# Harvey Norman®

HOLDINGS LIMITED | ACN 003 237 545

# APPENDIX 4E
## YEAR-END REPORT

## JUNE 2021


Australia · Singapore · Ireland · Malaysia

New Zealand · Slovenia · Northern Ireland · Croatia

# 2021 APPENDIX 4E YEAR-END 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

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## Company Info

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**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

Harvey Norman
HOLDINGS LIMITED | ACN 003 237 545

**Harvey Norman**

HOLDINGS LIMITED | ACN 003 237 545

# 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

# RESULTS FOR ANNOUNCEMENT TO THE MARKET

## 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. 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. Our other 5 countries have been open in July and August 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.

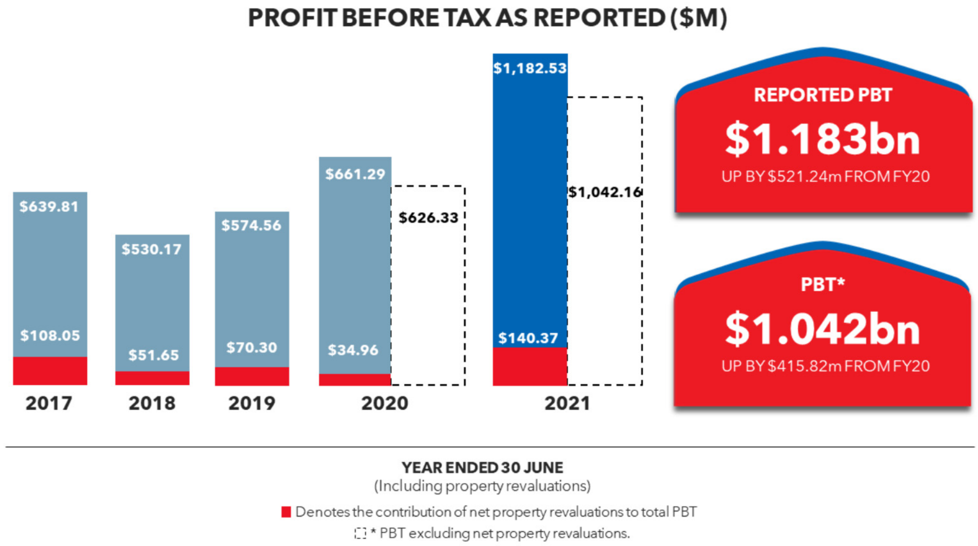
G. HARVEY
Chairman
Sydney
31 August 2021

K.L. PAGE
Chief Executive Officer
Sydney
31 August 2021

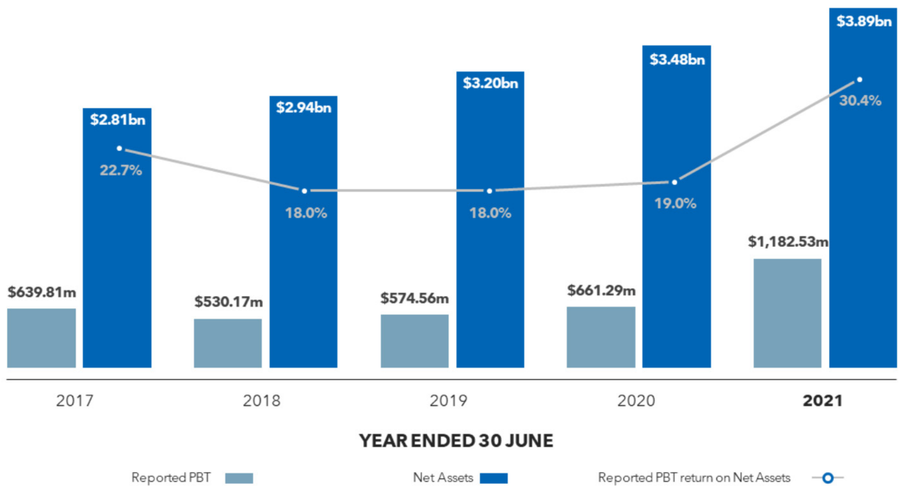
# Group Results for 30 June 2021

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.




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

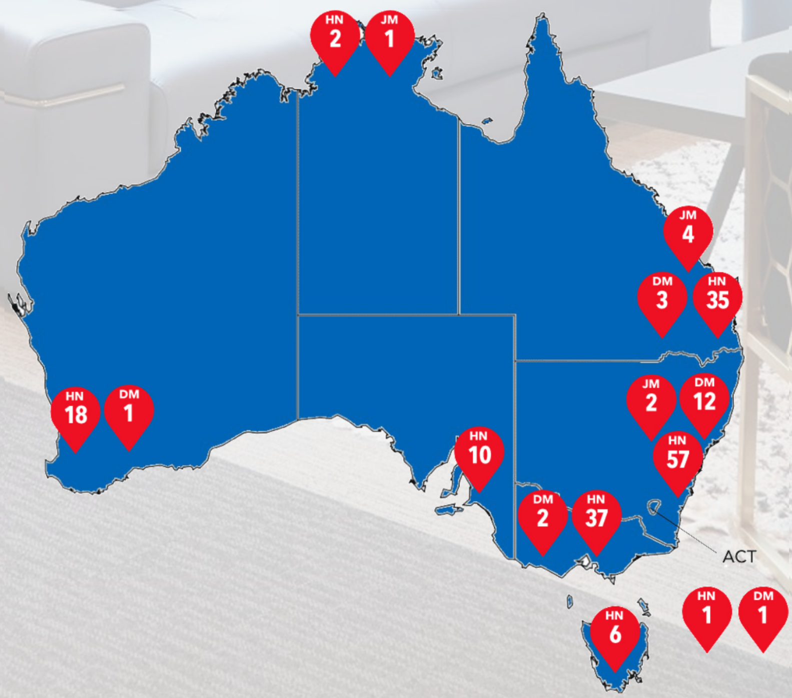
DOMAYNE®

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% |

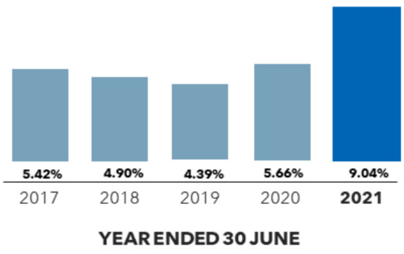
*Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

# OPERATING AND FINANCIAL REVIEW (CONTINUED)



**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.

STORE
SHOP IN STORE

CONTACTLESS CLICK & COLLECT

CONTACTLESS DELIVERY

HN
PHONE YOUR LOCAL STORE

HN.COM.AU
OPEN 24/7 ONLINE

LIVE CHAT HERE TO HELP

CLICK & COLLECT

trak

Store Finder

QuickReserve

**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

# 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%) |
|---|---|---|

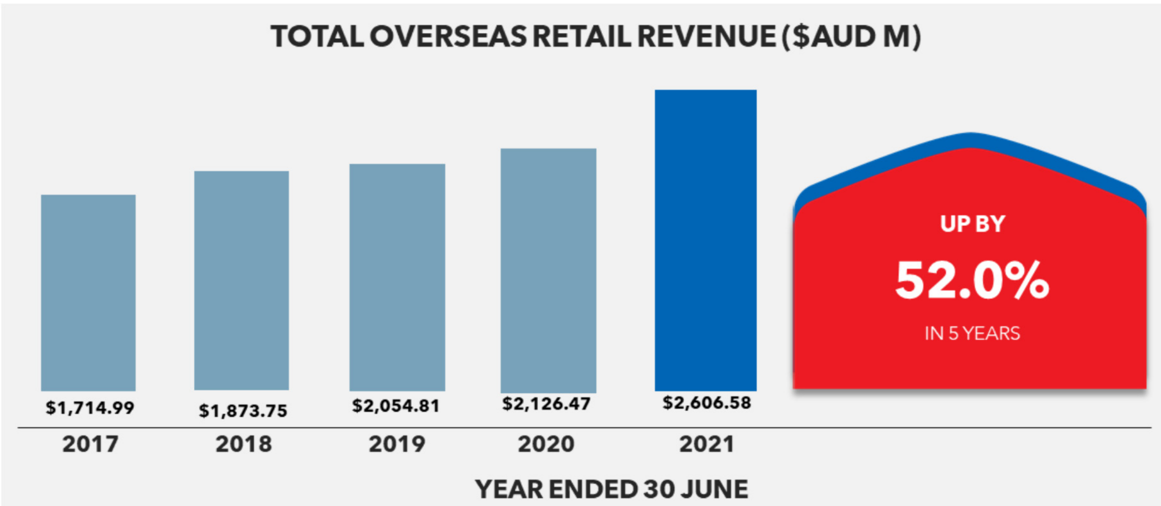
Overseas, the 107 Harvey Norman® branded stores are company-owned and company-operated.

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.

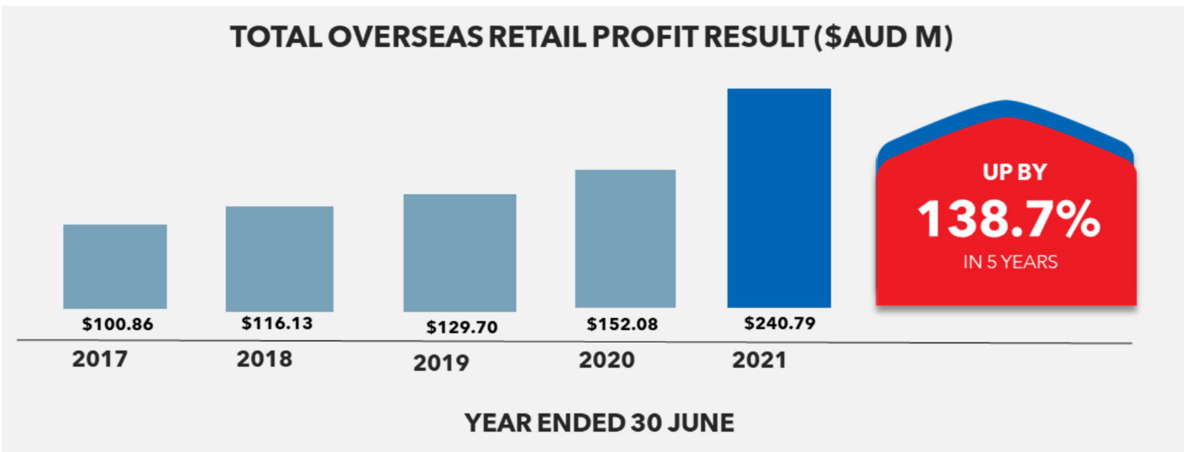
At varying points during the year, our offshore stores were compelled to close under the respective government directives. Where permitted by the respective governments, our offshore stores continued to trade through their digital platforms to meet customer needs.

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.

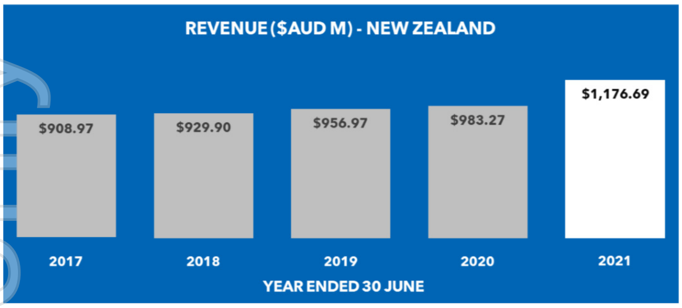
The graph below represents the aggregate value of overseas retail revenue achieved over the past 5 years. Total overseas retail revenue grew by $480.12 million, or 22.6%, to $2.61 billion for FY21, relative to $2.13 billion for FY20, with each country delivering sales growth year-on-year.

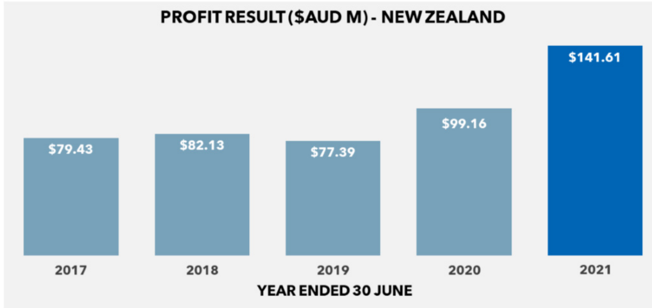



The graph below shows the profit trajectory of the overseas retail segment. Offshore profitability has grown by 138.7% in the last 5 years and, for FY21, it represents 20.4% of total consolidated profit before tax. Offshore profitability has increased by $88.72 million, or 58.3%, to $240.79 million for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

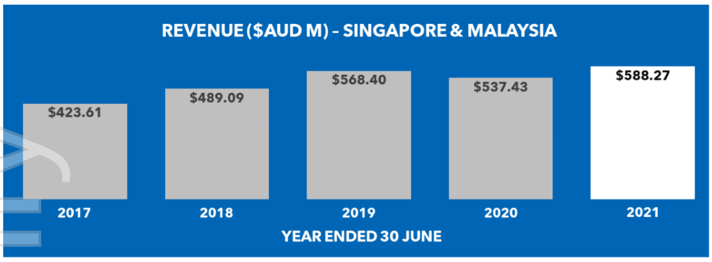
## New Zealand
## Opened 3 new stores

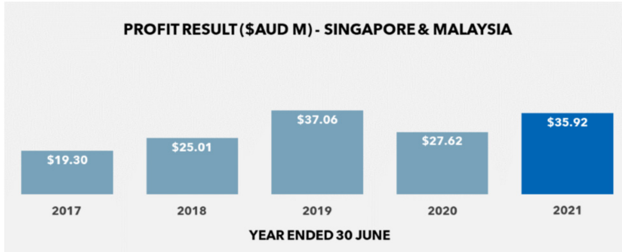
- Dunedin Outlet (Aug-20)
- Grey Lynn Commercial Showroom (Oct-20)
- Glen Innes Outlet (Oct-20)

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%.**

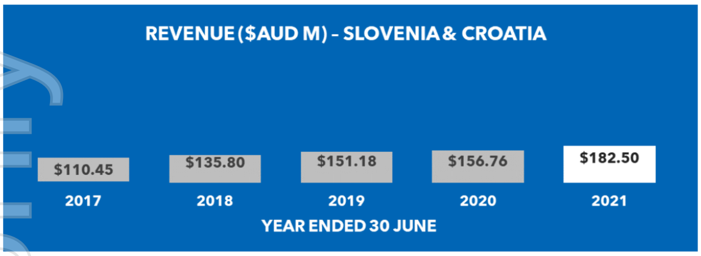
Our flagship store at Millennia Walk has continued to perform strongly in FY21, showcasing the impressive range on offer, with its expansive generous showroom facilitating social distancing while continuing to deliver an unparalleled shopping experience to its customers.

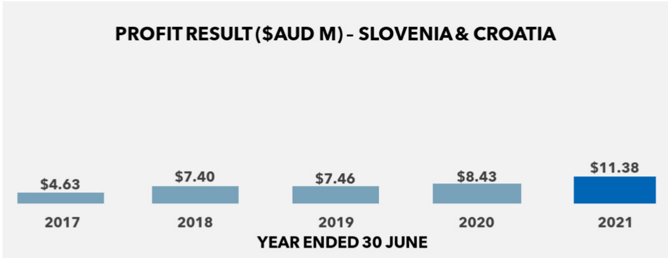
## Retail – Singapore and Malaysia: Sales & Segment Result

**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.

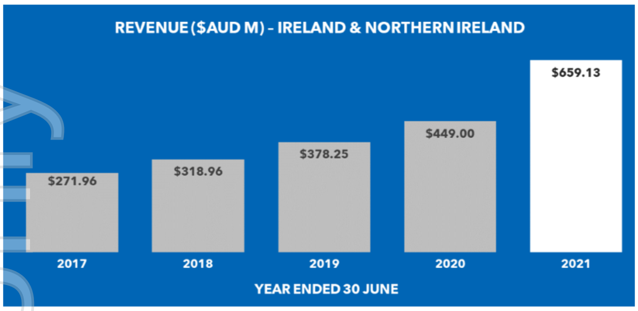
Sales for 1H21 were €13.07 million, an increase of €1.51 million or 13.1% from the previous corresponding period.

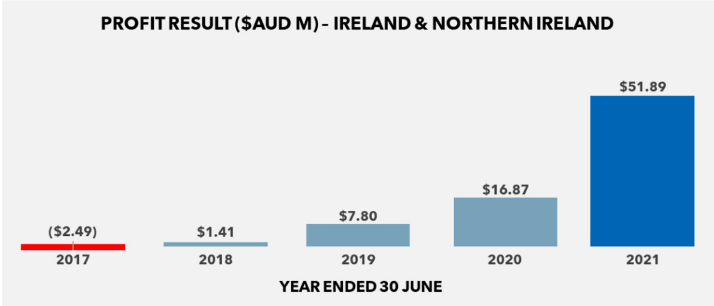
Sales for the 2021 financial year grew to €29.80 million, increasing by €9.15 million or +44.3% for the full year. Growth in 2H21 was largely due to a full 6-months contribution of the new Pula store. In Australian Dollars, sales increased by $13.58 million or 39.9%.

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 prolonged 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.

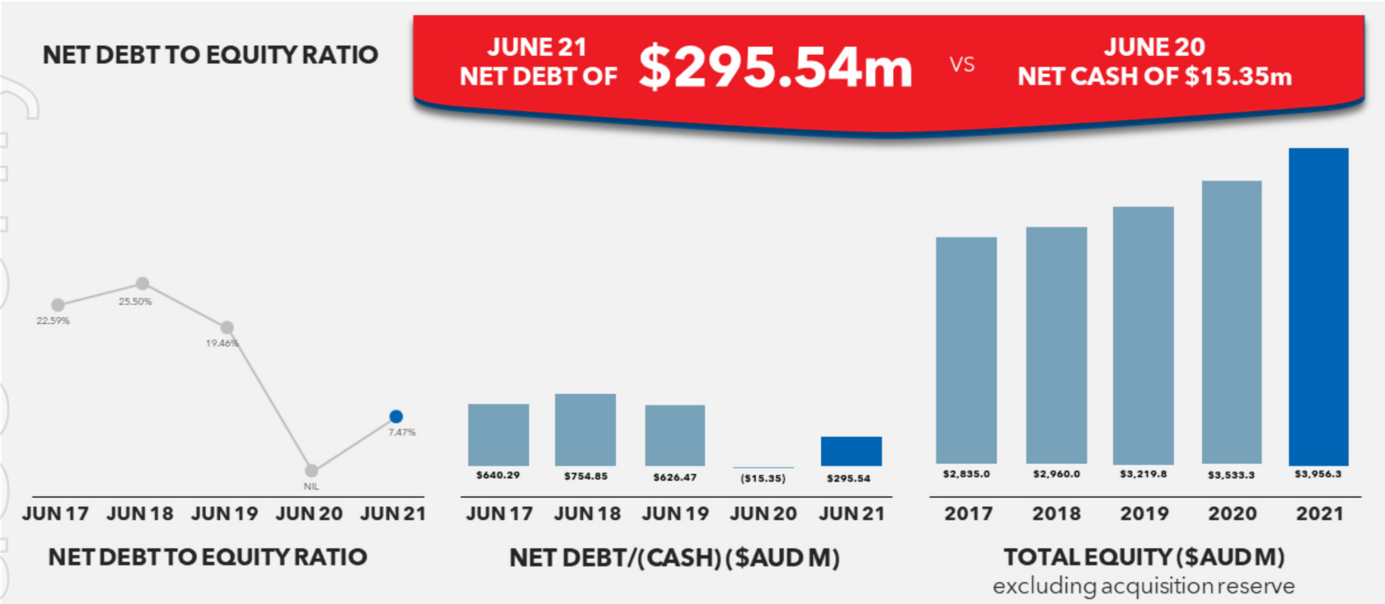
The table below shows the composition of right-of-use assets and lease liabilities within our leasehold property portfolio as at balance date, and the number of leased retail properties and other properties leased by the consolidated entity.

| 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 | $620.46m | $647.12m | 97 | 166 |
| - Australia | | | | |
| (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 39, 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 draw-downs 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.

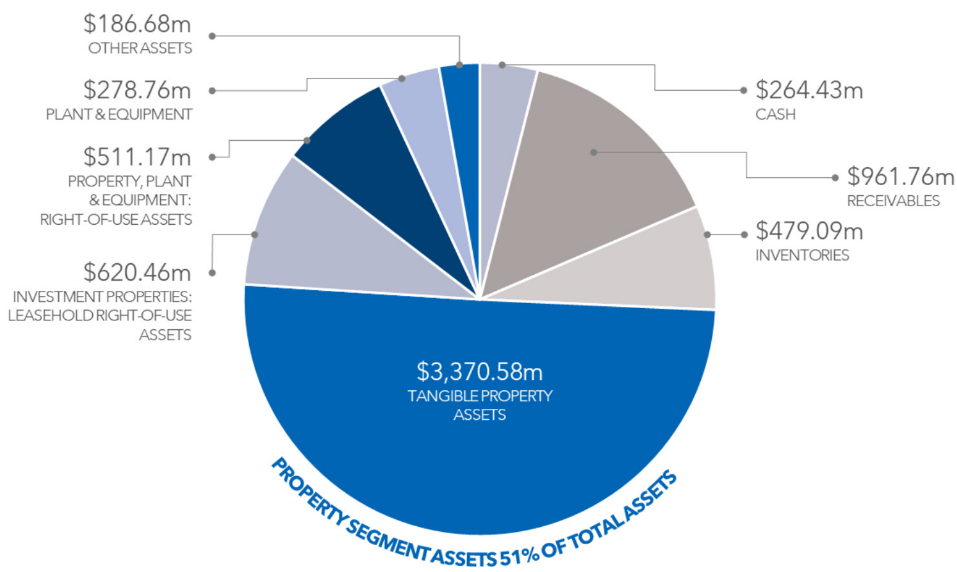
The above increases have been offset by a reduction in cash and cash equivalents by $48.76 million.

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. 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. Our other 5 countries have been open in July and August 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]
(% increases have been calculated in local currencies)
[1] comparable sales growth has not been adjusted for the temporary closures mandated by each local government as a result of their COVID-19 Response

| COUNTRY (% increase calculated in local currencies) | | 1 July 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) |

# 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.

## Directors

### Our Board

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

**Gerald Harvey**
*Executive Chairman*

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

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

**Kay Lesley Page**
*Executive Director and CEO*

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

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

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

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

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

**John Evyn Slack-Smith**
*Executive Director and COO*

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

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

**David Matthew Ackery**
*Executive Director*

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

Directors

| | |
|---|---|
| Michael John Harvey<br>B.Com.<br>*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<br>OAM, LL.M., FAICD, CTA<br>*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.<br><br>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<br>B.Bus., FCA, MAICD<br>*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.<br><br>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<br>B.Sc., FAICD<br>*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.<br><br>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<br>AM, B.Ec., FCPA, MAICD<br>*Non-Executive Director (Independent)*<br>*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.<br><br>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<br>B.Com., FCA, GAICD<br>*Non-Executive Director (Independent)*<br>*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.<br><br>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 | 392,420,640 | 196,500 |
| K.L. Page | 19,845,750 | 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 | 624,156,528 | 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 35 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 35 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. This has resulted in 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.

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.

# 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 | 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 | | | | | | | | Non-Controlling Interests | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | Contributed Equity | Retained Profits | Asset Revaluation Reserve | Foreign Currency Reserve | FVOCI Reserve | Cash Flow Hedge Reserve | Employee Equity Benefits Reserve | Acquisition Reserve | | |
| 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.

# NOTES TO THE FINANCIAL STATEMENTS – 30 JUNE 2021

## 1 Statement of Significant Accounting Policies

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2020, except for the adoption of new standards mandatory for annual periods beginning on or after 1 July 2020. The consolidated entity has not early adopted any standard, interpretations or amendment that has been issued, but is not yet effective.

## 2 Operating Segments

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

| | CONSOLIDATED ($000) | | |
|---|---|---|---|
| Operating Segment Revenue: 30 June 2020 | 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. |

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 30 JUNE 2021

## 3 Revenues

| | CONSOLIDATED | |
|---|---|---|
| | June 2021 $000 | 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 |

## 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 |
| **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 |

## 6 Earnings Per Share

| | June 2021 | June 2020 |
|---|---|---|
| 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 HVN shares data used in the calculations 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 | June 2020 Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 1,246,006,654 | 1,226,271,429 |
| Effect of dilutive securities | 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 |

## 7 Trade and Other Receivables

| | CONSOLIDATED | |
|---|---|---|
| | June 2021 $000 | June 2020 $000 |
| **Current** | | |
| Receivables from franchisees (a) | 793,228 | 352,359 |
| Trade receivables | 78,917 | 109,077 |
| Consumer finance loans | 2,094 | 2,258 |
| Allowance for expected credit loss | (3,578) | (3,716) |
| Trade receivables, net | 77,433 | 107,619 |
| Amounts receivable in respect of finance leases | 3,206 | 3,291 |
| Non-trade debts receivable from: | | |
| - Related parties (including joint ventures and joint venture partners) | 1,824 | 23,059 |
| - Unrelated parties | 13,738 | 25,745 |
| Allowance for expected credit loss | (228) | (494) |
| Non-trade debts receivable, net | 15,334 | 48,310 |
| Total trade and other receivables (current) | 889,201 | 511,579 |

### (a) 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 an assessment of the franchisee receivables and has calculated the expected credit loss by applying the general approach for provisioning for expected credit losses prescribed by AASB 9. The expected credit loss assessment was conducted on the carrying value of franchisee receivables as at 30 June 2021 totalling $793.23 million (2020: $352.36 million). Based on the assessment, receivables from franchisees are current and neither past due nor impaired as at 30 June 2021.

## 7 Trade and Other Receivables (continued)

| | CONSOLIDATED | |
|---|---|---|
| | June 2021 $000 | June 2020 $000 |
| **Non-Current** | | |
| Trade receivables | 6,703 | 7,276 |
| Consumer finance loans | 441 | 476 |
| Allowance for expected credit loss | (3) | (4) |
| Trade receivables, net | 7,141 | 7,748 |
| Amounts receivable in respect of finance leases | 713 | 912 |
| Non-trade debts receivable from: | | |
| - Related parties (including joint ventures and joint venture partners) | 56,022 | 49,442 |
| - Unrelated parties | 29,352 | 19,835 |
| Allowance for expected credit loss | (20,668) | (28,668) |
| Non-trade debts receivable, net | 64,706 | 40,609 |
| Total trade and other receivables (non-current) | 72,560 | 49,269 |

## 8 Other Financial Assets

| | June 2021 $000 | 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 |

## 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 |

## 10 Other Assets (Current)

| | June 2021 $000 | June 2020 $000 |
|---|---|---|
| Prepayments | 36,803 | 30,723 |
| Other current assets | 2,752 | 4,149 |
| Total other assets (current) | 39,555 | 34,872 |

## 11 Intangible Assets

| | CONSOLIDATED June 2021 $000 | CONSOLIDATED June 2020 $000 |
|---|---|---|
| **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 |

## 12 Property, Plant and Equipment

| | June 2021 $000 | 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 |

(a) 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.

## 13 Property, Plant and Equipment: Right-Of-Use Assets (ROUA)

| | CONSOLIDATED | | |
|---|---|---|---|
| | Leasehold properties: ROUA $000 | Plant and equipment: ROUA $000 | Total ROUA $000 |
| As at 1 July 2020 | 509,220 | 4,562 | 513,782 |
| New, modified and re-measured leases | 75,726 | 1,490 | 77,216 |
| 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 |

### Property, Plant and Equipment: Right-of-Use Assets

The consolidated entity recognises right-of-use assets in respect of leases of property, plant and equipment at the commencement date of the lease (i.e. the date the underlying asset is available for use). The initial measurement of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to an impairment assessment under AASB 136 *Impairment of Assets* at each reporting date.

## 14 Investment Properties: Freehold

| | CONSOLIDATED | |
|---|---|---|
| | June 2021 $000 | 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 |

### Valuation Approach:

The 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.

# 14 Investment Properties: Freehold (continued)

## Independent External Valuations

From 1 January 2020, the entire freehold investment property portfolio in Australia is to be 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.

## Financial Reporting Impacts of COVID-19:

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 other 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.

## 15 Investment Properties (Leasehold): Right-Of-Use Assets

| | CONSOLIDATED | |
|---|---|---|
| | June 2021 $000 | June 2020 $000 |
| Opening balance at beginning of the year, at fair value | 621,903 | 608,465 |
| Net additions, disposals and transfers | 72,634 | 87,644 |
| 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 |

### Valuation of Investment Properties (Leasehold): Right-Of-Use Assets

Each Investment property (leasehold): right-of-use asset **(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.

### 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 | 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 | 15,704 | 18,749 |
| Commercial bills payable | 5,650 | 9,750 |
| Syndicated Facility Agreement (a) | 290,000 | - |
| Other short-term borrowings | 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 | 200,000 | 195,000 |
| Total interest-bearing loans and borrowings (non-current) | 200,000 | 195,000 |

### (a) 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, repayable as set out below, with $290 million classified as current interest bearing loans and borrowings and $200 million of which was classified as non-current interest-bearing loans and borrowings.

This Facility is secured by:

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

## 17 Interest-Bearing Loans and Borrowings (continued)

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.

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During FY21 and FY20, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

## 18 Financing Facilities Available

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

| | CONSOLIDATED | |
|---|---|---|
| | 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 |

## 19 Lease Liabilities

| | CONSOLIDATED | |
|---|---|---|
| | June 2021 $000 | June 2020 $000 |
| Lease liabilities at beginning of the year | 1,173,087 | 1,161,009 |
| New, modified and re-measured leases | 150,809 | 140,044 |
| 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 |

## 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 makegood | 7,443 | 7,013 |
| Total provisions (non-current) | 9,823 | 9,226 |

## 22 Contributed Equity

| | CONSOLIDATED | |
|---|---|---|
| | June 2021 $000 | June 2020 $000 |
| Ordinary shares | 717,925 | 717,925 |
| Total contributed equity | 717,925 | 717,925 |

| | NUMBER OF SHARES | |
|---|---|---|
| | June 2021 | June 2020 |
| Number of ordinary shares issued and fully paid | 1,246,006,654 | 1,246,006,654 |

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

| | June 2021 No. of Shares | June 2021 $000 |
|---|---|---|
| **Movements in ordinary shares on issue** | | |
| 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 |

## 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.

## 23 Retained Profits and Dividends (continued)

| | CONSOLIDATED | |
|---|---|---|
| | 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 |

## 26 Cash and Cash Equivalents

### (a) Reconciliation to the Statement of Cash Flows

| | CONSOLIDATED June 2021 $000 | CONSOLIDATED June 2020 $000 |
|---|---|---|
| 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 at end of the period | 248,727 | 294,446 |

### (b) Reconciliation of profit after income tax to net operating cash flows

| | June 2021 $000 | June 2020 $000 |
|---|---|---|
| Profit after tax | 846,845 | 486,023 |
| **Adjustments for:** | | |
| 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): right-of-use assets | 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 |

## 27 Investments Accounted for Using the Equity Method

| | CONSOLIDATED June 2021 $000 | CONSOLIDATED June 2020 $000 |
|---|---|---|
| Total investments accounted for using the equity method | 1,321 | 4,692 |

| | Ownership interest June 2021 % | Ownership interest June 2020 % | Contribution to Profit / (Loss) Before Tax June 2021 $000 | Contribution to Profit / (Loss) Before Tax 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) | 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.

## 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.

## Non-Cash Financing and Investing Activities

Details of financing and investing transactions which have had a material effect on the consolidated assets and liabilities but did not involve cash flows are: NIL

| | CONSOLIDATED | |
|---|---|---|
| | June 2021 | June 2020 |
| **Net Tangible Assets Per Security** | | |
| Net tangible asset backing per ordinary security | $3.35 | $2.97 |

The NTA as at 30 June 2021 includes the right-of-use assets in respect of property, plant and equipment leases of $511.17 million and investment properties (leasehold) of $620.46 million, and the lease liabilities recognised under AASB 16 *Leases* of $1,178.67 million. If the right-of-use assets were excluded as at 30 June 2021, the NTA calculation would have been $2.44 per ordinary security (30 June 2020: $2.06).

| | June 2021 | June 2020 |
|---|---|---|
| **Business Combination Having Material Effect** | | |
| Name of business combination | N/A | N/A |
| Consolidated profit/(loss) after tax of the business combination since the date in the current year on which control was acquired | N/A | N/A |
| Date from which such profit has been calculated | N/A | N/A |
| Profit/(loss) after tax of the controlled business combination for the whole of the previous corresponding year | N/A | N/A |
| **Loss of control of entities having material effect** | | |
| Name of entity (or group of entities) | N/A | N/A |
| Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current year to the date of loss of control | N/A | N/A |
| Date from which such profit/(loss) has been calculated | N/A | N/A |
| Profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding year | N/A | N/A |

## Audit

This preliminary financial report is based on statutory financial statements that are in the process of being audited.