commenced as at 30 June 2021. These leases are not included in the calculation of the consolidated entity's lease liabilities. The estimated undiscounted lease liabilities for these leases are $0.78 million (2020: $13.70 million).

19 Lease Liabilities (continued)

SIGNIFICANT ACCOUNTING POLICIES

Short-term leases and lease of low-value assets

The consolidated entity applies a recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies a recognition exemption to leases that are considered of low value.

Lease liabilities

At the commencement of a lease, the consolidated entity recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable and amounts expected to be paid under residual value guarantees. In determining the lease term, the consolidated entity considers all facts and circumstances that create an economic incentive to exercise a renewal option, or not to exercise a termination option. Renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Outgoings and other variable lease payments that do not depend on an index or a rate are recognised as incurred.

In calculating the present value of lease payments, the consolidated entity uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Incremental borrowing rate

The incremental borrowing rate is derived by reference to the rate at which a lessee would borrow to acquire the underlying asset, repaying over a similar term to the lease term. If the interest rate in the lease is not readily determinable, the consolidated entity determines the incremental borrowing rate for each lease by taking into account the following:

- external market based rate for a similar term to the lease term at the lease commencement date;
- the lending margins available to the consolidated entity for the respective jurisdiction at the lease commencement date; and
- other adjustments that may be made by market participants over the lease term.

As at 30 June 2021, the incremental borrowing rates applied by the consolidated entity were as follows:

Location	Weighted average incremental borrowing rate (%)
Australia	3.74%
New Zealand	3.41%
Singapore & Malaysia	2.92%
Slovenia & Croatia	3.30%
Ireland & Northern Ireland	3.57%

Lease term

The lease term is determined at lease commencement or at the effective date of lease modification, and is reviewed if a significant change in circumstances occurs. In determining the lease term, the consolidated entity considers all facts and circumstances that create an economic incentive to exercise a renewal option, or not to exercise a termination option. Renewal options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

As at 30 June 2021, the lease terms adopted by the consolidated entity were as follows:

Location	Weighted average lease term (years)
Australia	10.62
New Zealand	13.13
Singapore & Malaysia	5.72
Slovenia & Croatia	9.47
Ireland & Northern Ireland	8.35

As at 30 June 2021, the consolidated entity have assessed that a number of options do not meet the criteria of ‘reasonably certain’ and therefore the lease payments relating to these options have not been included in the lease liability. The undiscounted lease payments for these excluded options would amount to $33.62 million (2020: $85.31 million).

	CONSOLIDATED	
	June 2021 $000	June 2020 $000

20 Other Liabilities

	June 2021 $000	June 2020 $000
Total unearned revenue (current)	108,847	96,141
Total unearned revenue (non-current)	823	863

21 Provisions

	June 2021 $000	June 2020 $000
Employee entitlements	37,162	34,181
Total provisions (current)	37,162	34,181
Employee entitlements	2,380	2,213
Lease make good	7,443	7,013
Total provisions (non-current)	9,823	9,226

SIGNIFICANT ACCOUNTING POLICIES

Provision for employee entitlements

Provisions are made for benefits accruing to employees in respect of annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions that are expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Provision for lease make good

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

22 Contributed Equity

	June 2021 $000	June 2020 $000
Ordinary shares	717,925	717,925
Total contributed equity	717,925	717,925

Movements in ordinary shares on issue	June 2021 No. of Shares	June 2021 $000
Balance at 1 July 2020	1,246,006,654	717,925
Issue of shares	-	-
Balance at end of the year	1,246,006,654	717,925

Number of ordinary shares issued and fully paid as at 30 June 2021 was 1,246,006,654 (2020: 1,246,006,654)

Ordinary shares – terms and conditions

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in any surplus on winding up in proportion to the number of and amounts paid up on shares held. Each ordinary share entitles the holder to one vote, either in person or by proxy, at a meeting of the Company.

22 Contributed Equity (continued)

SIGNIFICANT ACCOUNTING POLICIES

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

23 Retained Profits and Dividends

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Movements in retained profits were as follows:		
Balance at beginning of the year	2,511,580	2,397,436
Transition adjustments arising from adoption of AASB 16	-	(43,892)
Profit for the year	841,414	480,541
Dividends paid	(473,483)	(322,505)
Balance at end of the year	2,879,511	2,511,580
Dividends declared and paid on ordinary shares:		
Final fully-franked dividend for 2020: 18.0 cents (2019: 21.0 cents)	224,281	247,745
Interim fully-franked dividend for 2021: 20.0 cents (2020: 12.0 cents*)	249,202	-
Special fully-franked dividend for 2020: 6.0 cents	-	74,760
Total dividends paid	473,483	322,505

The final dividend of $224.28 million, fully franked, for the year ended 30 June 2020 was paid on 2 November 2020.

The interim dividend of 20.0 cents per share, totalling $249.20 million fully-franked, for the year ended 30 June 2021 was paid on 3 May 2021.

The final dividend of 15.0 cents per share totalling $186.90 million, fully franked, for the year ended 30 June 2021 will be paid on 15 November 2021 to shareholders registered at the close of business on 18 October 2021. No provision has been made in the Statement of Financial Position for the payment of this final dividend.

* The interim dividend previously proposed for the year ended 30 June 2020 of 12.0 cents per share, totalling $149.52 million fully-franked and payable on 4 May 2020, was cancelled on 2 April 2020 given the uncertainties surrounding COVID-19 and to preserve and retain cash in the business. A special dividend of 6.0 cents per share was paid on 29 June 2020, totalling $74.76 million fully-franked.

	June 2021 $000	June 2020 $000
Franking account balance:		
The amount of franking credits available for subsequent financial years are:		
- franking account balance as at the end of the financial year at 30%	455,197	489,613
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	122,596	57,126
- franking credits that will be utilised in the payment of the proposed final dividend	(80,100)	(96,121)
Amount of franking credits available for future reporting years	497,693	450,618

24 Non-Controlling Interests

	June 2021 $000	June 2020 $000
Interest in:		
- Ordinary shares	2,591	2,691
- Reserves	12,716	14,621
- Retained earnings	12,883	13,671
Total non-controlling interests	28,190	30,983

25 Reserves

CONSOLIDATED $000	Asset Revaluation Reserve	Foreign Currency Translation Reserve	FVOCI Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Total
At 1 July 2019	152,850	65,853	10,949	(2)	10,125	(22,051)	217,724
Transition adjustments arising from adoption of AASB 16	(18,067)	-	-	-	-	-	(18,067)
At 1 July 2019, post transition	134,783	65,853	10,949	(2)	10,125	(22,051)	199,657
Revaluation of land and buildings	28,384	-	-	-	-	-	28.384
Tax effect of revaluation of land and buildings	(4,559)	-	-	-	-	-	(4,559)
Currency translation differences	-	(8,912)	-	-	-	-	(8,912)
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	(1,030)	-	-	-	(1,030)
Reverse expired or realised cash flow hedge reserves	-	-	-	2	-	-	2
Net loss on forward foreign exchange contracts	-	-	-	(49)	-	-	(49)
Tax effect on net loss on forward foreign exchange contracts	-	-	-	14	-	-	14
Cost of share based payments	-	-	-	-	739	-	739
Utilisation of employee equity benefits reserve	-	-	-	-	(859)	-	(859)
Sale of a controlled entity	-	-	-	-	-	3,450	3,450
At 30 June 2020	158,608	56,941	9,919	(35)	10,005	(18,601)	216,837
At 1 July 2020	158,608	56,941	9,919	(35)	10,005	(18,601)	216,837
Revaluation of land and buildings	55,616	-	-	-	-	-	55,616
Tax effect of revaluation of land and buildings	(5,578)	-	-	-	-	-	(5,578)
Currency translation differences	-	(14,890)	-	-	-	-	(14,890)
Unrealised gain on financial assets at fair value through other comprehensive income	-	-	12,655	-	-	-	12,655
Reverse expired or realised cash flow hedge reserves	-	-	-	35	-	-	35
Net loss on forward foreign exchange contracts	-	-	-	(4)	-	-	(4)
Tax effect on net loss on forward foreign exchange contracts	-	-	-	1	-	-	1
Cost of share based payments	-	-	-	-	1,453	-	1,453
Utilisation of employee equity benefits reserve	-	-	-	-	(1,059)	-	(1,059)
Sale of a controlled entity	-	-	-	-	-	2,327	2,327
At 30 June 2021	208,646	42,051	22,574	(3)	10,399	(16,274)	267,393

25 Reserves (continued)

SIGNIFICANT ACCOUNTING POLICIES

Asset revaluation reserve

Any revaluation increment arising from revaluation of freehold owner-occupied properties is recorded in other comprehensive income (OCI) and credited to the asset revaluation reserve in equity. However, to the extent that it reverses a revaluation decrement of the same asset previously recognised in the income statement, the increase is recognised in the income statement. Any revaluation decrement is recognised in the income statement, except to the extent that it offsets a previous increment of the same asset in the asset revaluation reserve.

Foreign currency translation reserve

The functional currency of overseas subsidiaries is the currency commonly used in their respective countries. As at the reporting date the assets and liabilities of these overseas subsidiaries are translated into the presentation currency of the consolidated entity at the rate of exchange prevailing at the balance date and the income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on retranslation for consolidation are recognised in OCI in the foreign currency translation reserve.

Fair Value through Other Comprehensive Income (FVOCI) Reserve

The consolidated entity elected to classify its non-current equity investments as equity instruments designated at fair value through other comprehensive income. The fair value changes on the non-current equity investments are recorded in OCI in the FVOCI reserve.

Cash Flow Hedge Reserve

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

Employee equity benefits reserve

The consolidated entity provides benefits to certain employees (including Executive Directors) of the consolidated entity in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognised in employee benefits expense, together with a corresponding increase in other comprehensive income (employee equity benefits reserve), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the consolidated entity's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period. Further disclosure relating to equity-settled transactions is also provided in the Remuneration Report, Note 4. Expenses and Losses and Note 29. Employee Benefits.

Acquisition Reserve

Changes in the consolidated entity's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised in the acquisition reserve.

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Equity-settled transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date when they are granted by using an appropriate valuation model.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	June 2021 $000	June 2020 $000

26 Cash and Cash Equivalents

(a) Reconciliation to the Statement of Cash Flows

Cash and cash equivalents comprise the following:

Cash at bank and on hand	206,971	287,043
Short-term money market deposits	57,460	26,152
	264,431	313,195
Bank overdraft (refer to Note 17)	(15,704)	(18,749)
Cash and cash equivalents	248,727	294,446

(b) Reconciliation of profit after income tax to net operating cash flows

Profit after tax	846,845	486,023
Adjustments for non-cash items:		
Net foreign exchange losses	268	639
Allowance for expected credit loss	289	3,019
Share of net profit from joint venture entities	(8,320)	(7,628)
Depreciation of property, plant and equipment	67,114	66,016
Depreciation of right-of-use assets	62,908	61,769
Fair value re-measurement of investment properties (leasehold): ROUA	74,076	74,206
Amortisation	20,296	21,600
Impairment of non-current assets	-	876
Impairment of other financial assets	-	300
Revaluation of freehold investment properties	(140,374)	(34,956)
Executive remuneration expenses	5,648	3,449
(Loss) / profit on disposal and sale of property, plant and equipment and the revaluation of listed securities	(8,397)	3,976
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(407,714)	238,782
Inventories	(90,162)	791
Other assets	(5,299)	1,093
Increase/(decrease) in liabilities:		
Payables and other current liabilities	50,916	76,908
Income tax payable	80,472	55,560
Provisions	(4,697)	4,541
Net cash flows from operating activities	543,869	1,056,964

SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within interest-bearing loans and borrowings in current liabilities in the statement of financial position.

27 Investments Accounted for Using the Equity Method

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Total investments accounted for using the equity method	1,321	4,692

	Ownership interest		Contribution to Profit / (Loss) Before Tax	
	June 2021 %	June 2020 %	June 2021 $000	June 2020 $000
Noarlunga (Shopping complex)	50%	50%	1,500	1,437
Perth City West (Shopping complex)	50%	50%	2,238	2,748
Warrawong King St (Shopping complex) (a)	62.5%	62.5%	1,056	1,075
Byron Bay (Residential/convention development)	-	-	-	(210)
Byron Bay–2 (Resort operations)	-	-	-	(243)
Dubbo (Shopping complex)	50%	50%	692	632
Bundaberg (Land held for investment)	50%	50%	(205)	(352)
Gepps Cross (Shopping complex)	50%	50%	3,028	2,773
QCV (Miners residential complex) (b)	50%	50%	13	12
Other	50%	50%	(2)	(244)
			8,320	7,628

(a) This joint venture has not been consolidated as the consolidated entity does not have control over operating and financing decisions and all joint venture parties participate equally in decision making.

(b) A number of wholly-owned subsidiaries of Harvey Norman Holdings Limited (HNHL) have entered into joint ventures with an unrelated party to provide mining camp accommodation. The respective joint ventures have been granted finance facilities as follows:
- (i) A finance facility from ANZ for the amount of $5.15 million plus interest and costs, with a maturity date of 31 July 2021. On 30 July 2021, the maturity date of this finance facility from ANZ was extended to 31 January 2022.
- (ii) Finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $31.89 million plus interest and costs, subject to bi-annual review.

SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity over which the consolidated entity has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not control or have joint control over those policies. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The investments in associates and joint ventures of the consolidated entity are accounted for using the equity method. Under the equity method, the investment in an associate or joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the consolidated entity's share of net assets of the associate or joint venture since the acquisition date. After application of the equity method, the consolidated entity determines whether it is necessary to recognise any impairment loss with respect to its net investment in the associates and joint ventures. At each reporting date, the consolidated entity determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the consolidated entity calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value.

28 Assets Held for Sale

As at 30 June 2021, the assets held for sale balance of $12.66 million (2020: $16.19 million) represents the carrying amount of a warehouse in Singapore that is currently held for sale.

SIGNIFICANT ACCOUNTING POLICIES

Non-current assets held for sale

The consolidated entity classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense. The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

29 Employee Benefits

	CONSOLIDATED	
	June 2021 Number	June 2020 Number
The number of full-time employees employed as at 30 June	6,183	5,732

The aggregate employee benefit liability was comprised of:	June 2021 $000	June 2020 $000
Accrued wages, salaries and on-costs	24,288	20,123
Provisions (Current–Note 21)	37,162	34,181
Provisions (Non-current–Note 21)	2,380	2,213
Total employee benefit provisions	63,830	56,517

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

Performance rights

At balance date, the performance rights in the table below were outstanding and vested (or able to be exercised) by, or for the benefit of, directors of Harvey Norman Holdings Limited. Refer to Table 4. Performance Rights of Key Management Personnel for the Year Ended 30 June 2021 on page 57 of this report for further information.

		Number of Performance Rights Outstanding		Number of Performance Rights Vested	
Grant date	Expiry Date	2021	2020	2021	2020
28/11/2016	30/06/2022	-	-	-	240,000
01/12/2017	30/06/2023	-	400,000	226,400	-
04/12/2018	30/06/2024	549,500	549,500	-	-
02/12/2019	30/06/2025	549,500	549,500	-	-
04/12/2020	30/06/2026	549,500	-	-	-
		1,648,500	1,499,000	226,400	240,000

30 Remuneration of Auditors

	CONSOLIDATED June 2021 $	CONSOLIDATED June 2020 $
Fees to Ernst & Young Australia:		
Audit or review of financial reports	1,346,588	1,406,009
Tax services	178,800	151,150
Consulting services	-	33,250
Total payable to Ernst & Young Australia	1,525,388	1,590,409
Fees to overseas member firms of Ernst & Young Australia:		
Audit or review of financial reports	980,660	780,376
Tax services	218,776	213,845
Consulting services	14,778	14,348
Total payable to overseas member firms of Ernst & Young Australia	1,214,214	1,008,569
Total remuneration payable to Ernst & Young	2,739,602	2,598,978

31 Key Management Personnel

(a) Details of Key Management Personnel

Directors	Title
Gerald Harvey	Executive Chairman
Kay Lesley Page	Executive Director and Chief Executive Officer
John Evyn Slack-Smith	Executive Director and Chief Operating Officer
David Matthew Ackery	Executive Director
Chris Mentis	Executive Director and Chief Financial Officer and Company Secretary
Christopher Herbert Brown OAM	Non-Executive Director
Michael John Harvey	Non-Executive Director
Kenneth William Gunderson-Briggs	Non-Executive Director (Independent)
Graham Charles Paton AM (retired 25 November 2020)	Non-Executive Director (Independent)
Maurice John Craven	Non-Executive Director (Independent)
Luisa Catanzaro (appointed 25 November 2020)	Non-Executive Director (Independent)

Senior Executives	Title
Martin Anderson	General Manager – Advertising (retired on 30 June 2021)
Thomas James Scott	General Manager – Property
Gordon Ian Dingwall	Chief Information Officer
Lachlan Roach	General Manager – Home Appliances
Emmanuel Hohlastos	General Manager – Audio Visual
Glen Gregory	General Manager – Technology & Entertainment

31 Key Management Personnel (continued)

(b) Compensation of Key Management Personnel

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

	CONSOLIDATED June 2021 $	CONSOLIDATED June 2020 $
Short-term	13,380,900	12,796,618
Post-employment	305,816	295,892
Long-term (share-based payments)	2,032,255	1,056,781
Other–long service lease accrual	99,564	89,782
Other–termination benefit	33,985	89,065
Total compensation to Key Management Personnel	**15,852,520**	**14,328,138**

Refer to Tables 1 and 2 on pages 55 and 56 of this report for further information.

32 Related Party Transactions

(a) Ultimate Controlling Entity

The ultimate controlling entity of the consolidated entity is Harvey Norman Holdings Limited, a company incorporated in Australia.

(b) Transactions with Other Related Parties

(i) Several controlled entities of Harvey Norman Holdings Limited operate loan accounts with other related parties, mainly consisting of joint ventures and the other joint venture partner of the joint ventures. The amount of receivables from related parties at 30 June 2021 were $57,846,269 (30 June 2020: $72,500,801).

(ii) The consolidated entity has a payable to other related parties (excluding transactions with KMPs and their related parties) at arm's length terms and conditions. The amount owing to other related parties at 30 June 2021 was $4,237,364 (30 June 2020: $4,237,364).

Refer to information provided in Section 16. Other Transactions and Balances with Key Management Personnel and their Related Parties in this report on page 60 for further information.

33 Commitments

(a) Lease commitments (the consolidated entity as a lessor):

Future minimum amounts receivable under non-cancellable operating leases are as follows:

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Not later than one year	112,714	105,805
Later than one year but not later than five years	208,078	191,537
Later than five years	44,847	46,694
Minimum lease receivable	**365,639**	**344,036**

SIGNIFICANT ACCOUNTING POLICIES

The consolidated entity as lessor

Leases in which the consolidated entity does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The consolidated entity has entered into commercial leases in respect of its freehold property portfolio and motor vehicles. All leases in the consolidated entity's freehold property portfolio include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

33 Commitments (continued)

(b) Capital expenditure contracted but not provided is payable as follows:

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
Not later than one year	17,931	16,028
Later than one year but not later than five years	949	-
Total capital expenditure commitments	18,880	16,028

The consolidated entity had contractual obligations to purchase property, plant and equipment and investment properties of $18.88 million (2020: $16.03 million). The contractual obligations are mainly for the acquisition of new properties and refurbishment of existing franchised complexes in Australia. The contractual obligations relating to joint venture entities for the year ended 30 June 2021 was $5.96 million (2020: $0.95 million).

34 Contingent Liabilities

As at 30 June 2021, Harvey Norman Holdings Limited (the Company) and its wholly-owned subsidiaries have entered into the following guarantees, however the probability of having to make a payment under these guarantees is considered remote:

a) Guarantees in the normal course of business relating to lease make-good obligations under certain operating lease contracts (with the exclusion of those lease make-good payments that are considered to be probable and recognised as a provision in Note 21. Provisions); and

b) Indemnities to financial institutions to support bank guarantees in respect of the performance of contracts.

No provision has been made in the financial statements in respect of these contingencies as the possibility of a probable outflow under these guarantees is considered remote.

SIGNIFICANT ACCOUNTING POLICIES

Contingent liabilities

The consolidated entity does not recognise liabilities that do not meet the recognition criteria as prescribed in AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. Contingent liabilities are not recognised as liabilities if the possibility of a probable outflow is considered remote as their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the consolidated entity.

At each reporting date, the consolidated entity assesses whether an outflow of future economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the financial statements of the period in which the change in probability occurs.

35 Financial Risk Management

(a) Financial Risk Management Objectives and Policies

The treasury function of the consolidated entity is responsible for the management of the following risks:

- market risk;
- credit risk; and
- liquidity risk.

The consolidated entity's principal financial liabilities, other than derivatives, comprise of trade and other payables and interest-bearing loans and borrowings. The consolidated entity's principal financial assets, other than derivatives, include cash and cash equivalents, trade and other receivables and equity investments at fair value. The consolidated entity manages its exposure to key financial risks, such as interest rate and currency risk in accordance with the consolidated entity's treasury policy which is approved by the Board of Directors. The objective of the treasury policy is to support the delivery of the consolidated entity's financial targets whilst protecting future financial security. The consolidated entity enters into derivative transactions, principally forward currency contracts, to manage the currency risks arising from the consolidated entity's operations and its source of finance.

35 Financial Risk Management (continued)

(a) Financial Risk Management Objectives and Policies (continued)

The consolidated entity uses different methods to measure and manage different types of risks to which it is exposed. These include:

- monitoring levels of exposure to interest rate and foreign exchange risk;
- monitoring assessments of market forecasts for interest rate and foreign exchange;
- ageing analyses and monitoring of specific credit allowances to manage credit risk; and
- monitoring liquidity risk through the future rolling cash flow forecasts.

(b) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Components of market risk to which the consolidated entity are exposed are discussed below.

i) Foreign Currency Risk Management

Foreign currency risk refers to the risk that the value of financial instruments, recognised asset or liability will fluctuate due to changes in foreign exchange rates. The consolidated entity undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The consolidated entity's foreign currency exchange risk arises primarily from:

- receivables or payables denominated in foreign currencies; and
- firm commitments or highly probable forecast transactions for payments settled in foreign currencies.

The consolidated entity is exposed to foreign exchange risk from various currency exposures, primarily with respect to:

- United States dollars;
- New Zealand dollars;
- Euro;
- British pound;
- Singapore dollars;
- Malaysian ringgit; and
- Croatian kuna

The consolidated entity minimises its exposure to foreign currency risk by initially seeking contracts effectively denominated in the entity's functional currency where possible and economically favourable to do so. Foreign exchange risk that arises from firm commitments or highly probable transactions is managed principally through the use of forward currency contracts. The consolidated entity hedges a proportion of these transactions in each currency in accordance with the treasury policy.

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Financial assets:		
Cash and cash equivalents	52,597	44,375
Trade and other receivables	4,098	5,167
Derivatives receivable	95	-
	56,790	49,542
Financial liabilities:		
Trade and other payables	36,441	34,351
Interest-bearing loans and borrowings	16,269	11,742
Derivatives payable	-	187
	52,710	46,280
Net exposure	4,080	3,262

35 Financial Risk Management (continued)

(b) Market Risk (continued)

ii) Interest Rate Risk Management

Interest rate risk is the risk that the fair value on future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The consolidated entity's exposure to market interest rates relates primarily to cash and cash equivalents, non-trade debts receivables from related entities and unrelated entities, finance lease receivables, bank overdraft, non-trade amounts owing to related parties, Syndicated Facility, commercial bills and other short-term borrowings.

The consolidated entity manages the interest rate exposure by adjusting the ratio of fixed interest debt to variable interest debt to a desired level based on current market conditions. Where the actual interest rate profile on the physical debt profile differs substantially from the desired target, the consolidated entity uses interest rate swap contracts to adjust towards the target net debt profile.

		Fixed interest rate maturing in					Average interest rate	
30 June 2021	Principal subject to floating interest rate $000	1 year or less $000	Over 1 to 5 years $000	More than 5 years $000	Non-interest bearing $000	Total $000	Floating	Fixed
Cash	132,842	57,459	-	-	74,130	264,431	0.00% - 0.60%	0.17% - 3.65%
Consumer finance loans	-	-	-	-	2,535	2,535		
Finance lease receivables	-	508	689	-	2,722	3,919	-	11.00%
Receivables from franchisees	-	-	-	-	793,228	793,228	-	-
Trade receivables	-	-	-	-	85,620	85,620	-	-
Other financial assets	-	-	-	-	74,459	74,459	-	-
Non-trade debts receivables & loans	55,409	13,161	26,708	3,921	1,737	100,936	2.30% - 4.15%	5.00% - 13.0%
Total	188,251	71,128	27,397	3,921	1,034,431	1,325,128		
Syndicated Facility and other short-term borrowings	534,202	-	-	-	-	534,202	0.30% - 5.09%	-
Trade creditors	-	-	-	-	355,663	355,663	-	-
Other loans	4,237	-	-	-	176	4,413	1.15% - 1.25%	-
Bank overdraft	15,704	-	-	-	-	15,704	2.01%	-
Bills payable	5,650	-	-	-	-	5,650	0.06% - 0.14%	-
Total	559,793	-	-	-	355,839	915,632		

35 Financial Risk Management (continued)

(b) Market Risk (continued)

ii) Interest Rate Risk Management (continued)

		Fixed interest rate maturing in					Average interest rate	
30 June 2020	Principal subject to floating interest rate $000	1 year or less $000	Over 1 to 5 years $000	More than 5 years $000	Non-interest bearing $000	Total $000	Floating	Fixed
Cash	203,649	28,998	-	-	80,548	313,195	0.00% - 1.92%	0.00% - 3.65%
Consumer finance loans	-	-	-	-	2,734	2.734	-	-
Finance lease receivables	-	570	912	-	2,721	4,203	-	11.00%
Receivables from franchisees	-	-	-	-	352,359	352,359	-	-
Trade receivables	-	-	-	-	116,353	116,353	-	-
Other financial	-	-	-	-	48,413	48,413	-	-
Non-trade debts receivables & loans	58,975	24,548	14,836	5,991	13,731	118,081	2.39% - 5.27%	5.00% - 10.00%
Total	262,624	54,116	15,748	5,991	616,859	955,338		
Syndicated Facility and other short-term borrowings	264,638	-	-	-	-	264,638	0.95% - 5.87%	-
Trade creditors	-	-	-	-	351,772	351,772	-	-
Other loans	4,237	-	-	-	280	4,517	2.37% - 3.20%	-
Bank overdraft	18,749	-	-	-	-	18,749	2.25% - 6.95%	-
Bills payable	9,750	-	-	-	-	9,750	1.44% - 2.57%	-
Other financial liabilities	-	-	-	-	187	187	-	-
Total	297,374	-	-	-	352,239	649,613		

35 Financial Risk Management (continued)

(b) Market Risk (continued)

iii) Equity Price Risk Management

The consolidated entity is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The exposure to the risk of a general decline in equity market values is not hedged as the consolidated entity believes such a strategy is not cost effective. The fair value of the equity investments publicly traded on the ASX was $41.28 million as at 30 June 2021 (2020: $30.24 million). The fair value of the equity investments publicly traded on the NZX was $28.05 million as at 30 June 2021 (2020: $15.45 million).

iv) Sensitivity analysis

At the reporting date, the consolidated entity's exposure to interest rate risk, foreign currency risk (after taking into consideration the hedge of foreign currency payables) and equity price risk are not considered material.

(c) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk arises from the financial assets of the consolidated entity, which comprise receivables from franchisees, trade and non-trade debts receivables, consumer finance loans and finance lease receivables, with a maximum exposure equal to the carrying amount of these financial assets.

The consolidated entity manages the credit risk exposure by taking the following measures:

- The Franchisor constantly monitors and evaluates the financial position of each franchisee;
- Conducting appropriate due diligence on counterparties before entering into an arrangement with them. It is the consolidated entity's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board. These risk limits are regularly monitored;
- Minimising concentrations of credit risk by undertaking transactions with a large number of debtors in various countries and industries. Trade receivable balances are monitored on an ongoing basis.
- Non-trade debts receivable are subject to regular monitoring and/or periodic impairment testing to ensure that they are recoverable; and
- Finance lease receivables are secured by assets with a value equal to, or in excess of, the counterparties' obligation to the consolidated entity.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The table below represents the financial assets of the consolidated entity by geographic location displaying the concentration of credit risk for each location as at balance date:

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Location of credit risk		
Australia	919,136	497,774
New Zealand	21,433	35,905
Singapore and Malaysia	14,843	18,321
Slovenia and Croatia	3,308	5,603
Ireland and Northern Ireland	3,041	3,245
Total	961,761	560,848

As at 30 June 2021, other than the loss allowance recognised in relation to trade and non-trade debts receivables and consumer finance loans as disclosed in Note 7, no financial assets were impaired.

35 Financial Risk Management (continued)

(d) Liquidity Risk

Liquidity risk includes the risk that, as a result of the consolidated entity's operational liquidity requirements:

- the consolidated entity will not have sufficient funds to settle a transaction on the due date;
- the consolidated entity will be forced to sell financial assets at a value which is less than what they are worth; or
- the consolidated entity may be unable to settle or recover a financial asset at all.

To help reduce these risks, the consolidated entity:

- has readily accessible standby facilities and other funding arrangements in place; and
- maintains instruments that are tradeable in highly liquid markets.

The Board reviews this exposure on a monthly basis from a projected 12-month cash flow forecast, listing of banking facilities, explanations of variances from the prior month reports and current funding positions of the overseas controlled entities provided by finance personnel. The following table details the consolidated entity's remaining contractual maturity for its financial assets and financial liabilities. The financial assets have been disclosed based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The financial liabilities have been disclosed based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the consolidated entity can be required to pay.

30 June 2021	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Non derivative financial assets					
Cash and cash equivalents	264,431	-	-	-	264,431
Receivables from franchisees	793,228	-	-	-	793,228
Trade and other receivables	100,911	24,411	46,779	8,846	180,947
Other financial assets	41,281			33,083	74,364
Derivative financial assets					
Forward currency contracts	95	-	-	-	95
Total financial assets	1,199,946	24,411	46,779	41,929	1,313,065
Non derivative financial liabilities					
Trade and other payables	355,663	-	-	-	355,663
Interest-bearing loans and borrowings	365,146	201,170	-	-	566,316
Total financial liabilities	720,809	201,170	-	-	921,979
Net maturity	479,137	(176,759)	46,779	41,929	391,086

30 June 2020	Less than 1 year $000	1 to 2 years $000	2 to 5 years $000	Over 5 years $000	Total $000
Non derivative financial assets					
Cash and cash equivalents	313,195	-	-	-	313,195
Receivables from franchisees	352,359	-	-	-	352,359
Trade and other receivables	163,859	6,452	40,455	11,047	221,813
Other financial assets	30,237	-	-	18,176	48,413
Total financial assets	859,650	6,452	40,455	29,223	935,780
Non derivative financial liabilities					
Trade and other payables	351,772	-	-	-	351,772
Interest-bearing loans and borrowings	106,360	171,388	25,155	-	302,903
Derivative financial liabilities					
Forward currency contracts	187	-	-	-	187
Total financial liabilities	458,319	171,388	25,155	-	654,862
Net maturity	401,331	(164,936)	15,300	29,223	280,918

35 Financial Risk Management (continued)

(e) Fair value of Financial Assets and Financial Liabilities

The fair value of financial assets and financial liabilities are determined as follows:

- The carrying amounts of cash and cash equivalents, receivables from franchisees, trade and other receivables, other financial assets, trade and other payables and interest-bearing loans and borrowings are reasonable approximations of fair value.
- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- The consolidated entity enters into derivative financial instruments with various counterparties, particularly financial institutions with investment grade credit ratings. Forward currency contracts are valued using valuation techniques which employs the use of market observable inputs.

The consolidated entity uses various methods in estimating the fair value of financial instruments. The methods comprise:
Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

30 June 2021	Quoted market price (Level 1) $000	Market observable inputs (Level 2) $000	Total $000
Financial assets			
Listed investments	69,327	-	69,327
Forward currency contracts		95	95
Total financial assets	69,327	95	69,422

30 June 2020	Quoted market price (Level 1) $000	Market observable inputs (Level 2) $000	Total $000
Financial assets			
Listed investments	45,688	-	45,688
Total financial assets	45,688	-	45,688
Financial liabilities			
Forward currency contracts	-	187	187
Total financial liabilities	-	187	187

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices and are included in level 1.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Forward currency contracts are measured using quoted forward exchange rates. These instruments are included in level 2.

(f) Capital Risk Management Policy

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

The consolidated entity is constantly adjusting the capital structure to take advantage of favourable costs of capital or high returns on assets. As the market is constantly changing, the consolidated entity may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The capital structure of the consolidated entity consists of debt, which includes the interest-bearing loans and borrowings disclosed in Note 17, cash and cash equivalents disclosed in Note 26(a) and equity attributable to equity holders of the parent, comprising ordinary shares, retained profits and reserves as disclosed in Notes 22, 23 and 25 respectively. None of the consolidated entity's entities are subject to externally imposed capital requirements.

35 Financial Risk Management (continued)

(f) Capital Risk Management Policy (continued)

Capital management is monitored through the net debt to equity ratio. The Capital Management Policy stipulates a net debt to equity target for the consolidated entity of less than 50%. As at 30 June 2021, the consolidated entity had unused, available financing facilities of $193.96 million out of total approved financing facilities of $749.52 million. The net debt to equity ratio as at 30 June 2021 was 7.47% (30 June 2020: Nil).

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Borrowings (refer to Note 17: Interest-Bearing Loans and Borrowings)	559,969	297,841
Less: Cash and Cash equivalents	264,431	313,195
Net Debt / (Cash)	295,538	(15,354)
Total equity (a)	3,956,330	3,533,326
Net debt to equity ratio (b)	7.47%	-0.43%

(a) For the purpose of calculating the net debt to equity ratio, total equity excludes the negative acquisition reserve of $16.27 million (2020: $18.60 million), the right-of-use assets in respect of property, plant and equipment leases of $511.17 million (2020: $513.78 million) and investment properties (leasehold): right-of-use assets of $620.46 million (2020: $621.90 million) and the lease liabilities recognised under AASB 16 *Leases* of $1,178.67 million (2020: $1,173.09 million).

(b) As at 30 June 2020, the consolidated entity had net cash of $15.35 million and therefore the net debt to equity ratio was disclosed as nil.

36 Derivative Financial Instruments

Hedging instruments

The following table details the derivative hedging instruments as at balance date. The fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months and as a current asset or liability if the remaining maturity of the hedged item is less than 12 months.

	CONSOLIDATED	
	June 2021 $000	June 2020 $000
Current assets		
Foreign currency contracts–held for trading	91	-
Foreign currency contracts–cash flow hedges	4	-
Current liabilities		
Foreign currency contracts–held for trading	-	137
Foreign currency contracts–cash flow hedges	-	50

The consolidated entity has entered into forward currency contracts which are economic hedges but do not satisfy the requirements of hedge accounting.

36 Derivative Financial Instruments (continued)

(a) Forward currency contracts-held for trading

Currency	Average Exchange Rate 2021	Average Exchange Rate 2020	CONSOLIDATED 2021 Buy $000	CONSOLIDATED 2021 Sell $000	CONSOLIDATED 2020 Buy $000	CONSOLIDATED 2020 Sell $000
Euro (0-12 months)	71.44	67.29	5,600	-	3,682	-
US Dollar (0-12 months)	76.38	67.40	5,131	-	4,043	-
Total			10,731	-	7,725	-

These contracts are fair valued by comparing the contracted rate to the market rates at balance date. All movements in fair value are recognised in the income statement in the period they occur. The net fair value gain on forward currency contracts during the year ended 30 June 2021 was $0.09 million for the consolidated entity (2020: net fair value loss of $0.14 million).

(b) Forward currency contracts-cash flow hedges

The consolidated entity purchases inventories from various overseas countries. As such, the consolidated entity is exposed to foreign exchange risk from various currency exposures, primarily with respect to:

- United States dollars; and
- Euro.

In order to protect against exchange rate movements and to manage the inventory costing process, the consolidated entity has entered into forward currency contracts to purchase US dollars and Euro. These contracts are hedging highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made. The following table details the forward currency contracts outstanding as at reporting date:

Currency	Average Exchange Rate 2021	Average Exchange Rate 2020	CONSOLIDATED 2021 Buy $000	CONSOLIDATED 2021 Sell $000	CONSOLIDATED 2020 Buy $000	CONSOLIDATED 2020 Sell $000
Euro (0-12 months)	63.27	59.59	3,386	-	1,293	-
US Dollar (0-12 months)	-	64.80	-	-	291	-
Total			3,386	-	1,584	-

The forward currency contracts are considered to be highly effective hedges as they are matched against forecast inventory purchases and firm committed invoice payments for inventory purchases. During the year ended 30 June 2021, the hedges were 100% effective (2020: 100% effective), therefore the gain or loss on the contracts attributable to the hedged risk is taken directly to other comprehensive income. When the inventory is delivered the amount recognised in other comprehensive income is adjusted to the inventory account in the statement of financial position.

Movement in the forward currency contract cash flow hedge reserve:

	CONSOLIDATED June 2021 $000	CONSOLIDATED June 2020 $000
	Increase/(Decrease)	
Opening balance	(35)	(2)
Transferred to inventory	35	2
Charged to other comprehensive income	(3)	(35)
Closing balance	(3)	(35)

37 Deed of Cross Guarantee

Pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785, relief has been granted to certain controlled entities of Harvey Norman Holdings Limited from the *Corporations Act 2001* requirements for the preparation, audit and lodgement of their financial reports. These controlled entities have entered into a Deed of Cross Guarantee with Harvey Norman Holdings Limited ("Closed Group"). The effect of this Deed of Cross Guarantee is that Harvey Norman Holdings Limited has guaranteed to pay any deficiency in the event of winding up a controlled entity within the Closed Group or if the controlled entity does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities within the Closed Group have also given a similar guarantee in the event that Harvey Norman Holdings Limited is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The parties to the Deed of Cross Guarantee include Harvey Norman Holdings Limited and the following controlled entities:

- Arisit Pty Limited
- Contemporary Design Group Pty Limited
- Derni Pty Limited
- Generic Publications Pty Limited
- Harvey Norman Big Buys Pty Limited
- Harvey Norman Stores (N.Z.) Pty Limited
- Network Consumer Finance Pty Limited
- Sarsha Pty Limited
- Yoogalu Pty Limited

The Statement of Financial Position and Income Statement for the Harvey Norman Holdings Limited Closed Group are as follows:

	June 2021 $000	June 2020 $000
Current Assets		
Cash and cash equivalents	131,576	188,935
Trade and other receivables	867,574	499,955
Other financial assets	41,296	30,237
Inventories	235,981	207,757
Intangible assets	258	278
Other assets	25,045	24,885
Total current assets	1,301,730	952,047
Non-Current Assets		
Trade and other receivables	1,712,820	1,704,045
Other financial assets	299,666	297,642
Property, Plant & Equipment	32,215	33,114
Property, Plant & Equipment: Right-of-use assets	175,641	6,538
Intangible assets	60,557	59,037
Total non-current assets	2,280,899	2,100,376
Total assets	3,582,629	3,052,423
Current Liabilities		
Trade and other payables	106,984	163,380
Interest-bearing loans and borrowings	295,833	10,184
Lease liabilities	27,181	2,293
Income tax payable	139,639	67,123
Provisions	32,475	29,617
Other liabilities	49,340	46,291
Total current liabilities	651,452	318,888
Non-Current Liabilities		
Interest-bearing loans and borrowings	200,000	195,000
Lease liabilities	174,911	12,654
Provisions	2,121	1,957
Deferred income tax liabilities	111,402	99,259
Total non-current liabilities	488,434	308,870
Total liabilities	1,139,886	627,758
NET ASSETS	2,442,743	2,424,665

37 Deed of Cross Guarantee (continued)

	June 2021 $000	June 2020 $000
Equity		
Contributed equity	717,925	717,925
Reserves	13,150	12,781
Retained profits	1,711,993	1,694,210
Non-controlling interests	(325)	(251)
TOTAL EQUITY	**2,442,743**	**2,424,665**
Income Statement		
Profit before income tax	639,151	454,855
Income tax	(147,885)	(114,378)
Profit after tax	**491,266**	**340,477**
Retained Earnings		
Retained earnings at the beginning of the year	1,694,210	1,676,238
Profit after tax	491,266	340,477
Dividends provided for or paid	(473,483)	(322,505)
Retained earnings at the end of the year	**1,711,993**	**1,694,210**

38 Parent Entity Financial Information

	PARENT ENTITY	
	June 2021 $000	June 2020 $000
Current assets	38	93
Non-current assets	2,838,662	2,693,100
Total assets	**2,838,700**	**2,693,193**
Current liabilities	124,093	58,516
Non-current liabilities	134,198	118,223
Total liabilities	**258,291**	**176,739**
Contributed equity	717,925	717,925
Retained profits	1,862,484	1,798,529
Total Equity	**2,580,409**	**2,516,454**
Profit for the year	**537,438**	**354,317**
Total Comprehensive Income	**537,438**	**354,317**

Guarantees

The Parent Company is party to a Deed of Cross Guarantee ("Deed") with the following controlled entities:

- Arisit Pty Limited
- Contemporary Design Group Pty Limited
- Derni Pty Limited
- Generic Publications Pty Limited
- Harvey Norman Big Buys Pty Limited
- Harvey Norman Stores (N.Z.) Pty Limited
- Network Consumer Finance Pty Limited
- Sarsha Pty Limited
- Yoogalu Pty Limited

The effect of this Deed is that the Parent Company has guaranteed to pay any deficiency in the event of winding up one of the above controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The above controlled entities have also given a similar guarantee in the event that the Parent Company is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

38 Parent Entity Financial Information (continued)

Contingent Liabilities

Refer to information provided in Note 34: Contingent Liabilities for disclosures relating to the Parent Entity.

39 Controlled Entities and Unit Trusts

The listing of controlled entities and unit trusts detailed on this page is not a complete and exhaustive list of all controlled entities and unit trusts held by Harvey Norman Holdings Limited. The financial year of all controlled entities and unit trusts are the same as that of the Parent Company.

Shares held by Harvey Norman Holdings Limited

A listing of material subsidiaries of Harvey Norman Holdings Limited are detailed below:

Arisit Pty Limited [1,2]
Bencoolen Properties Pte Limited [6,7]
Cascade Consolidated Sdn. Bhd. [9,10]
Consolidated Design Group Pty Limited [1]
Contemporary Design Group Pty Limited [1,2]
Derni Pty Limited [1,2]
Elitetrax Marketing Sdn. Bhd. [10,11]
Generic Publications Pty Limited [1,2]
Harvey Norman Big Buys Pty Limited [1,2,3]
Harvey Norman Croatia d.o.o. [15,16]
Harvey Norman Europe d.o.o. [14,]
Harvey Norman Holdings (Ireland) Limited [12]
Harvey Norman Limited [4]
Harvey Norman Ossia (Asia) Pte Limited [6,7,8]
Harvey Norman Properties (N.Z.) Limited [4,5]
Harvey Norman Singapore Pte Limited [6,7]
Harvey Norman Stores (N.Z.) Pty Limited [1,2]
Harvey Norman Trading (Ireland) Limited [12,13]
Harvey Norman Trading d.o.o. [14,15]
Network Consumer Finance Pty Limited [1,2]
Pertama Holdings Pte Limited [6,7,8]
Pertama Mechandising Pte Ltd [6,9]
Sarsha Pty Limited [1,2]
Space Furniture Pte Limited [6,7]
Space Furniture Collection Sdn. Bhd. [10]
Yoogalu Pty Limited [1,2]

Notes:

1	Company incorporated in Australia.
2	Company is a member of the "Closed Group" relieved under the Class Order described in Note 37.
3	Harvey Norman Big Buys Pty Limited holds 99.02% of the shares in the KEH Partnership.
4	Company incorporated in New Zealand.
5	Shares held by Harvey Norman Limited.
6	Company incorporated in Singapore.
7	Harvey Norman Singapore Pte Limited owns 100% of the shares in Bencoolen Properties Pte Limited, 60% of the shares in Harvey Norman Ossia (Asia) Pte Limited, 100% of the shares in Space Furniture Pte Limited and 50.62% of the shares in Pertama Holdings Pte Limited.
8	Harvey Norman Ossia (Asia) Pte Limited holds 49.38% of the shares in Pertama Holdings Pte Limited.
9	Shares held by Pertama Holdings Pte Limited.
10	Company incorporated in Malaysia.
11	Shares held by Cascade Consolidated Sdn. Bhd.
12	Company incorporated in Ireland.
13	Shares held by Harvey Norman Holdings (Ireland) Limited.
14	Company incorporated in Slovenia.
15	Harvey Norman Europe d.o.o. owns 100% of the shares in Harvey Norman Trading d.o.o. and 100% of the shares Harvey Norman Croatia d.o.o.
16	Company incorporated in Croatia.

39 Controlled Entities and Unit Trusts (continued)

Units in Trusts held by Harvey Norman Holdings Limited

A listing of material unit trusts of Harvey Norman Holdings Limited are detailed below:

Calardu ACT Trust
Calardu Albury Trust
Calardu Alexandria DM Trust
Calardu Alexandria WH Trust
Calardu Auburn No. 1 Trust
Calardu Auburn No. 2 Trust
Calardu Auburn No. 4 Trust
Calardu Auburn No. 5 Trust
Calardu Auburn No. 6 Trust
Calardu Auburn No. 7 Trust
Calardu Auburn No. 8 Trust
Calardu Bendigo Trust
Calardu Brookvale Trust
Calardu Browns Plains No. 1 Trust
Calardu Cairns Trust
Calardu Cambridge Trust
Calardu Campbelltown Trust
Calardu Cannington Trust
Calardu Caringbah (Taren Point) Trust
Calardu Devonport Trust
Calardu Frankston Trust
Calardu Gepps Cross Trust
Calardu Geraldton Trust
Calardu Hoppers Crossing Trust
Calardu Loganholme Trust
Calardu Malaga Trust
Calardu Maribyrnong Trust
Calardu Maroochydore Trust
Calardu Midland Trust
Calardu Munno Para Trust
Calardu Penrith Trust
Calardu Penrith No. 1 Trust
Calardu Penrith No. 2 Trust
Calardu Perth City West Trust
Calardu Preston Trust
Calardu Rutherford Trust
Calardu Silverwater Trust
Calardu Springvale Trust
Calardu Taylors Lakes Trust
Calardu Toowoomba Trust
Calardu Toowoomba No. 1 Trust
Calardu Toowoomba No. 2 Trust
Calardu Tweed Heads No. 1 Trust
Calardu Wodonga Trust
Harvey Norman Discounts No. 1 Trust
Harvey Norman No. 1 Trust
The Calardu Trust

40 Significant Events After Balance Date

From 26 June 2021, the New South Wales (NSW) government announced stay-at-home orders for the greater Sydney area, with progressive lockdowns after that date for franchised complexes in greater Sydney and regional areas of NSW, in response to the Delta Variant of COVID-19 and rising cases of local transmission. Thereafter, and up to the date of this report, decisions have been made by local governments to impose rolling lockdowns in most States and Territories of Australia. These government mandates have affected franchisee sales in July and August 2021.

Apart from the above, there have been no circumstances arising since balance date which have significantly affected or may significantly affect:

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

SHAREHOLDER INFORMATION

Distribution of shareholdings as at 28 September 2021

Size of holding	Ordinary Shareholders
1 – 1,000	11,191
1,001 – 5,000	10,395
5,001 – 10,000	2,999
10,001 – 100,000	2,494
100,001 and over	180
	27,259
Number of shareholders with less than a marketable parcel	1,096

Voting rights

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

Twenty largest shareholders as at 28 September 2021

Number of Ordinary Shares	Shareholder	Percentage of Ordinary Shares
392,620,640	Mr. Gerald Harvey	31.51%
205,525,565	Mr. Christopher Herbert Brown	16.50%
173,318,703	HSBC Custody Nominees Limited	13.91%
94,100,077	Citicorp Nominees Pty Limited	7.55%
72,093,995	J P Morgan Nominees Australia Limited	5.79%
58,592,289	Ms. Margaret Lynette Harvey	4.70%
22,264,123	BNP Paribas Nominees Pty Limited	1.79%
21,066,348	National Nominees Limited	1.69%
20,063,673	Enbeear Pty Limited	1.61%
19,856,315	Ms. Kay Lesley Page	1.59%
5,213,182	Argo Investments Limited	0.42%
4,150,984	BKI Investment Company Limited	0.33%
3,335,180	Mr. Michael Harvey	0.27%
2,033,309	Omnilab Media Investments Pty Limited	0.16%
1,585,457	Quotidian No 2 Pty Limited	0.13%
1,312,000	Bond Street Custodians Limited	0.11%
1,271,126	Merrill Lynch (Australia) Nominees Pty Limited	0.10%
1,268,491	Mr. Arthur Brew	0.10%
1,161,297	Mr. Chris Mentis	0.09%
1,143,893	Mr. John Evyn Slack-Smith	0.09%
1,101,976,647		88.44%