

# Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

## APPENDIX 4D

HALF YEAR REPORT

DECEMBER 2022



🚩 Australia

🚩 New Zealand

🚩 Singapore

🚩 Slovenia

🚩 Ireland

🚩 Northern Ireland

🚩 Malaysia

🚩 Croatia



## APPENDIX 4D HALF-YEAR REPORT - DECEMBER 2022

### Key Dates

**28 February 2023**  
Announcement of Half-Year Profit to 31 December 2022 & Announcement of Interim 2023 Dividend

**3 April 2023**  
Record Date for Determining Entitlement to Interim 2023 Dividend

**1 May 2023**  
Payment of Interim 2023 Dividend

**31 August 2023**  
Announcement of Full-Year Profit to 30 June 2023  
Announcement of Final 2023 Dividend

**6 October 2023**  
Record Date Determining Entitlement to Final 2023 Dividend

**1 November 2023**  
Payment of Final 2023 Dividend

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### Company Info

**Registered Office**  
A1 Richmond Road,  
Homebush West NSW 2140  
Ph: 02 9201 6111  
Fax: 02 9201 6250

**Share Registry**  
Boardroom Pty Limited,  
Level 12, 225 George Street,  
Sydney NSW 2000  
Ph: 02 9290 9600

**Auditors**  
Ernst & Young (EY)

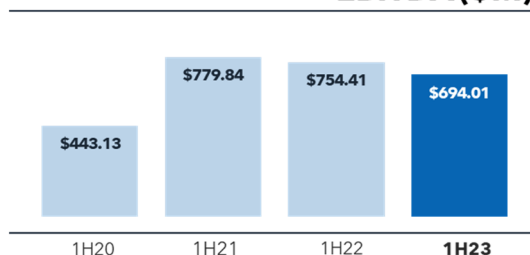
**Securities Exchange Listing**  
Shares in Harvey Norman Holdings Limited (HVN) are quoted on the Australian Securities Exchange Limited (ASX)

**Solicitors**  
Brown Wright Stein

**Company Secretary**  
Mr. Chris Mentis



## EBITDA (\$M)



### EBITDA

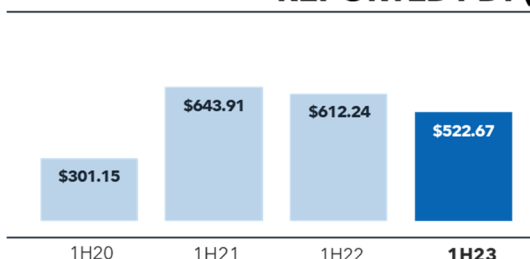
**\$694.01m**

DOWN BY \$60.40m FROM 1H22  
UP BY \$250.89m FROM 1H20

### EBITDA: 1H23 vs 1H20

INCREASE OF **56.6%**  
3-YEAR CAGR **16.1%**

## REPORTED PBT (\$M)



### PBT

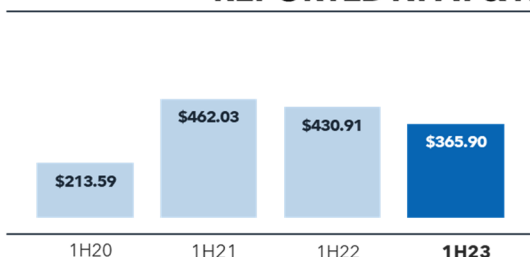
**\$522.67m**

DOWN BY \$89.57m FROM 1H22  
UP BY \$221.52m FROM 1H20

### PBT: 1H23 vs 1H20

INCREASE OF **73.6%**  
3-YEAR CAGR **20.2%**

## REPORTED NPAT & NCI (\$M)



### REPORTED NPAT

**\$365.90m**

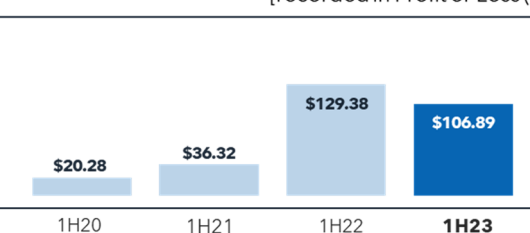
DOWN BY \$65.01m FROM 1H22  
UP BY \$152.31m FROM 1H20

### NPAT: 1H23 vs 1H20

INCREASE OF **71.3%**  
3-YEAR CAGR **19.7%**

## NET PROPERTY REVALUATIONS (\$M)

[recorded in Profit or Loss (P&L)]



### PROPERTY REVALUATIONS

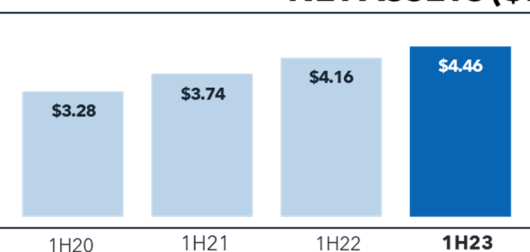
**\$106.89m**

DOWN BY \$22.49m FROM 1H22  
UP BY \$86.61m FROM 1H20

### PROPERTY REVALUATIONS: 1H23 vs 1H20

INCREASE OF **427%**  
3-YEAR CAGR **74.0%**

## NET ASSETS (\$BN)



### NET ASSETS

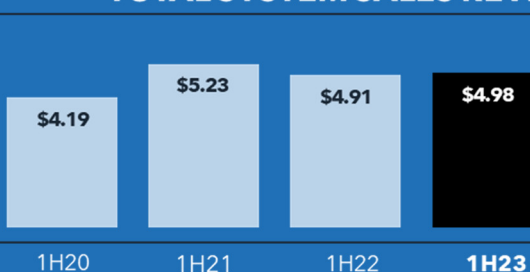
**\$4.46bn**

UP BY \$298.14m FROM 1H22  
UP BY \$1.18bn FROM 1H20

### NET ASSETS: 1H23 vs 1H20

INCREASE OF **35.9%**  
3-YEAR CAGR **10.8%**

## TOTAL SYSTEM SALES REVENUE (\$BN)



### TOTAL SYSTEM SALES

**\$4.98bn**

UP BY \$68.31m FROM 1H22  
UP BY \$784.46m FROM 1H20

### TOTAL SYSTEM SALES: 1H23 vs 1H20

INCREASE OF **18.7%**  
3-YEAR CAGR **5.9%**

# 1H23 RESULTS FOR ANNOUNCEMENT TO THE MARKET

## HARVEY NORMAN HOLDINGS LIMITED

### EBITDA

**\$694.01m**

DOWN BY \$60.40m or -8.0% FROM \$754.41m IN 1H22  
UP BY \$250.89m or 56.6% FROM \$443.13m IN 1H20

### EBITDA

Excluding AASB 16 net impact & net property revaluations

**\$490.26m**

DOWN BY \$47.91m or -8.9% FROM \$538.16m IN 1H22  
UP BY \$148.72m or 43.5% FROM \$341.54m IN 1H20

### EBIT

**\$562.37m**

DOWN BY \$75.38m or -11.8% FROM \$637.76m IN 1H22  
UP BY \$229.99m or 69.2% FROM \$332.39m IN 1H20

### EBIT

Excluding AASB 16 net impact & net property revaluations

**\$446.03m**

DOWN BY \$46.46m or -9.4% FROM \$492.49m IN 1H22  
UP BY \$149.65m or 50.5% FROM \$296.37m IN 1H20

### REPORTED PBT

**\$522.67m**

DOWN BY \$89.57m or -14.6% FROM \$612.24m IN 1H22  
UP BY \$221.52m or 73.6% FROM \$301.15m IN 1H20

### PBT

Excluding AASB 16 net impact & net property revaluations

**\$430.71m**

DOWN BY \$57.02m or -11.7% FROM \$487.73m IN 1H22  
UP BY \$144.84m or 50.7% FROM \$285.87m IN 1H20

### REPORTED PROFIT AFTER TAX & NCI

**\$365.90m**

DOWN BY \$65.01m or -15.1% FROM \$430.91m IN 1H22  
UP BY \$152.31m or 71.3% FROM \$213.59m IN 1H20

### PROFIT AFTER TAX & NCI

Excluding AASB 16 net impact & net property revaluations

**\$301.32m**

DOWN BY \$42.16m or -12.3% FROM \$343.47m IN 1H22  
UP BY \$98.28m or 48.4% FROM \$203.04m IN 1H20

### TOTAL SYSTEM SALES REVENUE

**\$4.98 billion**

AGGREGATED HEADLINE FRANCHISEE SALES REVENUE\*...\$3.51bn  
COMPANY-OPERATED SALES REVENUE.....\$1.47bn

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

### HNHL CONSOLIDATED REVENUES

**\$2.34 billion**

SALES OF PRODUCTS TO CUSTOMERS.....\$1.47bn  
REVENUE RECEIVED FROM FRANCHISEES.....\$654.63m  
REVENUES AND OTHER INCOME ITEMS.....\$216.96m

### NET DEBT TO EQUITY: 12.17%

NET DEBT OF **\$553.35m** vs  
NET DEBT OF \$450.77m in JUN-22 &  
NET DEBT OF \$61.95m in DEC-21

UNUSED, AVAILABLE  
FINANCING FACILITIES OF

**\$174.25m**

### NET ASSETS

**\$4.46 billion**

Up 3.9% from **\$4.29bn** in Jun-22  
Up 7.2% from **\$4.16bn** in Dec-21

### BASIC EARNINGS PER SHARE

**29.37c**

Down from **34.58c** in 1H22  
Up from **17.70c** in 1H20

### INTERIM DIVIDEND PER SHARE (FULLY-FRANKED)

**13.0c**

**547**

FRANCHISEES  
IN AUSTRALIA

**196**

FRANCHISED  
COMPLEXES  
IN AUSTRALIA

**109**

OVERSEAS COMPANY  
OPERATED STORES



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW

# Group Results for 31 December 2022

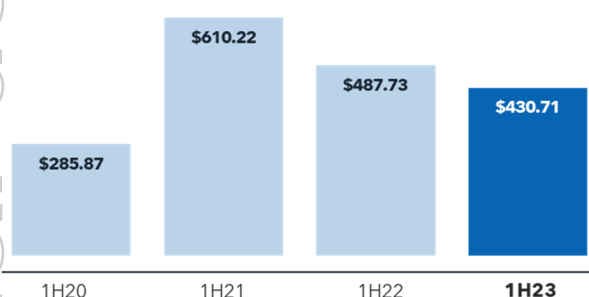
The directors report a profit before tax (PBT) result for the half-year ended 31 December 2022 (1H23) of **\$522.67 million**, a decrease of \$89.57 million or -14.6% from the PBT result of \$612.24 million for half-year ended 31 December 2021 (1H22). Excluding the effects of net property revaluation adjustments and AASB 16 *Leases*, profit before tax for 1H23 was **\$430.71 million**, a decrease of \$57.02 million or -11.7% when compared to 1H22.

When compared to pre-COVID 1H20, the PBT result was **well above pre-pandemic levels increasing by \$221.52 million, or 73.6%**, from \$301.15 million in 1H20 resulting in a **compound annual growth rate (CAGR) of 20.2% over the past 3 years**. The increase in the PBT result excluding the effects of net property revaluations and AASB 16 *Leases* was \$144.84 million, or up 50.7%, from 1H20 resulting in a CAGR of 14.6% over the past 3 years.

**This solid growth demonstrates the strength of the integrated retail, franchise, property and digital system in generating sustainable returns throughout the pandemic to deliver a substantial increase in net assets and a stronger balance sheet post-COVID. This gives us the capacity to access additional liquidity should we require it.**

### PROFIT BEFORE TAX (\$M)

[excluding impact of AASB 16 *Leases* & net property revaluations]



PBT (excl AASB 16 & net property revaluations)

**\$430.71m**

DOWN BY \$57.02m FROM 1H22  
UP BY \$144.84m FROM 1H20

**1H23 vs 1H20**

**INCREASE OF 50.7%**  
**3-YEAR CAGR 14.6%**

After two years of COVID-related disruptions, trading conditions started to normalise in 1H23. This is compared to 1H22 where 58% of the Australian population were in rolling, hard lockdowns that mandated retail closures of approximately 60% of the total number of Australian Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes for nearly 4 months. Overseas, our company-operated stores in New Zealand and Malaysia were also subjected to extensive lockdowns. After the lockdowns, retail conditions in 1H22 accelerated quickly due to pent-up demand resulting in significantly elevated sales once the restrictions lifted.

Total revenues for the consolidated entity remained consistent with the previous half at \$2.34 billion. The reduction in franchise fees received have been offset by higher rent and outgoings received from franchisees because last year in 1H22, \$27.07 million of rent waivers were provided to those franchisees that were affected by lockdowns.

Total operating expenses as a percentage of total system sales revenue remain efficient at 16.4% for 1H23, compared to 15.1% in 1H22 and 17.0% in 1H20. Post-COVID, 1H23 saw operating expenses in the 8 countries rise after being abnormally low in 1H22 primarily due to COVID restrictions. Global marketing expenses have risen by \$27.17 million, or 16%, to \$201.66 million for 1H23. Brand advertising costs were low in 1H22 due to closures and restrictions to trade but are now comparable to prior periods. Total marketing expenses in the 8 countries as a percentage of total system sales revenue for the brands was at 4% for 1H23, compared to the pre-pandemic level of 5.1% in 1H20. Other expenses have increased by \$18.77 million, or 47.3%, to \$58.43 million in 1H23 as franchisees strengthen customer loyalty, primarily through bonus gift cards. The consolidated entity assists each franchisee in this investment in order to protect, enhance and promote the brands to keep customers within the Harvey Norman®, Domayne® and Joyce Mayne® branded ecosystem. Rising costs of borrowing have driven up finance costs this half, which is the main contributor to the increase in the net expense recognised under AASB 16 *Leases* by \$10.07 million compared to the previous half.

### HALF-YEAR ENDED 31 DECEMBER 2022

#### REPORTED PROFIT AFTER TAX & NCI

**\$365.90 m**

DOWN BY \$65.01m or -15.1% on 1H22  
UP BY \$152.31m or +71.3% on 1H20

Reported profit after tax and non-controlling interests was **\$365.90 million for 1H23**, a decrease of \$65.01 million or -15.1% from \$430.91 million in 1H22. Excluding the effects of net property revaluation adjustments, profit after tax and non-controlling interests for 1H23 was **\$291.09 million**, a decrease of \$49.26 million or -14.5% when compared to 1H22. **This result is well above pre-pandemic levels, increasing by \$91.70 million, or 46.0%.**

The effective tax rate for the consolidated entity was 29.26% for 1H23 compared to an effective tax rate of 29.16% for 1H22.



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

# 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.

This strategy has delivered sustainable growth throughout the pandemic and a significant uplift of \$1.18 billion in net assets from pre-COVID levels of \$3.28 billion as at 31 December 2019 to \$4.46 billion as at 31 December 2022.

### 1 Franchising Operations Segment

**\$237.65m**

Profit Before Tax  
Representing 45% of PBT

DOWN BY \$55.21M OR -18.9% ON 1H22

POST-COVID vs PRE-COVID  
**1H23 vs 1H20**

INCREASE OF **91.9%**  
3-YEAR CAGR **24.3%**

Profitability of the franchising operations segment declined by \$55.21 million or -18.9% to \$237.65 million for 1H23, compared to \$292.85 million for 1H22. When compared to pre-COVID 1H20, the franchising operations segment result was **higher by \$113.79 million, or 91.9%, delivering a 3-year CAGR of 24.3%.**

Whilst franchising operations segment revenues were stable, costs to operate this segment have increased during 1H23 primarily due to higher marketing expenses and costs to assist franchisees invest in their customers in order to promote and enhance the Harvey Norman® brands. In addition, finance costs and expenses recognised under AASB 16 *Leases* were higher due to rising interest rates during the period.

The franchising operations margin was 6.78% for 1H23, compared to 8.53% for 1H22. The franchising operations margin for 1H20 was 4.19%.

### 2 Overseas Company-Operated Retail Segment

**\$99.60m**

Profit Before Tax  
Representing 19% of PBT or  
24% (excluding net property  
revaluations)

DOWN BY \$28.88M OR -22.5% ON 1H22

POST-COVID vs PRE-COVID  
**1H23 vs 1H20**

INCREASE OF **21.9%**  
3-YEAR CAGR **6.8%**

The overseas company-operated retail segment delivered retail revenue for 1H23 of \$1.39 billion, down by \$15.56 million or -1.1% from 1H22. Offshore growth has moderated, primarily in New Zealand, due to macro-economic headwinds adversely impacting consumer spending, offset by growth from new store openings and a general rise in average selling prices due to inflationary pressures. Compared to pre-pandemic levels, offshore revenue increased by \$237.50 million, or 20.7%, from 1H20.

Offshore profitability was \$99.60 million for 1H23, a decrease of \$28.88 million or -22.5% due to a slowdown in sales growth, a contraction in gross margins due to discounting and the normalisation of operating costs following two years of COVID disruptions.

Compared to pre-pandemic levels, offshore profits **increased by \$17.91 million, or 21.9%, from 1H20, delivering a 3-year CAGR of 6.8%.**

### 3 Property Segment

**\$186.29m**

Profit Before Tax  
Representing 36% of PBT

DOWN BY \$11.45M OR -5.8% ON 1H22

POST-COVID vs PRE-COVID  
**1H23 vs 1H20**

INCREASE OF **100.2%**  
3-YEAR CAGR **26.0%**

The retail property segment result was \$186.29 million for 1H23, compared to a result of \$197.74 million in 1H22, a decrease of \$11.45 million, or -5.8%.

This reduction was primarily due to a \$22.49 million decline in the net property revaluation increment to \$106.89 million for 1H23, down from a net revaluation increment of \$129.38 million for 1H22. This was offset by higher rent and outgoings received from franchisees occupying owned properties as the previous half incurred the cost of rent waivers from COVID lockdowns.

When compared to 1H20, the property segment result was **higher by \$93.24 million, or 100.2%, delivering a 3-year CAGR of 26.0%.**



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

# The Franchising Operations Segment in Australia

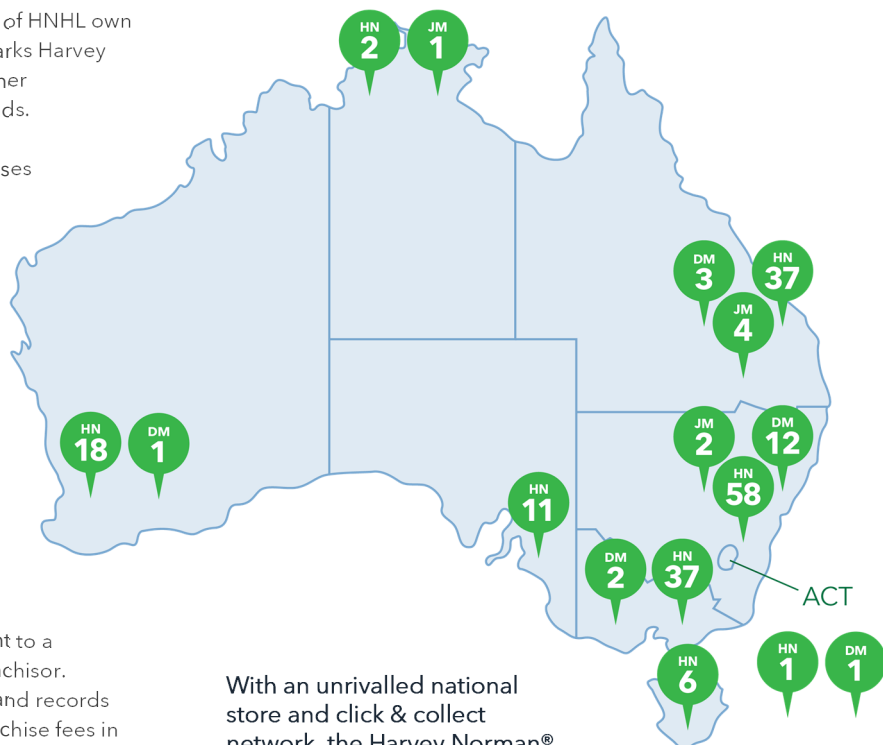
## The Franchised Operating Model in Australia

Harvey Norman Holdings Limited (HNHL) and subsidiaries of HNHL own valuable intellectual property rights, including the trademarks 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 franchise fees in accordance with franchise agreements, 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.



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.

**170**

**Harvey Norman®**

Franchised Complexes

**19**

**DOMAYNE®**

Franchised Complexes

**7**

**JOYCE MAYNE®**

Franchised Complexes

**547**

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

**196**

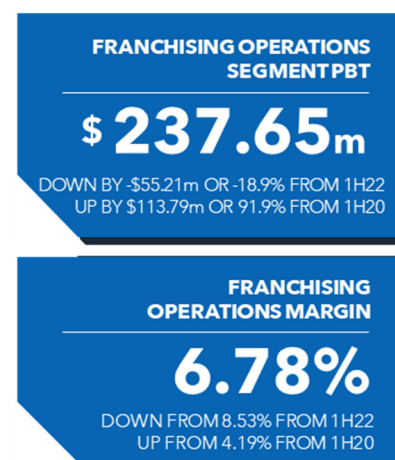
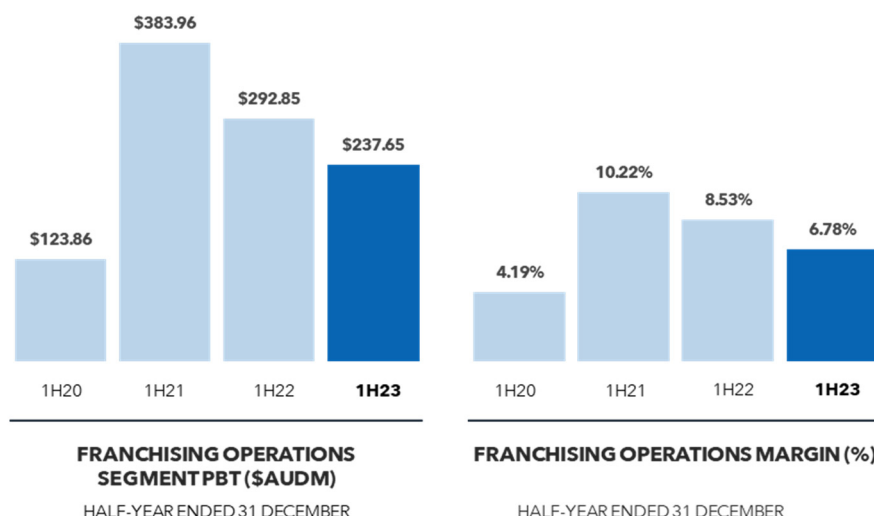
Franchised complexes in Australia trading under the Harvey Norman®, Domayne® and Joyce Mayne® brand names.





## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

### The Franchising Operations Segment in Australia (continued)



The franchising operations segment PBT result was \$237.65 million for 1H23, a decrease of \$55.21 million or -18.9%, from \$292.85 million in 1H22. This result has generated a franchising operations margin of 6.78% for 1H23, a decrease of 175 basis points, from the 8.53% franchising operations margin reported in 1H22. When compared to 1H20, the franchising operations segment PBT result was well above pre-pandemic levels growing by \$113.79 million, or 91.9%, from \$123.86 million and delivering a 3-year CAGR of 24.3%. The franchising operations margin for 1H23 was 259 basis points, or 61.8%, higher than the margin for 1H20 of 4.19%.

Franchising operations segment revenues marginally decreased by \$0.85 million, or -0.1%, from \$595.93 million in 1H22 to \$595.08 million in 1H23. Whilst aggregate franchisee sales revenue, which underpins the franchising operations segment, increased by 2.1% from \$3.43 billion in 1H22 to \$3.51 billion in 1H23, revenue from franchise fees decreased by \$21.54 million, or -4.1%, from \$526.86 million in 1H22 to \$505.32 million in 1H23 due to the challenging retail conditions experienced by franchisees this half. Growth in franchisee sales revenue in 1Q23 (due to the COVID-mandated closures in 1Q22) was dampened by a slowdown in sales during 2Q23 as franchisees were cycling significantly elevated sales post the Delta lockdowns in 2Q22 and the 2021 Christmas trading period. This was offset by higher rent and outgoings received from franchisees as the previous half included the cost of rent waivers during COVID lockdowns totalling \$27.07 million, of which \$12.28 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment) and higher interest to administer franchisee financial accommodation facilities by \$2.97 million.

The costs to operate the franchising operations segment have increased during the period, primarily due to higher marketing expenses by approximately \$21 million to promote and enhance the Harvey Norman® brands as the world transitioned to post-COVID normality. Brand advertising costs were abnormally low in 1H22 due to COVID closures and, whilst they have now normalised, they are still lower as a percentage of Australian franchisee sales revenue compared to pre-COVID levels. The franchisor has also assisted franchisees to invest in their customers to enhance customer loyalty and retention, primarily in the form of bonus gift cards. This investment has increased by \$20.21 million as franchisees strive to strengthen customer loyalty. 1H23 has also been adversely impacted by AASB 16 Leases, with net costs rising by \$10.05 million primarily due to higher interest costs on lease liabilities and the expectation of rising future incremental borrowing rates relative to prior periods.

#### FRANCHISING OPERATIONS SEGMENT

		1H	2H	FY
Franchising Operations Segment PBT (\$m)	FY23	\$237.65m	N/A	N/A
	FY22	\$292.85m	\$260.16m	\$553.02m
	FY20	\$123.86m	\$224.73m	\$348.59m
Franchisee Aggregated Sales Revenue* (\$bn)	FY23	\$3.51bn	N/A	N/A
	FY22	\$3.433bn	\$3.32bn	\$6.75bn
	FY20	\$2.953bn	\$3.21bn	\$6.16bn
Franchising Operations Margin (%)	FY23	6.78%	N/A	N/A
	FY22	8.53%	7.84%	8.19%
	FY20	4.19%	7.00%	5.66%

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



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Australian Franchisee Sales Revenue Underpins the Franchising Operations Segment

#### TOTAL FRANCHISEE SALES

HALF-YEAR ENDED 31 DECEMBER 2022

**\$3.51 bn**

UP BY 2.1% ON 1H22  
UP BY 18.7% ON 1H20

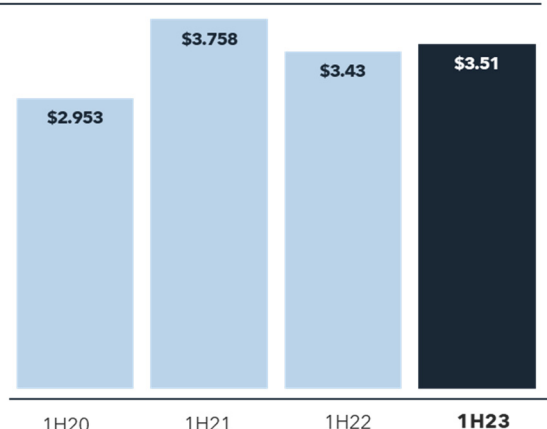
#### COMPARABLE FRANCHISEE SALES

HALF-YEAR ENDED 31 DECEMBER 2022

**\$3.50 bn**

UP BY 1.9% ON 1H22  
UP BY 19.2% ON 1H20

#### AUSTRALIAN FRANCHISEE SALES (\$BN)



*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.*

In the first half of FY23, trading conditions started to normalise following two years of COVID-related disruptions. Post-COVID, Australian franchisee sales for 1H23 increased by 2.1% to \$3.51 billion from a strong base of \$3.43 billion in 1H22. When compared to 1H20, franchisee sales are well above pre-pandemic levels growing by \$553.12 million, or 18.7%, from \$2.95 billion in 1H20.

In 1H22, 58% of the Australian population bunkered down to work, study and entertain from home due to the protracted, rolling hard lockdowns that mandated retail closures of approximately 60% of the total number of Australian Harvey Norman®, Domayne® and Joyce Mayne® franchised complexes for nearly 4 months of the previous half. Post-lockdowns, franchisee sales were significantly elevated through to the 2021 Christmas period due to pent-up demand as consumers deferred purchases until the restrictions lifted, coupled with the buoyant macroeconomic outlook at the time.

Cooler than usual temperatures experienced by the East Coast of Australia led to a substantial decrease in the sales of seasonal products by Electrical and Furniture franchisees such as air conditioning units, fans, air treatment units, outdoor furniture and barbeques.

The technology franchisees have a strong partnership with Optus. A cyber-attack on Optus and its customers' data occurred at the end of September 2022. Initially, the Optus business with franchisees remained resilient, but by November 2022, the news surrounding the attack had an adverse impact on the technology franchisees and the Optus partner. The Optus brand is strong as the Optus / Franchisee partnership. We are confident that the demand for Optus offers will continue to improve and return to prior levels.

## DIRECTORS' REPORT - OPERATING AND FINANCIAL REVIEW (CONTINUED)

### A 'Customer-Centric' Strategy

Over the last 6 months, the consolidated entity has continued to execute Customer-Centric Strategies through investment in technology, digital transformation and infrastructure to further enhance the capabilities of Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia and company-operated stores overseas, to deliver an integrated, more personalised, omnichannel experience for customers.

With the increasing convenience and security of a connected customer journey, more consumers are choosing to make purchases through digital channels. The sustained and focused approach to omnichannel retail demonstrates how franchisees and company-operated stores are focusing on the modern consumer.

As more and more shoppers move seamlessly between online and offline channels, it has become increasingly important to adopt an integrated approach to sales and marketing strategies. By creating a cohesive and consistent experience across all channels, stronger customer relationships are maintained providing a more personalised and convenient shopping experience every day.

Focus on continuous improvement has led to enhanced investment in a number of areas including customer service, customer data analytics and store inventory management.

As Harvey Norman® continues to refine the omnichannel strategy, customer patronage is expected to accelerate, driving further innovation and transformation at scale, in the following areas:



#### Customer First System

The Customer First system, powered by Freshworks, is used across all stores globally as an ongoing process of continuous improvement that enables Harvey Norman® to enhance the customer-centric omnichannel strategy. By continuously improving and refining the system, customers can receive the highest level of service possible. This platform is continuously improved to adapt to changing customer needs, ensuring exceptional and consistent service is provided.

#### Personalised Experiences

The ongoing investment in platforms like Swogo helps to increase franchisee and company-operated sales revenue and customer satisfaction by providing a personalised and seamless shopping experience for their customers. Online customers are now enjoying the same personalised experience they receive instore.

By utilising Swogo's AI-driven technology, customised product bundles can be recommended to customers, resulting in higher conversion rates and average order values. Swogo's solution can also help reduce cart abandonment rates by simplifying the buying process and providing a more intuitive shopping experience.

Additionally, Harvey Norman® is utilising Swogo to optimise key product launches by providing targeted product recommendations to customers based on historical launch data. Swogo's AI-driven technology can identify the most effective product bundles and promotions to drive sales and increase customer engagement during the launch.

#### Help and Support

The ever-evolving Help & Support system, powered by Freshworks, provides a means for customers to get information quickly or connect to a Product or Support expert in one of our 196 franchised complexes in Australia. It also helps to increase transparency and build trust with customers, as they know that they have a direct line of communication with the brand and their local store. The Contact Us page is used to collect valuable data from customers, which is used to improve the offerings of each franchisee to generate leads or initiate repeat business.



How can we help you?

<p>Orders, Delivery, Click &amp; Collect</p>	<p>Refunds, Cancellations, Warranty</p>	<p>Payment, Price Match, Gift Cards</p>
<p>Feedback &amp; Complaints</p>	<p>Shop with a Specialist</p>	<p>Store Hours &amp; Locations</p>



## DIRECTORS' REPORT - OPERATING AND FINANCIAL REVIEW (CONTINUED)

### LiveChat - Real People Real Passion

By offering prompt and personalised customer service, Livechat can have a significant positive impact on franchisee businesses and Harvey Norman® company-operated stores. Real-time engagement with customers allows for quick and efficient resolution of their concerns and questions, which can lead to a greater likelihood of increased sales. Livechat assists to leverage data insights to localise and personalise the Harvey Norman® customer experience. The result is a better understanding of customers and helps provide tailored products and services to meet customer needs and build long-lasting relationships. In Australia, Harvey Norman® was a pioneer in implementing LiveChat and Messaging to resolve customer inquiries online, and over the past year, the AI-powered chatbots featured on numerous online messaging platforms have continued on a path of incremental improvement. Franchisees and company-operated stores strive to simplify the lives of their customers by catering to their preferences and schedules, appearing on messaging channels that they already use. With the vast majority of daily conversations taking place in digital messaging channels, customer service is widely available on Apple Business Chat, WhatsApp, Facebook Messenger, and SMS. By automating customer service using AI chatbots, Harvey Norman® can handle 24/7 customer requests such as updates on orders and store hours, allowing LiveChat and Messaging agents to focus on providing expertise and catering to specific customer needs and products.

### Click & Collect on Microsoft Teams - Continuous Improvements

The Click & Collect service offered by franchisees and company-operated stores has never been more expeditious and hassle-free. Approximately 80% of orders at Harvey Norman® franchised complexes are prepared within 1 hour, enabling customers to benefit from efficient speed and customer care powered by Microsoft Teams. Enhanced communication features have been launched to furnish customers with more precise information regarding pickup locations within franchised complexes and warehouses in Australia and overseas company-operated stores.

Continuous improvements and enhancements have been ongoing for the Microsoft Teams based system, allowing for updates to be pushed to Click & Collect customers informing them of the status of their orders. The system incorporates integrated notifications which enable customers to inform the franchised complex that they are on their way to collect their order with the touch of an "On My Way" or "Arrived" button on their device. This applies to orders being picked up in-store or delivered directly to their car.

The franchisee can prepare for the customer's arrival as a result of this functionality. To ensure seamless pick-up, franchised complexes have designated Click and Collect parking bays and in-store desks.

Customers utilising this system rated Harvey Norman® franchisees with a CSAT (Customer Satisfaction) score exceeding 90%.

Microsoft have been integral to the success of the Click and Collect service - a relationship that goes back over 30 years! The recent integration of ChatGPT into Microsoft Teams will enable Harvey Norman® to further optimise communication and collaboration processes. Standardising communications on MS Teams offers numerous advantages, including streamlined collaboration, increased productivity, enhanced communication, and more efficient customer service. The integration of these tools will result in an overall improvement in workflow, making it easier for teams to work together, share information, and accomplish their goals.

### Attaq Search for Harvey Norman New Zealand

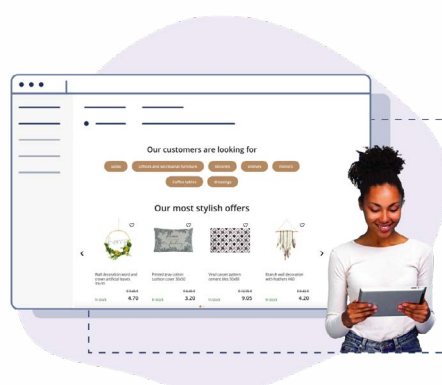
Recently Harvey Norman launched Attaq Search in New Zealand. Attaq is an AI-powered personalization and merchandising platform designed to help retailers deliver personalised shopping experiences to their customers.

Attaq is a powerful platform for retailers looking to deliver a personalised shopping experience that drives sales and improves customer satisfaction. By using AI and data analytics on the website, Harvey Norman® can optimise the merchandising, search capabilities, improve the user experience for customers, leading to higher conversion, increased revenue and growth.

## Click & Collect



Free pick up  
from a local  
Harvey Norman  
franchised store



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Overseas Company-Operated Retail Segment

**Overseas**, the 109 Harvey Norman® branded stores are company-owned and company-operated.

Outside of Australia, we have 109 company-operated stores in seven countries: **New Zealand** (44 stores); **Singapore** (12 stores); **Slovenia** (5 stores); **Ireland** (16 stores); **Malaysia** (28 stores); **Northern Ireland** (2 stores); and **Croatia** (2 stores).

During 1H23, two company-operated stores were opened in Ireland (Fonthill, Dublin opened in July 2022) and in Malaysia (1 Utama Shopping Centre, Selangor opened in November 2022). Two small company-operated stores were closed in Singapore.

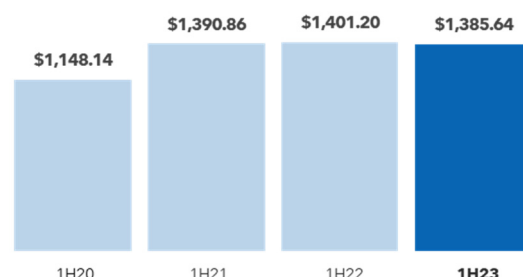
Total overseas retail revenue was \$1.39 billion for 1H23, a decrease of \$15.56 million, or -1.1%, from 1H22, mainly in our New Zealand company-operated stores. Overseas growth has moderated as consumers have continued to tighten their household budgets due to cost of living pressures following sharp rises in interest rates, higher energy prices and falling property prices and the expectation of worsening macroeconomic conditions. This was offset by sales growth from new store openings and a general rise in average selling prices due to inflationary pressures. **When compared to 1H20, overseas retail revenue is well above pre-pandemic levels, increasing by \$237.50 million, or up 20.7%.**

Total overseas retail profit was \$99.60 million for 1H23, a decrease of \$28.88 million, or -22.5%, from 1H22. Overseas profitability has decreased, primarily in New Zealand, from a contraction in gross margins due to discounting and the normalisation of operating costs following two years of COVID disruptions and closures. **When compared to 1H20, overseas retail is higher than pre-pandemic levels, increasing by \$17.91 million, or up 21.9%.**

OVERSEAS RETAIL SEGMENT COMPRISES

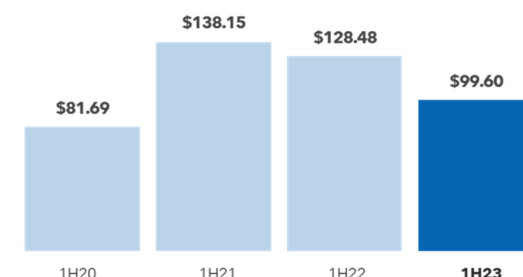
**24.0%**

OF TOTAL CONSOLIDATED PBT  
(excluding net property revaluations)



**TOTAL OVERSEAS RETAIL REVENUE (\$AUD M)**

HALF-YEAR ENDED 31 DECEMBER



**TOTAL OVERSEAS RETAIL PROFIT (\$AUD M)**

HALF-YEAR ENDED 31 DECEMBER

### Proposed Expansion Plans in Malaysia

We have doubled the number of Malaysian stores over the past 5 years. We continue to recognise the significant opportunity to grow from 28 stores in Malaysia to 80 stores by the end of 2028, as announced at the 2022 Annual General Meeting of the Company.

We have an experienced team in place in Malaysia with extensive retail experience and tenure with our brand to deliver the Malaysian expansion plans over the next 6 years. This highly-skilled local team will bolster the infrastructure required to deliver the growth opportunities in areas such as IT, warehousing, property, finance, HR and marketing.

The intention is to fund the Malaysian expansion plans through existing cash reserves in Malaysia and Malaysian operating cash flows.

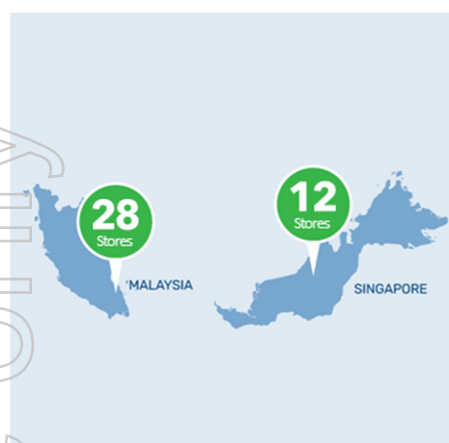


*This diagram shows the location of the current 28 stores in Malaysia as at 31 December 2022 (red pins). The intention is to grow by 52 stores over the next 6 years to 80 stores by the end of 2028. The blue pins show the proposed location of the new full-format stores and the orange pins show the proposed location of the new Electrical and Computer stores by the end of 2028.*



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

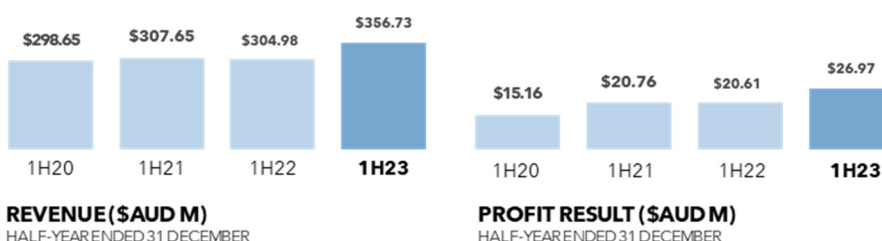
### Overseas Company-Operated Retail Segment (continued)



#### SINGAPORE & MALAYSIA

SINGAPORE FLAGSHIP  
Millenia Walk (Launched Dec 2015)

MALAYSIA FLAGSHIP  
Ikano, Kuala Lumpur (Launched Nov 2017)



#### Singapore and Malaysia

This segment is comprised of 14 Harvey Norman® stores in Singapore, 28 Harvey Norman® stores in Malaysia and the Space Furniture® branded lifestyle stores in Singapore and Malaysia.

#### Malaysia | Sales Revenue

##### 28 Harvey Norman® Company-Operated Stores

In Malaysia, sales for the 28 Harvey Norman® company-operated stores for 1H23 were S\$135.59 million, an increase of S\$23.48 million, or +21.0%, from S\$112.10 million in 1H22. When translated to Australian dollars, sales were \$145.25 million, an increase of \$32.19 million, or +28.5%, assisted by a 6.22% appreciation of the Singaporean dollar relative to the AUD during the period.

Sales have been strong in 1H23 assisted by a full 6-month's contribution of the Pavilion Bukit Jalil store that opened in late December 2021 and the new store at 1 Utama Shopping Centre, Selangor that opened on 22 November 2022. Sales were higher this half as 1H22 was negatively impacted by prolonged COVID-closures of all Harvey Norman® stores in Malaysia (online trade permitted) for a 7-week period, followed by dampened sales of our flagship store at Ikano, Kuala Lumpur in the busy 2021 Christmas trading period due to severe floods in the Klang Valley in mid-December 2021 causing damage and disruption to the main warehouse.

The Harvey Norman® brand continues to grow stronger in Malaysia, especially in the mid-to-premium market. As planned, one new store will open in Malaysia in the second half of FY23. We continue to recognise the significant opportunity to grow from 28 stores to 80 stores by the end of 2028. 10 of these stores are anticipated to open in FY24, with 4 sites already confirmed and 6 sites currently in progress.

#### Singapore | Sales Revenue

##### 12 Harvey Norman® Company-Operated Stores

In Singapore, business and consumer sentiment has started to normalise and is gradually returning to pre-pandemic levels. On 24 August 2022, the Singapore Ministry of Health scrapped any remaining COVID restrictions resulting in more travellers entering the country. New housing projects that were previously delayed due to the pandemic have resumed and are expecting to complete in FY23 buoying sales this half underpinning the strong growth in furniture, bedding and electrical categories. The announcement of the impending increase in GST from 7% to 8% effective from 1 January 2023 also led to a surge in sales in December 2022.

Despite the closure of 2 small company-operated stores in 1H23, sales for the 12 Harvey Norman® company-operated stores for 1H23 increased by S\$8.13 million or +4.7% to S\$180.43 million, from S\$172.30 million in 1H22. When translated to Australian dollars, sales were \$193.28 million, an increase of \$19.52 million, or +11.2%.

Our flagship store at Millenia Walk has continued to set the high standard for the brand in Singapore, performing strongly in 1H23.

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

**Aggregated sales revenue** for the Harvey Norman® and Space Furniture® brands in Asia **totalled S\$324.45 million in local currency for 1H23, increasing by S\$30.78 million, or +10.5%, from S\$293.66 million in 1H22.** On translation to Australian dollars, aggregated sales revenue for Asia was \$347.56 million, an increase of \$51.41 million or +17.4%.

**The segment profit result of the Harvey Norman® and Space Furniture® brands in Asia was \$26.97 million for 1H23, a solid increase of \$6.35 million, or +30.8%, from \$20.61 million in 1H22.**

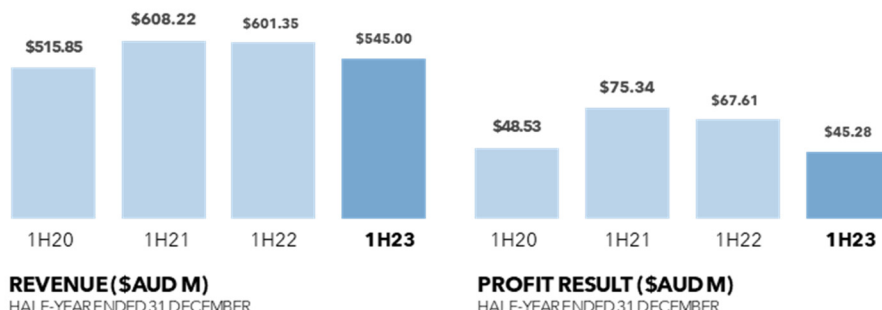
## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Overseas Company-Operated Retail Segment (continued)



#### NEW ZEALAND

NEW ZEALAND FLAGSHIP  
Wairau Park, Auckland (Launched Jun 2018)



#### New Zealand 44 Harvey Norman® Company-Operated stores

In New Zealand, the headwinds that arose in the second half of FY22 continued to worsen, further deteriorating business and consumer confidence in 1H23. Sales and profitability have been negatively impacted in 1H23 as consumers have further tightened their household budgets due to cost of living pressures, exacerbated by sharp increases in interest rates and the expectation of worsening macroeconomic conditions. Falling property prices has reduced household equity, resulting in delays in new builds and renovations and the deferral of purchases for the home.

In local currency, sales for the 44 company-operated stores and outlets were NZ\$582.81 million for 1H23, a decrease of NZ\$32.13 million or -5.2% from NZ\$614.93 million in 1H22. When translated to Australian dollars, the decline in sales was \$57.57 million or -9.8%, to \$528.86 million for 1H23, from \$586.43 million in 1H22 due to a devaluation of 4.85% in the NZ dollar relative to the AUD this period. NZ sales are still ahead of pre-pandemic levels, growing by NZ\$48.98 million or 9.2% in local currency (or a \$24.96 million, or 5.0%, increase in AUD) compared to the half-year ended 31 December 2019.

All key categories were affected from the decline in consumer discretionary spend and reduced store foot traffic. Sales in the electrical and computer categories were challenging as they were cycling elevated sales from the extensive COVID lockdowns in the previous half as consumers worked and studied from home, and the surge post-lockdowns due to pent-up demand. During 1H22, our Auckland stores and outlets were closed for a 12-week period and the stores outside of Auckland were closed for a 3-week period.

In local currency, the retail profit for 1H23 was NZ\$49.90 million, a decrease of NZ\$21.00 million, or -29.6%, from NZ\$70.89 million in 1H22. When translated to Australian dollars, the retail result was \$45.28 million for 1H23, down by \$22.33 million, or -33.0%, from \$67.61 million in 1H22.

The fall in retail profit for 1H23 was as a result of a decrease in sales turnover, a contraction in gross margin due to discounting and an increase in operating costs. Operating costs increased relative to 1H22 as stores were closed for varying periods due to COVID lockdowns.

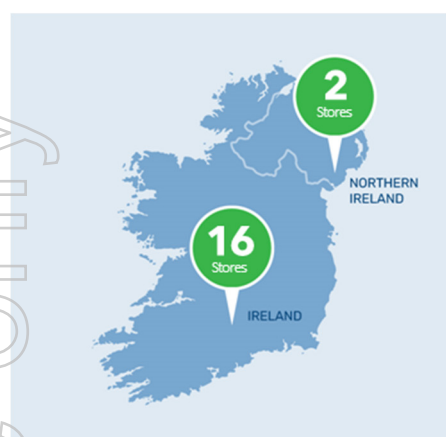
Throughout COVID and in the transition to post-COVID normality, our NZ brand has been strong and the NZ business has prioritised the health, safety and well-being of their staff and loyal customers. Whilst the macroeconomic outlook is challenging, we remain confident in our brand, our solid market position and in the sustainability of our operations in New Zealand.

We are on track to open another company-operated store in NZ in the second half of FY23 as planned.



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

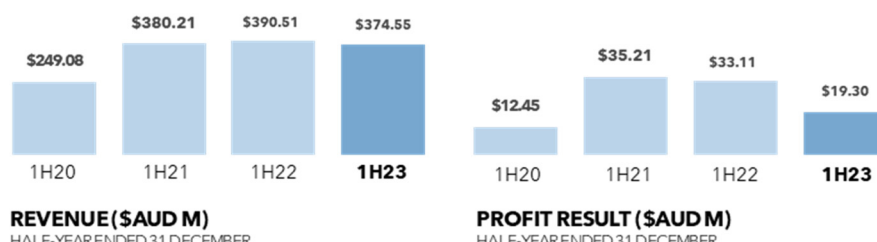
### Overseas Company-Operated Retail Segment (continued)



#### IRELAND & NORTHERN IRELAND

IRELAND FLAGSHIP  
Tallaght, Dublin (Launched Jul 2017)

NORTHERN IRELAND FLAGSHIP  
Boucher Rd, South Belfast (Launched Nov 2015)



#### Ireland 16 Harvey Norman® Company-Operated Stores

In Ireland, the economy continues to be disrupted by the inflationary macroeconomic environment. Costs of living have increased in 1H23 with high energy price increases, lack of affordable housing and a continued rise in interest rates. Business confidence dropped sharply at the beginning of 1H23 to its lowest levels since the beginning of the pandemic. This has adversely impacted consumer discretionary spending.

Sales in local currency increased to €237.26 million in 1H23, up by €3.55 million or 1.5%, from €233.71 million in 1H22. The marginal increase in sales is mainly due to the contribution of the 16th Irish store which opened at Fonthill, Dublin on the 22nd July 2022, coupled with a general rise in average selling prices caused by inflationary pressures. When translated to Australian dollars, sales for 1H23 actually decreased by \$12.18 million, or -3.3%, to \$358.67 million, from \$370.84 million in 1H22, due to a 4.73% devaluation in the Euro relative to the AUD for the period. **When compared against the pre-pandemic sales of \$233.33 million for 1H20, sales increased by \$125.33 million, or 53.7%.**

The furniture and bedding categories were cycling strong sales in 1H22 due to the pent-up demand and deferral of purchases caused by the prolonged 20-week COVID lockdown of those categories in the 2nd half of FY21. Supply chain constraints have persisted in the furniture category and the focus is on maintaining an appropriate and balanced level of inventory to meet anticipated demand and minimise logistic costs. The bedding category was strong, with sales ahead of the high base in 1H22 and well above pre-pandemic levels.

The Harvey Norman® brand continues to be the leading Irish retailer in audio-visual. The business has maintained share in the computers category, marginally growing sales in the current half.

In local currency, the retail profit for 1H23 was €13.30 million, a decrease of €6.66 million, or -33.4%, from €19.96 million in 1H22. When translated to Australian dollars, the retail result was \$20.10 million for 1H23, down by \$11.57 million, or -36.5%, from \$31.68 million in 1H22. Margins have tightened from discounting and operating costs have normalised compared to the COVID disruptions of the last two years which helped curtail costs. **Profitability in Ireland is still significantly higher than pre-pandemic averages, growing by \$7.74 million, or 62.7%, from 1H20.**

#### Northern Ireland 2 Harvey Norman® Company-Operated Stores

In Northern Ireland, the economy continues to be challenged by political issues with no sitting government since the May 2022 elections resulting in the deferral of major infrastructure decisions and a lack of support for retailers as they navigate inflationary pressures. The war in Ukraine, steep rises in energy prices and the ongoing impact of Brexit continues to diminish consumer confidence in the region.

Sales in local currency were £5.85 million for 1H23, a reduction of £1.43 million, or -19.6%, from £7.27 million in 1H22. Translated into Australian dollars, the decrease was \$3.30 million, or -24.3%, to \$10.25 million in 1H23 compared to \$13.55 million in 1H22, compounded by a 5.89% devaluation of UK Pound relative to the AUD. Sales were also higher in the previous half coming off the extensive COVID lockdowns in the second half of FY21.

The difficult trading conditions in Northern Ireland has resulted in a loss of \$0.80 million for 1H23, compared to a profit of \$1.44 million for 1H22.

## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

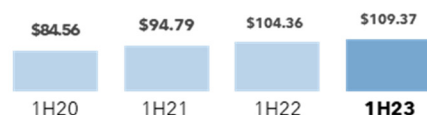
### Overseas Company-Operated Retail Segment (continued)



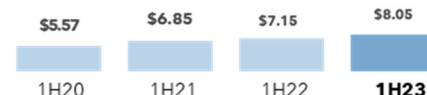
#### SLOVENIA & CROATIA

SLOVENIA FLAGSHIP  
Ljubljana (Launched Jun 2017)

CROATIA FLAGSHIP  
Zagreb (Launched Oct 2018)



**REVENUE (\$AUD M)**  
HALF-YEAR ENDED 31 DECEMBER



**PROFIT RESULT (\$AUD M)**  
HALF-YEAR ENDED 31 DECEMBER

#### Slovenia 5 Harvey Norman® Company-Operated Stores

In Slovenia, retail trading conditions have normalised with minimal COVID restrictions over the past 18 months. Amid global inflationary pressures permeating across Europe and confidence being impacted by the ongoing geopolitical tensions in the region, our 5 Slovenian stores have bucked the trend delivering double-digit sales growth in 1H23 across all key categories.

Sales in Slovenia increased €5.23 million or +10.7% to €54.21 million for 1H23, from €48.98 million for 1H22. When translated to Australian Dollars, the rise in sales moderated to \$4.22 million, or up 5.4%, to \$81.95 million, due to a 4.73% devaluation in the Euro relative to the AUD for the period.

Our company-operated stores in Slovenia continue to beat elevated sales of prior periods and the heightened demand during the pandemic. Our flagship store at Ljubljana continues to lead the way, setting a high bar for the brand across the country.

The growth in sales and continued focus on controlling costs has delivered a profit of \$8.34 million for 1H23, an increase of \$0.69 million increase, or 9.1%, from \$7.65 million for 1H22.

#### Croatia 2 Harvey Norman® Company-Operated Stores

In Croatia, both stores reported solid sales growth for 1H23 as retail conditions normalised and store foot traffic increased with more consumers visiting the region.

Sales for 1H23 were €16.92 million, an increase of €1.25 million, or 8.0%, from the previous corresponding period. In Australian Dollars, sales increased by \$0.72 million, or 2.9%.

The result for 1H23 was a marginal loss of \$0.29 million, a reduced loss compared to 1H22 of \$0.49 million resulting from the uncertainty surrounding the geopolitical issues in Europe, coupled with rising inflation and higher costs.

We are on track to open the third Croatian store at Rijeka during calendar 2023.

#### Hungary - 2 stores to open during calendar 2024



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

# Review of the Property Segment

## Strategic 'Large-Format' Retail Property Portfolio

Our consolidated balance sheet is strengthened by our robust, tangible property segment assets totalling \$3.94 billion as at 31 December 2022. This is primarily comprised of freehold investment properties in Australia of \$3.37 billion, New Zealand of \$10.45 million and Ireland of \$29.76 million; and freehold owner-occupied properties in New Zealand of \$379.99 million, Singapore of \$13.98 million, Slovenia of \$82.87 million, Australia of \$13.44 million and Ireland of \$26.57 million. Our property segment assets also include a property held for sale in Singapore of \$12.74 million, and joint venture assets of \$2.43 million. The freehold property segment comprises 50% of our total \$7.81 billion total asset base and is central to our integrated retail, franchise, property and digital system. It is a key competitive advantage of our business model.

### Resilience of the Australian Large-Format Retail (LFR) Market

**Our Australian freehold investment property portfolio has grown to \$3.37 billion as at 31 December 2022, rising by \$175.01 million during 1H23, on the back of the resilient local LFR market.** Throughout the pandemic, we attributed the strength of our properties to strong consumer household spending, the significant uptick in new dwellings and renovations and the high levels of investor demand for LFR property assets. This trend has extended post-COVID with solid investment at record prices underpinning buoyant LFR property values. This has also been contributed by high leasing demand and construction cost inflation constraining supply, driving up rentals and creating almost-full occupancy rates. **The consolidated entity continues to be the largest owner of LFR real estate in the Australian market.**

We have 196 Australian franchised complexes geographically spread throughout the country, with either or both a local Harvey Norman®, Domayne® and Joyce Mayne® branded store located within close proximity to customers. 95 of the franchised complexes (48% of total), and their associated onsite warehouses, are owned by the consolidated entity, which are then licensed or leased to external parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees.

Our LFR centres also accommodate a complimentary mix of over 450 third-party tenants that are diversified across a variety of different categories. These include Hardware, Medical, Pharmacies, Pets and Auto related products, a number of which are ASX-listed national retailers on long-term leases that support the underlying value of our properties.

The solid performance across the LFR sector has resulted in another material increase in the value of our Australian investment property portfolio by \$175.01 million this half, of which \$107.66 million is for the capital appreciation in property fair values during 1H23 and \$67.36 million relating to capital additions and refurbishments.

### Overseas Property Portfolio

Globally, we have 109 company-operated stores across 7 countries. 26 of the stores located overseas (24% of total) are owned by the consolidated entity. The aggregate value of the overseas property portfolio is \$543.61 million, increasing in value by \$23.12 million during the period.

### Total Property Portfolio and the Performance of the Property Segment

Total property segment revenue was \$257.79 million for 1H23, down by \$1.60 million from \$259.38 million in 1H22. This was primarily due to a lower net revaluation increment recognised this half by \$22.49 million, or -17.4%, to \$106.89 million for 1H23 compared to a record \$129.38 million in net increments for 1H22.

Excluding property revaluations, retail property revenues increased by \$20.89 million due to higher rent received from franchisees and other third-party tenants this half and the cessation of rent waivers given to franchisees and other third-party tenants affected by the COVID 'Delta' lockdowns in the previous half. In 1H22, total rent waivers amounted to \$27.07 million, of which \$14.79 million related to properties owned by the consolidated entity (and recorded in the Property Segment) and \$12.28 million related to properties leased by the consolidated entity (and recorded in the Franchising Operations Segment).

The total property segment result was \$186.29 million for 1H23, a decrease of \$11.45 million, or -5.8%, from \$197.74 million in 1H22. Excluding net property revaluations for both periods, the total property segment result would have been \$79.40 million for 1H23 compared to \$68.37 million for 1H22, an increase of \$11.04 million, or 16.1%. Operating costs, including finance costs, have normalised this half following two years of COVID disruptions.

**When compared to 1H20, the property segment PBT result was well above pre-pandemic levels growing by \$93.24 million, or 100.2%, from \$93.05 million and delivering a 3-year CAGR of 26.0%.**

## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Review of the Property Segment (continued)

The below table shows the composition of freehold property segment assets as at 31 December 2022, the number of owned property assets and the increase in fair value recognised in each country.

COMPOSITION OF FREEHOLD PROPERTY SEGMENT ASSETS	December 2022	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase in Fair Value (Income Statement)	Net Increase / (Decrease) in Fair Value (Equity)
<b>(1) Investment Properties (Freehold) and Assets Held for Sale</b>					
- Australia	\$3,365.36m	95	41	\$107.66m	-
- New Zealand	\$10.45m	-	2	(\$0.76m)	-
- Ireland	\$29.76m	-	1	-	-
- Singapore (Property asset held for sale)	\$12.74m	-	1	-	-
<b>Total Investment Properties (Freehold) and Assets Held for Sale</b>	<b>\$3,418.31m</b>	<b>95</b>	<b>45</b>	<b>\$106.89m</b>	<b>-</b>
<b>(2) Owner-Occupied Land &amp; Buildings</b>					
- Australia	\$13.44m	-	1	-	-
- New Zealand	\$379.99m	19	1	-	(\$11.84m)
- Singapore	\$13.98m	-	1	-	-
- Slovenia	\$82.87m	5	-	-	-
- Ireland	\$26.57m	2	-	-	-
<b>Total Owner-Occupied Land &amp; Buildings</b>	<b>\$516.85m</b>	<b>26</b>	<b>3</b>	<b>-</b>	<b>(\$11.84m)</b>
<b>(3) Joint Venture Assets</b>	<b>\$2.43m</b>	<b>-</b>	<b>7</b>		<b>-</b>
<b>Total Freehold Property Segment Assets</b>	<b>\$3,937.58m</b>	<b>121</b>	<b>55</b>	<b>\$106.89m</b>	<b>(\$11.84m)</b>

### Net Property Revaluation Adjustments

For the half-year ended 31 December 2022, the portfolio has recorded \$106.89 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.

Each freehold investment property in Australia is independently valued by an Independent Valuer at least once every 2 years on a rotational basis.

For 1H23, there were 37 valuations of freehold investment properties in Australia representing a total of 25.3% of the value of freehold investment properties independently externally valued this half year, and 26.6% in terms of the number of total freehold investment properties.

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 period, 5 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 5 properties were undertaken to determine the effect of these factors.



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

### 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, a subsidiary of the consolidated entity enters into property leasing arrangements with external landlords and then subsequently subleases these sites to franchisees pursuant to a licence agreement, terminable upon reasonable notice. Leasehold investment property: right-of-use assets meet the definition of an investment property and are measured at fair value.

As at 31 December 2022, there were 301 leasehold investment properties. 101 leasehold investment properties (34% of total) were occupied by Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia for retail purposes. The remaining 200 leasehold investment properties (66% of total) were primarily used by Harvey Norman®, Domayne® and Joyce Mayne® 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 Dec 2022	Lease Liabilities Dec 2022	# of Leased Retail Property Assets	# of Leased Other Property Assets
<b>(1) Leases of Properties Sub-Leased to External Parties</b>				
- Australia	\$702.18m	\$759.23m	101	200
<b>(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets</b>				
- Australia	\$31.98m	\$46.62m	-	17
- New Zealand	\$119.21m	\$137.61m	25	36
- Singapore & Malaysia	\$256.58m	\$202.27m	40	19
- Slovenia & Croatia	\$16.01m	\$18.00m	2	6
- Ireland & Northern Ireland	\$109.69m	\$141.85m	16	17
<b>Total Owner-Occupied Properties and Plant and Equipment Assets</b>	<b>\$533.47m</b>	<b>\$546.35m</b>	<b>83</b>	<b>95</b>
<b>Total Leasehold Property Segment Assets</b>	<b>\$1,235.65m</b>	<b>\$1,305.58m</b>	<b>184</b>	<b>295</b>

The table below shows the financial impact of AASB 16 Leases of our leasehold property portfolio on the income statement for the half-year ended 31 December 2022.

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	\$34,553	-	\$34,553
- Depreciation expense			
Investment properties (leasehold): Right-of-use asset	-	\$52,856	\$52,856
- Fair value re-measurement			
Finance costs: Interest on lease liabilities	\$8,802	\$15,580	24,382
<b>Total AASB 16 Expenses Recognised</b>	<b>\$43,355</b>	<b>\$68,436</b>	<b>\$111,791</b>
Less: Lease payments made during 1H23 (excluding variable lease payments (short-term, low-value leases))	(\$42,062)	(\$54,804)	(\$96,866)
<b>AASB 16 Incremental Decrease in PBT for 1H23</b>	<b>\$1,293</b>	<b>\$13,632</b>	<b>\$14,925</b>

## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

# Review of the Financial Position of the Consolidated Entity

## Net Debt to Equity Ratio

Across the consolidated entity globally, the total available facilities amounted to \$1,046.55 million as at 31 December 2022 compared to \$735.45 million as at 31 December 2021, mainly due to the establishment of Tranche C of the Syndicated Facility Agreement of \$200 million towards the end of 1H23.

As at balance date, the utilised portion was \$872.30 million (Dec-21: \$469.12 million), leaving \$174.25 million (Dec-21: \$266.33 million) accessible financing facilities available.

The utilised facilities in 1H23 increased by \$403.18 million compared to 1H22 resulting in a net debt position of \$553.35 million at as at 31 December 2022, compared to a net debt position of \$61.95 million in the previous half.

Our net debt to equity ratio remains low at 12.17%, compared to a net debt to equity ratio of 10.31% as at 30 June 2022 and lower than the pre-COVID level of 16.57% as at 31 December 2019.

The consolidated entity has sufficient liquidity and our low gearing and strong balance sheet gives us the capacity and ability to access additional liquidity should we require it.

## Solid Cash Flows

Cash and cash equivalents, net of bank overdraft, as disclosed in the Statement of Cash Flows on page 30, decreased by \$85.53 million or 21.5% to \$311.54 million as at 31 December 2022, compared to \$397.07 million in the previous half.

Cash flows from operating activities decreased by \$225.09 million, from \$566.16 million in 1H22 to \$341.07 million in 1H23. This was mainly due to a decrease in net receipts from franchisees by \$199.14 million, an increase in payments to

suppliers and employees by \$51.64 million offset by a decrease in income taxes paid by \$52.38 million.

Despite an increase in gross revenue received from franchisees by \$12.91 million, net receipts from franchisees decreased by \$199.14 million, from \$816.23 million in 1H22 to \$617.09 million in 1H23 mainly because the movement in aggregate financial accommodation provided to franchisees increased compared to 1H22. The quantum of funding requested by franchisees to fund their 1H23 inventory purchases increased compared to 1H22 to meet the expected demand for peak trading periods in November and December 2022. Additionally, the funding requested by franchisees to fund their operating expenses increased in 1H23 relative to 1H22 as approximately 60% of franchised complexes were closed for up to 4 months during 1H22.

Payments to suppliers and employees increased by \$51.64 million due to higher inventory purchases by our overseas company-operated stores from new store openings and the normalisation of operating costs post-COVID.

Income tax paid decreased by \$52.38 million primarily due to the higher final tax payment made in 1H22 attributable to FY21 taxable profits.

Net cash investing outflows increased by \$72.83 million predominantly due to an increase in payments for the purchase and refurbishments of freehold investment properties by \$47.38 million and for the purchase of property, plant and equipment and intangible assets by \$24.27 million.

Net cash financing outflows decreased by \$226.76 million mainly due to the proceeds received from increased borrowings and utilisation of the Syndicated Facility. This was offset by an increase in dividends paid by \$31.15 million.

## NET DEBT TO EQUITY RATIO

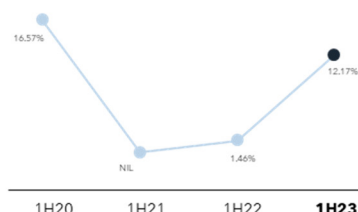
DEC 22  
NET DEBT OF

**\$553.35m**

VS

DEC 21  
NET DEBT OF

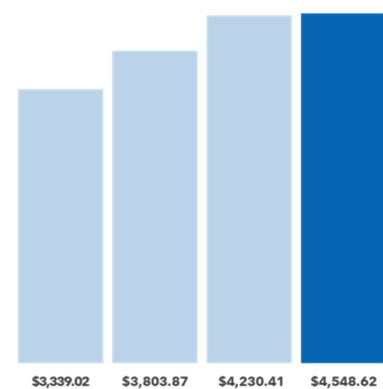
**\$61.95m**



NET DEBT TO EQUITY RATIO



NET DEBT/(CASH)(\$AUD M)



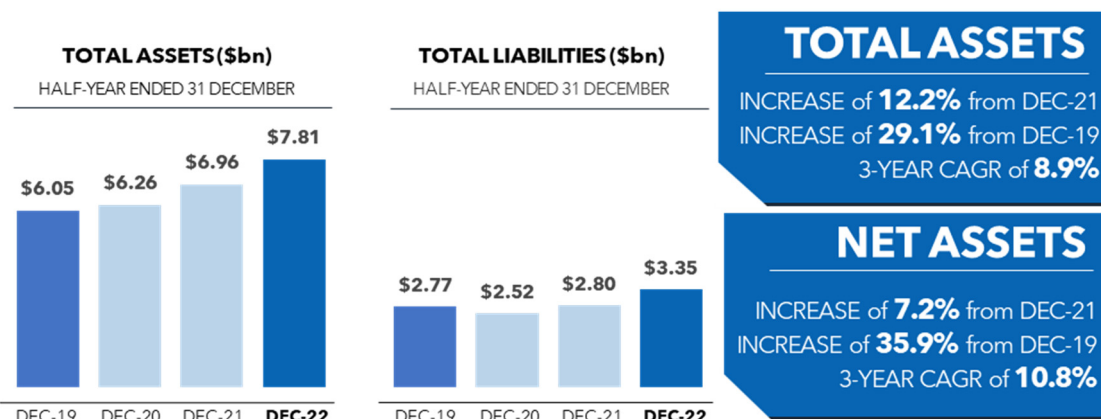
TOTAL EQUITY (\$AUD M)  
excluding acquisition reserve



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

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

Net assets have increased by \$298.14 million or 7.2%, from \$4.16 billion as at 31 December 2021 to \$4.46 billion as at 31 December 2022. There has been a substantial increase of \$1.18 billion, up 35.9%, in net assets over the past 3-years from \$3.28 billion at the beginning of the pandemic, delivering a 3-year CAGR of 10.8%.



Total assets were \$7.81 billion as at 31 December 2022, increasing by 12.2% or \$850.82 million from \$6.96 billion as at 31 December 2021. Since the beginning of the pandemic in 1H20, the increase in total assets was \$1.76 billion, up 29.1%, from \$6.05 billion as at 31 December 2019 delivering a 3-year CAGR of 8.9%.

The value of the freehold investment property portfolio increased by \$351.28 million, or 11.5%, to \$3.405 billion as at 31 December 2022. The increase was primarily due to \$191.19 million of net property revaluation increments over the past 12 months, acquisition of new freehold investment properties and the refurbishment of freehold investment property assets in Australia and the purchase of the Eastgate Retail Park in Cork, Ireland.

Receivables from franchisees increased by \$310.92 million mainly due to higher financial accommodation provided to franchisees in 1H23 to assist franchisees to increase their inventory reserves in the lead up to the peak trading periods in November and December, and to fund higher operating expenses as they transitioned to the post-COVID environment. In 1H22, approximately 60% of the franchised complexes were closed for nearly 4 months resulting in lower operating expenses and lower financial accommodation required by those franchisees to fund those operating costs.

Inventories of company-operated stores increased by \$38.60 million due to new store openings, coupled with their concerted efforts to increase inventory to meet demand in peak trading periods and to mitigate any remaining global supply chain constraints that have persisted in certain product categories.

Property, plant and equipment assets increased by \$78.07 million mainly due to the acquisition of the Eastgate Retail Park in Ireland, fit-out of the new 1 Utama Shopping Centre company-operated store in Malaysia which was opened in November 2022, the new Fonthill company-operated store in Ireland which was opened in July 2022, the fit-out for the 2 new Harvey Norman® franchised complexes opened during the last 12 months and net property revaluation increments for the owner-occupied freehold properties over the past 12 months.

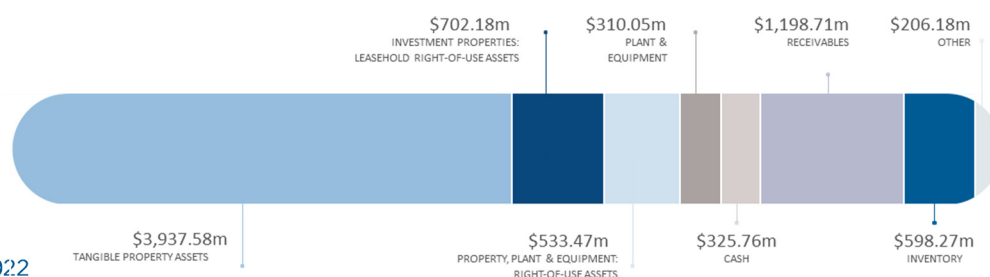
Total liabilities increased by \$552.68 million, or 19.8%, to \$3.35 billion as at 31 December 2022 from \$2.80 billion as at 31 December 2021.

Interest-bearing loans and borrowings increased by \$405.43 million mainly due to an increase in utilisation of the Syndicated Facility by \$380 million, from \$410 million utilised as at 31 December 2021 to \$790 million utilised as at 31 December 2022.

Deferred tax liabilities increased by \$58.12 million mainly due to \$191.19 million of net property revaluation increments over the past 12 months relating to freehold investment properties.

The above increases were offset by a \$46.20 million decrease in income tax payable driven by lower profit generated by the consolidated entity during the current period.

#### COMPOSITION OF TOTAL ASSETS OF \$7.81bn



## DIRECTORS' REPORT—OPERATING AND FINANCIAL REVIEW (CONTINUED)

### Outlook

The consolidated entity is confident in the resilience of its integrated retail, franchise, property and digital system and in its continued ability to deliver stable returns and sustainable growth for its stakeholders. Despite the macroeconomic headwinds and cost of living pressures affecting discretionary retail, our strong balance sheet and our substantial growth in net assets throughout the pandemic has left us in a solid position to withstand these challenging circumstances. We have sufficient liquidity and a low net debt to equity ratio, affording us the capacity to access additional liquidity should the need arise. We remain confident in our brands and the strong market position held by our Australian franchisees and overseas company-owned stores. We will continue to invest in technological initiatives and the digital infrastructure necessary to strengthen customer loyalty in order to enhance, protect and promote the Harvey Norman®, Domayne® and Joyce Mayne® brands.

Last year, we announced the recommencement of the premium refit program and the revised expectations to complete up to 25 premium refits over the next 5 years. During 1H23, the premium refit of the furniture and bedding categories of the Fyshwick (ACT) franchised complex was completed and the premium refits of the Balgowlah (NSW), Erina (NSW) and Preston (VIC) franchised complexes are currently underway.

As planned, during 1H23 we opened one Harvey Norman® franchised complex in Australia located at Manjimup, QLD in November 2022. Two company-operated stores were opened overseas in Ireland (Fonthill, Dublin was opened on 22 July 2022) and Malaysia (1 Utama Shopping Centre, Selangor was opened on 22 November 2022). Two small company-operated stores were closed in Singapore in 1H23.

In the second half of FY23, we intend to open an additional franchised complex in Australia and relocate 1 franchised complex from a leased site to a freehold property. We will continue with our offshore expansion plans with the anticipated opening of a further 2 company-operated stores within the next 6 months: 1 in New Zealand and 1 in Malaysia. We are on track to open our third Croatian store by the end of calendar 2023.

Beyond FY23, we anticipate opening a further 2 franchised complexes in Australia and intend to relocate 2 franchised complexes from leased sites to freehold properties during the 2024 financial year. In New Zealand, we expect to open 3 new company-operated stores during FY24. Our first 2 company-operated stores in Budapest, Hungary are anticipated to open during calendar 2024.

We continue to recognise the significant opportunity to grow from 28 stores in Malaysia to 80 stores by the end of 2028, as announced at the 2022 Annual General Meeting of the Company. The intention is to fund the Malaysian expansion plans from existing cash reserves in Malaysia and from Malaysian operating cash flows. 10 of these stores are anticipated to open in FY24, with 4 sites already confirmed and 6 sites currently in progress.

#### Retail Trading Update:

#### Aggregated Sales increase / (decrease) from January 2023 vs January 2022 in local currencies

COUNTRY (% increase calculated in local currencies)		January 2023 vs January 2022	
		Total %	Comparable %
Australian Franchisees	\$A	(-10.2)	(-10.4)
New Zealand	\$NZD	(-8.1)	(-8.5)
Slovenia & Croatia	€Euro	10.0	10.0
Ireland	€Euro	4.9	(-0.1)
Northern Ireland	£GBP	(-27.2)	(-27.2)
Singapore	\$SGD	(-10.0) <B>	(-7.5) <A>
Malaysia	MYR	(-5.5) <B>	(-10.2)

<A> Closure of 2 small stores.

<B> Timing of Chinese New Year. This year in January 2023. Last year in February 2022.



## DIRECTORS' REPORT

### Directors

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 successful strategies implemented within our integrated retail, franchise, property and digital system 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 Harvey Norman®, Domayne® and Joyce Mayne® brands and navigate us through the current macroeconomic challenges of the post-COVID environment.

### Our Board

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

- |  |   |
|--|---|
| • Gerald Harvey<br><i>Executive Chairman</i>                             | • Michael John Harvey<br><i>Non-Executive Director</i>                            |
| • Kay Lesley Page<br><i>Executive Director and CEO</i>                   | • Christopher Herbert Brown (OAM)<br><i>Non-Executive Director</i>                |
| • Chris Mentis<br><i>Executive Director, CFO &amp; Company Secretary</i> | • Kenneth William Gunderson-Briggs<br><i>Non-Executive Director (Independent)</i> |
| • John Eryn Slack-Smith<br><i>Executive Director and COO</i>             | • Maurice John Craven<br><i>Non-Executive Director (Independent)</i>              |
| • David Matthew Ackery<br><i>Executive Director</i>                      | • Luisa Catanzaro<br><i>Non-Executive Director (Independent)</i>                  |

### Dividends

The directors recommend a fully franked interim dividend of 13.0 cents per share to be paid on 1 May 2023 to shareholders registered on 3 April 2023 (total dividend, fully franked - \$161,980,865). No provision has been made in the Statement of Financial Position for this recommended interim dividend. 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)

### Auditor's Independence

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



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Sydney NSW 2000 Australia  
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### Auditor's Independence Declaration to the Directors of Harvey Norman Holdings Limited

As lead auditor for the review of the half-year financial report of Harvey Norman Holdings Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

- a) No contraventions of the auditor independence requirements of the **Corporations Act 2001** in relation to the review;
- b) No contraventions of any applicable code of professional conduct in relation to the review; and
- c) No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

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

**Ernst & Young**

**James Karekinian**  
Partner  
Sydney  
28 February 2023

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

**G. HARVEY**  
Chairman  
Sydney  
28 February 2023

**K.L. PAGE**  
Chief Executive Officer  
Sydney  
28 February 2023



# STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

			CONSOLIDATED		
			December 2022 \$000	June 2022 \$000	December 2021 \$000
Current Assets		Note			
	Cash and cash equivalents	26(a)	325,758	248,804	411,717
	Trade and other receivables	7	1,114,821	1,065,304	753,227
	Other financial assets	8	23	346	42,808
	Inventories	9	598,267	524,274	559,667
	Other assets	10	80,410	55,359	74,795
	Intangible assets	11	588	280	258
	Assets held for sale	28	12,744	12,104	13,063
Total current assets			2,132,611	1,906,471	1,855,535
Non-current Assets	Trade and other receivables	7	83,884	53,494	69,325
	Investments accounted for using the equity method	27	2,427	1,502	1,960
	Other financial assets	8	66,283	61,073	38,785
	Property, plant and equipment	12	826,894	779,217	748,822
	Property, plant and equipment: Right-of-use assets	13	533,473	472,510	493,958
	Investment properties: Freehold	14	3,405,561	3,230,213	3,054,277
	Investment properties: Leasehold Right-of-use assets	15	702,177	675,600	630,276
	Intangible assets	11	53,309	58,420	63,584
	Deferred tax assets		5,566	7,903	4,843
Total non-current assets			5,679,574	5,339,932	5,105,830
Total Assets			7,812,185	7,246,403	6,961,365
Current Liabilities	Trade and other payables	16	464,070	358,341	466,425
	Interest-bearing loans and borrowings	17	61,362	261,053	263,670
	Lease liabilities	19	146,132	139,288	137,509
	Income tax payable		16,014	67,830	62,214
	Other liabilities	20	151,132	126,236	142,393
	Provisions	21	37,363	37,059	39,870
Total current liabilities			876,073	989,807	1,112,081
Non-Current Liabilities	Interest-bearing loans and borrowings	17	817,742	438,522	210,000
	Lease liabilities	19	1,159,447	1,065,340	1,036,588
	Provisions	21	10,278	10,261	10,280
	Deferred tax liabilities		485,401	446,810	427,279
	Other liabilities	20	829	1,539	862
	Total non-current liabilities		2,473,697	1,962,472	1,685,009
Total Liabilities			3,349,770	2,952,279	2,797,090
NET ASSETS			4,462,415	4,294,124	4,164,275
Equity	Contributed equity	22	717,925	717,925	717,925
	Reserves	25	307,914	288,170	293,114
	Retained profits	23	3,402,786	3,254,936	3,123,523
	Parent entity interests		4,428,625	4,261,031	4,134,562
	Non-controlling interests	24	33,790	33,093	29,713
TOTAL EQUITY			4,462,415	4,294,124	4,164,275

## INCOME STATEMENT FOR THE HALF - YEAR ENDED 31 DECEMBER 2022

		CONSOLIDATED	
		December 2022 \$'000	December 2021 \$'000
	Note		
Sales of products to customers	3	1,470,431	1,475,412
Cost of sales		(1,008,532)	(988,304)
<b>Gross profit</b>		<b>461,899</b>	<b>487,108</b>
Revenue received from franchisees	3	654,628	641,717
Revenues and other income items	3	216,964	222,492
Distribution expenses		(32,977)	(27,190)
Marketing expenses		(201,659)	(174,493)
Occupancy expenses	4,13,15	(143,215)	(129,566)
Administrative expenses	4	(339,531)	(347,057)
Other expenses		(58,434)	(39,662)
Finance costs	4,19	(39,702)	(25,516)
Share of net profit of joint venture entities	27	4,698	4,407
<b>Profit before income tax</b>		<b>522,671</b>	<b>612,240</b>
Income tax expense	5	(152,920)	(178,558)
<b>Profit after tax</b>		<b>369,751</b>	<b>433,682</b>
<b>Attributable to:</b>			
Owners of the parent		365,900	430,913
Non-controlling interests		3,851	2,769
		<b>369,751</b>	<b>433,682</b>
<b>Earnings per share</b>			
Basic earnings per share (cents per share)	6	29.37 cents	34.58 cents
Diluted earnings per share (cents per share)	6	29.32 cents	34.55 cents
<b>Dividends per share (cents per share)</b>	23	<b>13.0 cents</b>	<b>20.0 cents</b>

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

## STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF - YEAR ENDED 31 DECEMBER 2022

CONSOLIDATED	
December 2022 \$000	December 2021 \$000
Profit for the period	369,751
Items that may be reclassified subsequently to profit or loss:	
Foreign currency translation	35,692
Net movement on cash flow hedges	(2,267)
Income tax effect on net movement on cash flow hedges	682
Items that will not be reclassified subsequently to profit or loss	
Fair value revaluation of land and buildings (losses) / gains	(11,835)
Income tax effect on fair value revaluation of land and buildings	1,598
Net fair value (losses) / gains on financial assets at fair value through other comprehensive income	(3,431)
Other comprehensive income for the period (net of tax)	20,439
Total comprehensive income for the period (net of tax)	390,190
Total comprehensive income attributable to:	
Owners of the parent	385,259
Non-controlling interests	4,931
	390,190
	461,402

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



# STATEMENT OF CHANGES IN EQUITY FOR THE HALF - YEAR ENDED 31 DECEMBER 2022

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	Acquisition Reserve		
At 1 July 2022	717,925	3,254,936	245,448	27,572	20,490	13	10,921	(16,274)	33,093	4,294,124
Revaluation of land and buildings	-	-	(10,237)	-	-	-	-	-	-	(10,237)
Currency translation differences	-	-	-	34,612	-	-	-	-	1,080	35,692
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	(13)	-	-	-	(13)
Fair value of forward foreign exchange contracts	-	-	-	-	-	16	-	-	-	16
Fair value of interest rate swap contract	-	-	-	-	-	(1,588)	-	-	-	(1,588)
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(3,431)	-	-	-	-	(3,431)
Other comprehensive income	-	-	(10,237)	34,612	(3,431)	(1,585)	-	-	1,080	20,439
Profit for the period	-	365,900	-	-	-	-	-	-	3,851	369,751
Total comprehensive income for the period	-	365,900	(10,237)	34,612	(3,431)	(1,585)	-	-	4,931	390,190
Cost of share based payments	-	-	-	-	-	-	2,672	-	-	2,672
Utilisation of employee equity benefits reserve	-	-	-	-	-	-	(2,287)	-	-	(2,287)
Dividends paid	-	(218,050)	-	-	-	-	-	-	(4,234)	(222,284)
At 31 December 2022	717,925	3,402,786	235,211	62,184	17,059	(1,572)	11,306	(16,274)	33,790	4,462,415

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

# STATEMENT OF CHANGES IN EQUITY FOR THE HALF - YEAR ENDED 31 DECEMBER 2022

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 2021	717,925	2,879,511	208,646	42,051	22,574	(3)	10,399	(16,274)	28,190	3,893,019
Revaluation of land and buildings	-	-	14,573	-	-	-	-	-	28	14,601
Currency translation differences	-	-	-	6,906	-	-	-	-	899	7,805
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	3	-	-	-	3
Fair value of forward foreign exchange contracts	-	-	-	-	-	(24)	-	-	-	(24)
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	5,335	-	-	-	-	5,335
Other comprehensive income	-	-	14,573	6,906	5,335	(21)	-	-	927	27,720
Profit for the period	-	430,913	-	-	-	-	-	-	2,769	433,682
Total comprehensive income for the period	-	430,913	14,573	6,906	5,335	(21)	-	-	3,696	461,402
Cost of share based payments	-	-	-	-	-	-	1,703	-	-	1,703
Utilisation of employee equity benefits reserve	-	-	-	-	-	-	(2,775)	-	-	(2,775)
Dividends paid	-	(186,901)	-	-	-	-	-	-	(2,173)	(189,074)
At 31 December 2021	717,925	3,123,523	223,219	48,957	27,909	(24)	9,327	(16,274)	29,713	4,164,275

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

## STATEMENT OF CASHFLOWS FOR THE HALF - YEAR ENDED 31 DECEMBER 2022

### CONSOLIDATED

December 2022  
\$000

December 2021  
\$000

#### Cash Flows from Operating Activities

Net receipts from franchisees

Receipts from customers

Payments to suppliers and employees

Distributions received from joint ventures

GST paid

Interest received

Interest and other costs of finance paid

Interest paid on lease liabilities

Income taxes paid

Dividends received

#### Net Cash Flows From Operating Activities

Note

617,090

816,226

1,560,675

1,576,432

(1,587,043)

(1,535,405)

4,590

4,620

(58,346)

(58,560)

6,679

3,110

(16,475)

(5,308)

(24,382)

(20,751)

(163,563)

(215,947)

1,849

1,747

26(b)

341,074

566,164

#### Cash Flows from Investing Activities

Payments for purchases of property, plant and equipment and intangible assets

Payments for purchase and refurbishments of freehold investment properties

Proceeds from sale of property, plant and equipment and properties held for resale

Payments for purchase of units in unit trusts and other investments

Proceeds from sale of other investments

Payments for purchase of equity accounted investments

Loans granted to joint venture entities, joint venture partners, related and unrelated entities

#### Net Cash Flows Used In Investing Activities

(68,198)

(43,926)

(66,915)

(19,537)

372

4,608

(5,046)

(59)

2,500

-

(1,225)

(950)

(12,097)

(17,916)

(150,609)

(77,780)

#### Cash Flows from Financing Activities

Lease payments (principal component)

Proceeds from / (Repayments of) Syndicated Facility

Dividends paid

Repayments of other borrowings

#### Net Cash Flows Used In Financing Activities

(72,605)

(67,751)

180,000

(80,000)

(218,051)

(186,901)

(2,632)

(5,392)

(113,288)

(340,044)

Net Increase / (Decrease) in Cash and Cash Equivalents

Cash and Cash Equivalents at Beginning of the Period

Cash and Cash Equivalents at End of the Period

26(a)

77,177

148,340

234,358

248,727

311,535

397,067

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



## NOTES TO THE FINANCIAL STATEMENTS- 31 DECEMBER 2022

### 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 2022, except for the adoption of new standards mandatory for annual periods beginning on or after 1 July 2022 which require retrospective restatement.

#### *(a) Corporate Information*

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

The financial report of the Company for the half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors on 28 February 2023.

#### *(b) Basis of Preparation*

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and the operating, financing and investing activities of the consolidated entity as the Annual Financial Report. The half-year financial report should be read in conjunction with the Annual Financial Report of Harvey Norman Holdings Limited as at 30 June 2022.

It is also recommended that the half-year financial report be considered together with any public announcements made by Harvey Norman Holdings Limited and its controlled entities during the half-year ended 31 December 2022 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134 *Interim Financial Reporting*.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and the amended Instrument 2022/519. The Company is an entity to which this legislative instrument applies.

#### *(b) (i) New Accounting Standards Adopted by the Consolidated Entity*

Several amendments and interpretations apply for the first time in the half-year ended 31 December 2022, but do not have material impact on the half-year financial report of the Group. These are as follows:

- AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018–2020 and Other Amendments
- AASB 2021-7 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections.

#### *(c) Statement of Compliance*

The half-year financial report has been prepared using the same accounting policies as used in the Annual Financial Report for the year ended 30 June 2022, except for the adoption of new and amending standards mandatory for annual periods beginning on or after 1 July 2022. The adoption of other amendments and interpretations did not have a significant impact on the consolidated entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the half-year reporting period ended 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

## 2 Operating Segments

Operating Segment Revenue: 31 December 2022	CONSOLIDATED (\$'000)		
	Sales of products to customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	595,076	595,076
Retail – New Zealand	528,862	16,134	544,996
Retail – Singapore & Malaysia	347,558	9,169	356,727
Retail – Slovenia & Croatia	107,528	1,846	109,374
Retail – Ireland & Northern Ireland	368,918	5,629	374,547
Other Non-Franchised Retail	123,469	1,993	125,462
TOTAL RETAIL	1,476,335	34,771	1,511,106
Retail Property	-	255,037	255,037
Retail Property Under Construction	-	2,749	2,749
TOTAL PROPERTY	-	257,786	257,786
EQUITY INVESTMENTS	-	6,212	6,212
OTHER	1,337	10,514	11,851
INTERCOMPANY ELIMINATIONS	(7,241)	(32,767)	(40,008)
TOTAL SEGMENT REVENUE	1,470,431	871,592	2,342,023

Operating Segment Revenue: 31 December 2021	CONSOLIDATED (\$'000)		
	Sales of products to customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	595,925	595,925
Retail – New Zealand	586,434	14,913	601,347
Retail – Singapore & Malaysia	296,151	8,831	304,982
Retail – Slovenia & Croatia	102,589	1,772	104,361
Retail – Ireland & Northern Ireland	384,390	6,121	390,511
Other Non-Franchised Retail	111,132	1,361	112,493
TOTAL RETAIL	1,480,696	32,998	1,513,694
Retail Property	195	259,188	259,383
TOTAL PROPERTY	195	259,188	259,383
EQUITY INVESTMENTS	-	2,938	2,938
OTHER	876	6,325	7,201
INTERCOMPANY ELIMINATIONS	(6,355)	(33,165)	(39,520)
TOTAL SEGMENT REVENUE	1,475,412	864,209	2,339,621

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 2 Operating Segments (continued)

Operating Segment Result 31 December 2022	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
<b>FRANCHISING OPERATIONS</b>	332,425	(18,318)	(13,623)	(54,311)	(8,525)	237,648
Retail – New Zealand	57,136	(2,209)	(3,781)	(5,755)	(113)	45,278
Retail – Singapore & Malaysia	51,320	(2,998)	(3,892)	(17,444)	(19)	26,967
Retail – Slovenia & Croatia	11,371	(556)	(1,279)	(1,422)	(61)	8,053
Retail – Ireland & Northern Ireland	34,554	(3,779)	(3,710)	(7,619)	(145)	19,301
Other Non-Franchised Retail	(2,375)	(1,130)	(1,186)	(858)	(75)	(5,624)
<b>TOTAL RETAIL</b>	<b>152,006</b>	<b>(10,672)</b>	<b>(13,848)</b>	<b>(33,098)</b>	<b>(413)</b>	<b>93,975</b>
Retail Property	199,378	(9,433)	(5,415)	-	-	184,530
Retail Property Under Construction	2,231	(386)	-	-	-	1,845
Property Developments for Resale	(46)	(36)	-	-	-	(82)
<b>TOTAL PROPERTY</b>	<b>201,563</b>	<b>(9,855)</b>	<b>(5,415)</b>	<b>-</b>	<b>-</b>	<b>186,293</b>
<b>EQUITY INVESTMENTS</b>	<b>6,157</b>	<b>(101)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,056</b>
<b>OTHER</b>	<b>1,910</b>	<b>(804)</b>	<b>(2,407)</b>	<b>-</b>	<b>-</b>	<b>(1,301)</b>
<b>INTER-COMPANY ELIMINATIONS</b>	<b>(48)</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL SEGMENT RESULT BEFORE TAX</b>	<b>694,013</b>	<b>(39,702)</b>	<b>(35,293)</b>	<b>(87,409)</b>	<b>(8,938)</b>	<b>522,671</b>

Operating Segment Result 31 December 2021	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
<b>FRANCHISING OPERATIONS</b>	369,215	(13,016)	(13,286)	(40,378)	(9,682)	292,853
Retail – New Zealand	79,478	(2,253)	(3,795)	(5,571)	(252)	67,607
Retail – Singapore & Malaysia	42,920	(2,603)	(3,861)	(15,826)	(16)	20,614
Retail – Slovenia & Croatia	10,774	(537)	(1,551)	(1,474)	(61)	7,151
Retail – Ireland & Northern Ireland	47,139	(2,999)	(3,391)	(7,524)	(115)	33,110
Other Non-Franchised Retail	(2,381)	(622)	(1,256)	(846)	(82)	(5,187)
<b>TOTAL RETAIL</b>	<b>177,930</b>	<b>(9,014)</b>	<b>(13,854)</b>	<b>(31,241)</b>	<b>(526)</b>	<b>123,295</b>
Retail Property	206,628	(3,135)	(5,174)	-	(153)	198,166
Retail Property Under Construction	(331)	(30)	-	-	-	(361)
Property Developments for Resale	(48)	(15)	-	-	-	(63)
<b>TOTAL PROPERTY</b>	<b>206,249</b>	<b>(3,180)</b>	<b>(5,174)</b>	<b>-</b>	<b>(153)</b>	<b>197,742</b>
<b>EQUITY INVESTMENTS</b>	<b>2,862</b>	<b>(41)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,821</b>
<b>OTHER</b>	<b>(1,824)</b>	<b>(286)</b>	<b>(2,361)</b>	<b>-</b>	<b>-</b>	<b>(4,471)</b>
<b>INTER-COMPANY ELIMINATIONS</b>	<b>(21)</b>	<b>21</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL SEGMENT RESULT BEFORE TAX</b>	<b>754,411</b>	<b>(25,516)</b>	<b>(34,675)</b>	<b>(71,619)</b>	<b>(10,361)</b>	<b>612,240</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 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) - 31 DECEMBER 2022

### CONSOLIDATED

December 2022  
\$000

December 2021  
\$000

### 3 Revenues

Revenue from contracts with customers and franchisees:		
Sale of products to customers (a)	1,470,431	1,475,412
Services to customers (c)	18,695	17,900
Franchise fees in accordance with franchise agreements (b)	505,323	526,863
<b>Total revenue from contracts with customers and franchisees</b>	<b>1,994,449</b>	<b>2,020,175</b>
Other revenue from franchisees:		
Rent and outgoings received from franchisees	138,389	106,905
Interest to implement and administer the financial accommodation facilities	10,916	7,949
<b>Total other revenue received from franchisees (b)</b>	<b>149,305</b>	<b>114,854</b>
Gross revenue from other unrelated parties:		
Rent and outgoings received from external tenants	59,749	53,122
Interest received from financial institutions and other parties	6,679	2,946
Dividends received	1,500	1,497
<b>Total other revenue received from unrelated parties (c)</b>	<b>67,928</b>	<b>57,565</b>
Other income items:		
Net property revaluation increment on freehold investment properties	106,890	129,375
Net revaluation increment of equity investments to fair value	4,713	1,441
Net gain on sale of assets	60	533
Other income	18,678	15,678
<b>Total other income items (c)</b>	<b>130,341</b>	<b>147,027</b>
Disclosed in the Income Statement as follows:		
(a) Sale of products to customers	1,470,431	1,475,412
(b) Revenue received from franchisees	654,628	641,717
(c) Revenues and other income items	216,964	222,492

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

## 4 Expenses and Losses

### CONSOLIDATED

December 2022  
\$000

December 2021  
\$000

<b>Employee benefits expense:</b>		
Wages and salaries *	191,355	193,920
Workers compensation	1,546	1,704
Superannuation contributions	9,553	8,490
Payroll tax	7,959	8,201
Share-based payments	2,606	1,730
Other employee benefits	6,425	6,949
<b>Total employee benefits expense</b>	<b>219,444</b>	<b>220,994</b>
<b>Finance costs:</b>		
Interest on lease liabilities	24,382	20,751
Bank interest paid to financial institutions	14,824	4,268
Other	496	497
<b>Total finance costs</b>	<b>39,702</b>	<b>25,516</b>
<b>Occupancy expenses:</b>		
Variable lease payments (including short-term and low-value leases)	12,454	17,724
Property, plant and equipment: Right-of-use assets		
- Depreciation expense	34,553	33,046
Investment properties (leasehold): Right-of-use assets		
- Fair value re-measurement	52,856	38,573
Other occupancy expenses	43,352	40,223
<b>Total occupancy expenses</b>	<b>143,215</b>	<b>129,566</b>
<b>Depreciation, amortisation and impairment:</b>		
Depreciation of (excluding AASB 16 depreciation in occupancy expenses above):		
- Buildings	5,133	4,995
- Plant and equipment	30,160	29,680
Amortisation of:		
- Computer software	8,419	10,108
- Net licence property and other intangible assets	519	253
<b>Total depreciation, amortisation and impairment</b>	<b>44,231</b>	<b>45,036</b>

\* These amounts are net of the COVID-19 wages support and assistance received for the half-year ended 31 December 2021 totalling \$1.63 million by our overseas company-operated stores in Malaysia, Singapore, Northern Ireland and Slovenia.

In August 2021, all of the wages support and assistance previously received by controlled entities in Australia totalling \$6.02 million (FY21: \$3.63 million and FY20: \$2.39 million) was repaid to the Federal Government via the Australian Taxation Office. This payment has been recorded in the Non-Franchised Retail Segment within Note 2. Operating Segments for 1H22.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 5 Income Tax

#### Income tax recognised in the Income Statement:

	CONSOLIDATED	
	December 2022 \$000	December 2021 \$000
Current income tax:		
Current income tax charge	111,464	129,556
Adjustments in respect of current income tax of previous years	(102)	1,246
Deferred income tax:		
Relating to the origination and reversal of temporary differences	41,558	47,756
<b>Total income tax expense reported in the Income Statement</b>	<b>152,920</b>	<b>178,558</b>

### 6 Earnings Per Share

Basic earnings per share (cents per share)	29.37c	34.58c
Diluted earnings per share (cents per share)	29.32c	34.55c

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

Profit after tax	369,751	433,682
Less: Profit after tax attributable to non-controlling interests	(3,851)	(2,769)
<b>Profit after tax attributable to owners of the parent</b>	<b>365,900</b>	<b>430,913</b>

#### NUMBER OF SHARES

	December 2022 Number	December 2021 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,246,006,654	1,246,006,654
Effect of dilutive securities	2,103,979	1,247,982
<b>Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share</b>	<b>1,248,110,633</b>	<b>1,247,254,636</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 DECEMBER 2022

### CONSOLIDATED

December  
2022  
\$000

June  
2022  
\$000

December  
2021  
\$000

## 7 Trade and Other Receivables

### Current

Receivables from franchisees (a)	927,875	892,917	616,958
Trade receivables	148,390	119,099	97,684
Consumer finance loans	2,471	2,669	2,276
Allowance for expected credit loss	(4,010)	(3,493)	(3,465)
Trade receivables, net	146,851	118,275	96,495
Amount receivable in respect of finance leases	3,228	3,155	3,218
Non-trade debts receivable from:			
- Related parties (including joint ventures and joint venture partners)	797	4,407	1,139
- Unrelated parties	36,196	46,676	35,568
Allowance for expected credit loss	(126)	(126)	(151)
Non-trade debts receivable, net	36,867	50,957	36,556
Total trade and other receivables (current)	1,114,821	1,065,304	753,227

### (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 \$927.88 million as at 31 December 2022 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 31 December 2022 totalling \$927.88 million (December 2021: \$616.96 million). Based on the assessment, receivables from franchisees are current and neither past due nor impaired as at 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

## CONSOLIDATED

December  
2022  
\$000

June  
2022  
\$000

December  
2021  
\$000

## 7 Trade and Other Receivables (continued)

### Non-Current

Trade receivables	7,634	7,087	6,746
Consumer finance loans	528	570	480
Allowance for expected credit loss	(5)	(5)	(4)
<b>Trade receivables, net</b>	<b>8,157</b>	<b>7,652</b>	<b>7,222</b>
<b>Amounts receivable in respect of finance leases</b>	<b>604</b>	<b>537</b>	<b>658</b>
Non-trade debts receivable from:			
- Related parties (including joint ventures and joint venture partners)	46,240	46,345	54,063
- Unrelated parties	45,961	19,628	28,050
Allowance for expected credit loss	(17,078)	(20,668)	(20,668)
<b>Non-trade debts receivable, net</b>	<b>75,123</b>	<b>45,305</b>	<b>61,445</b>
<b>Total trade and other receivables (non-current)</b>	<b>83,884</b>	<b>53,494</b>	<b>69,325</b>

## 8 Other Financial Assets

### Current

Equity investments at fair value through profit and loss	-	-	42,708
Derivatives receivable	23	346	100
<b>Total other financial assets (current)</b>	<b>23</b>	<b>346</b>	<b>42,808</b>

### Non-Current

Equity investments at fair value through profit and loss	35,508	30,796	-
Equity investments at fair value through other comprehensive income	22,546	25,095	33,689
Units in unit trusts	414	414	414
Other non-current financial assets	7,815	4,768	4,682
<b>Total other financial assets (non-current)</b>	<b>66,283</b>	<b>61,073</b>	<b>38,785</b>

## 9 Inventories (Current)

Finished goods at cost	611,352	534,386	572,909
Provision for obsolescence	(13,085)	(10,112)	(13,242)
<b>Total inventories (current)</b>	<b>598,267</b>	<b>524,274</b>	<b>559,667</b>

## 10 Other Assets (Current)

Prepayments	72,382	52,551	67,530
Other current assets	8,028	2,808	7,265
<b>Total other assets (current)</b>	<b>80,410</b>	<b>55,359</b>	<b>74,795</b>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

## CONSOLIDATED

December  
2022  
\$000

June  
2022  
\$000

December  
2021  
\$000

## 11 Intangible Assets

### Current

Net licence property	588	280	258
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### Non-Current

Net licence property	1,550	1,817	1,696
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Other intangible assets	73	66	76
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### Computer software:

At cost	254,123	247,628	242,409
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Accumulated amortisation and impairment	(202,437)	(191,091)	(180,597)
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Net computer software	51,686	56,537	61,812
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Total net intangible assets (non-current)	53,309	58,420	63,584
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## 12 Property, Plant and Equipment

Land at fair value	235,405	219,802	200,950
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Buildings at fair value	281,444	274,319	269,582
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Net land and buildings at fair value	516,849	494,121	470,532
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### Plant and equipment:

At cost	887,523	836,313	812,840
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Accumulated depreciation	(577,478)	(551,217)	(534,550)
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Net plant and equipment	310,045	285,096	278,290
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### Total property, plant and equipment:

Land and buildings at fair value	516,849	494,121	470,532
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Plant and equipment at cost	887,523	836,313	812,840
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Total property, plant and equipment	1,404,372	1,330,434	1,283,372
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Accumulated depreciation	(577,478)	(551,217)	(534,550)
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Total written down amount	826,894	779,217	748,822
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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 DECEMBER 2022

### 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 2022	468,217	4,293	472,510
New, modified and re-measured leases	78,132	424	78,556
Depreciation	(33,628)	(925)	(34,553)
Foreign currency	16,854	106	16,960
As at 31 December 2022	529,575	3,898	533,473

#### 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		
	December 2022 \$000	June 2022 \$000	December 2021 \$000
Opening balance at beginning of the period, at fair value	3,230,213	2,905,509	2,905,509
Net additions, disposals and transfers	68,458	111,020	19,393
Net increase from fair value adjustments	106,890	213,684	129,375
Closing balance at end of the period, at fair value	3,405,561	3,230,213	3,054,277

#### Valuation Approach:

The Board of Directors make an assessment of the fair value of each freehold investment property as at balance date. This assessment is informed by:

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 14 Investment Properties: Freehold (continued)

#### Independent External Valuations

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 current period, thirty-seven (37) valuations of freehold investment properties were performed by an Independent Valuer. This represents a total of 26.6% of the number of freehold investment properties independently externally valued this period, and 25.3% in terms of the fair value of the freehold investment property portfolio in Australia subject to independent external valuation.

#### 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 period, five (5) 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 5 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.

Harvey Norman® Maroochydore, QLD Franchised Complex



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 DECEMBER 2022

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

	CONSOLIDATED		
	December 2022 \$'000	June 2022 \$'000	December 2021 \$'000
Opening balance at beginning of the period, at fair value	675,600	620,461	620,461
Net additions, disposals and transfers	79,433	142,697	48,388
Net decrease from fair value re-measurements	(52,856)	(87,558)	(38,573)
<b>Closing balance at end of the period, at fair value</b>	<b>702,177</b>	<b>675,600</b>	<b>630,276</b>

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

The directors make an assessment of the fair value of each Investment Property (Leasehold): Right of Use Asset (**IP (Leasehold) ROU Asset**) as at balance date. Each IP (Leasehold) ROU Asset is reviewed at least every 6 months. 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 (**Leasehold 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 Leasehold 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 Leasehold Independent Valuer are used to inform the assessment of the fair value of each IP Leasehold ROU Asset at balance date.

#### Discount Rate

IP Leasehold ROU Asset 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 Leasehold 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 DECEMBER 2022

## CONSOLIDATED

December  
2022  
\$000

June  
2022  
\$000

December  
2021  
\$000

## 16 Trade and Other Payables

Trade and other creditors	342,804	258,965	345,842
Accruals	121,266	99,376	120,583
<b>Total trade and other payables (current)</b>	<b>464,070</b>	<b>358,341</b>	<b>466,425</b>

## 17 Interest-Bearing Loans and Borrowings

### Current Secured:

Bank overdraft	14,223	14,446	14,650
Commercial bills payable	5,400	5,400	5,400
Syndicated Facility Agreement (a)	-	200,000	200,000
Other short-term borrowings (b)	34,931	36,795	39,071

### Current Unsecured:

Derivatives payable	2,405	20	148
Non-trade amounts owing to:			
- Related parties	4,237	4,238	4,237
- Unrelated parties	166	154	164
<b>Total interest-bearing loans and borrowings (current)</b>	<b>61,362</b>	<b>261,053</b>	<b>263,670</b>

### Non-Current Secured:

Syndicated Facility Agreement (a)	790,000	410,000	210,000
Other borrowings (b)	27,742	28,522	-
<b>Total interest-bearing loans and borrowings (non-current)</b>	<b>817,742</b>	<b>438,522</b>	<b>210,000</b>

### (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.

On 30 November 2021, the Amending Deed (No. 8) 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 2026 and Tranche B of the Facility totalling \$240 million to 4 December 2025. On 30 November 2022, the Amending Deed (No. 9) to the Facility was executed with the effect of extending the repayment date of Tranche A2 of the Facility totalling \$200 million to 30 November 2026 and the establishment of Tranche C of the Facility totalling \$200 million with a repayment date of 30 November 2025. The aggregate available facility of the Syndicated Facility Agreement increased from \$610 million to \$810 million.

The utilised amount of the Facility as at 31 December 2022 was \$790 million, repayable as set out below, with \$790 million 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 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 2026 (\$170 million utilised at 31 December 2022);
- in respect of Tranche A2 totalling \$200 million, on 30 November 2026 (\$180 million utilised at 31 December 2022);
- in respect of Tranche B totalling \$240 million, on 4 December 2025 (\$240 million utilised at 31 December 2022); and
- in respect of Tranche C totalling \$200 million, on 30 November 2025 (\$200 million utilised at 31 December 2022);
- 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 1H23 and 1H22, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note.

#### (b) Other Short-Term Borrowings

On 28 April 2022, a subsidiary of the Company entered into a Floating Rate Loan Facility with the ANZ Bank with a total limit of \$120 million, repayable on 31 October 2022. On 4 December this Facility was reduced to \$80 million with the termination date of the Facility extended to 28 February 2023. As at 31 December 2022, the Facility was not utilised. In addition, a short term facility with a limit of \$10.99 million in Singapore secured by the securities pursuant to the Syndicated Facility Agreement remains unutilised as at 31 December 2022. A short term facility with a limit of \$1.00 million in Malaysia secured by the securities pursuant to the Syndicated Facility Agreement remains unutilised as at 31 December 2022.

Of the total other short-term borrowings of \$34.93 million (December 2021: \$39.07 million):

- a total of \$7.10 million (2021: nil) in Ireland is secured by fixed and floating charges over the property at Eastgate Retail Park in Little Island, Cork, repayable by 30 June 2023. The total facility limit is \$34.84 million and was fully utilised as at 31 December 2022 with \$7.10 million classified as current borrowings, with the remaining \$27.74 million classified as non-current borrowings.
- a total of \$24.54 million (2021: \$25.95 million) in Slovenia and Croatia, with a maturity date of 4 December 2023, is secured by the securities given pursuant to the Syndicated Facility Agreement and has a total facility limit of \$51.89 million as at 31 December 2022.
- a total of \$3.29 million (2021: \$3.06 million) relates to a revolving credit facility with ANZ in Singapore and has a total facility limit of \$5.49 million as at 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### CONSOLIDATED

December  
2022

June  
2022

December  
2021

## 18 Financing Facilities Available

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

### Total facilities:

Bank overdraft	46,936	45,834	47,656
Other borrowings	184,213	223,573	72,394
Commercial bank bills	5,400	5,400	5,400
Syndicated Facility	810,000	610,000	610,000
<b>Total Available Facilities</b>	<b>1,046,549</b>	<b>884,807</b>	<b>735,450</b>

### Facilities used at reporting date:

Bank overdraft	14,223	14,446	14,650
Other borrowings (current)	34,931	36,795	39,071
Other borrowings (non-current)	27,742	28,522	-
Commercial bank bills (current)	5,400	5,400	5,400
Syndicated Facility (current)	-	200,000	200,000
Syndicated Facility (non-current)	790,000	410,000	210,000
<b>Total Used Facilities</b>	<b>872,296</b>	<b>695,163</b>	<b>469,121</b>

### Facilities unused at reporting date:

Bank overdraft	32,713	31,388	33,006
Other borrowings	121,540	158,256	33,323
Syndicated Facility	20,000	-	200,000
<b>Total Unused Facilities</b>	<b>174,253</b>	<b>189,644</b>	<b>266,329</b>

## 19 Lease Liabilities

<b>Lease liabilities at beginning of the period</b>	<b>1,204,628</b>	<b>1,178,665</b>	<b>1,178,665</b>
New, modified and re-measured leases	157,988	163,999	58,184
Interest on lease liabilities	24,382	41,738	20,751
Lease payments	(96,987)	(179,353)	(88,503)
Foreign currency	15,568	(421)	5,000
<b>Lease liabilities as at the reporting date</b>	<b>1,305,579</b>	<b>1,204,628</b>	<b>1,174,097</b>
Lease liabilities (current)	146,132	139,288	137,509
Lease liabilities (non-current)	1,159,447	1,065,340	1,036,588
<b>Lease liabilities as at the reporting date</b>	<b>1,305,579</b>	<b>1,204,628</b>	<b>1,174,097</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) – 31 DECEMBER 2022

## 20 Other Liabilities

	CONSOLIDATED		
	December 2022 \$000	June 2022 \$000	December 2021 \$000
Total other liabilities (current)	151,132	126,236	142,393
Total other liabilities (non-current)	829	1,539	862

## 21 Provisions

Employee entitlements	37,363	37,059	39,870
Total provisions (current)	37,363	37,059	39,870
Employee entitlements	2,364	2,546	2,496
Lease make good	7,914	7,715	7,784
Total provisions (non-current)	10,278	10,261	10,280

## 22 Contributed Equity

Ordinary shares	717,925	717,925	717,925
Total contributed equity	717,925	717,925	717,925
	NUMBER OF SHARES		
	December 2022	June 2022	December 2021
Number of ordinary shares issued and fully paid	1,246,006,654	1,246,006,654	1,246,006,654

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

	December 2022 No. of shares	December 2022 \$000
<b>Movements in ordinary shares on issue</b>		
Balance at 1 July 2022	1,246,006,654	717,925
Issue of shares	-	-
Balance at end of the period	1,246,006,654	717,925



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 23 Retained Profits and Dividends

Movements in retained profits were as follows:

	CONSOLIDATED		
	December 2022 \$000	June 2022 \$000	December 2021 \$000
Balance at beginning of the period	3,254,936	2,879,511	2,879,511
Profit for the period	365,900	811,527	430,913
Dividends paid	(218,050)	(436,102)	(186,901)
<b>Balance at end of the period</b>	<b>3,402,786</b>	<b>3,254,936</b>	<b>3,123,523</b>

Dividends declared and paid on ordinary shares:

Final fully-franked dividend for 2022: 17.5 cents (2021: 15.0 cents)	218,050	186,901	186,901
Interim fully-franked dividend for 2022: 20.0 cents	-	249,201	-
<b>Total dividends paid</b>	<b>218,050</b>	<b>436,102</b>	<b>186,901</b>

The final dividend of \$218.05 million, fully franked, for the year ended 30 June 2022 was paid on 14 November 2022.

The interim dividend of 13.0 cents per share, totalling \$161.98 million, fully-franked, for the year ended 30 June 2023 will be paid on 1 May 2023 to shareholders registered at the close of business on 3 April 2023.

#### Franking account balance:

The amount of franking credits available for subsequent financial periods are :

- franking account balance as at the end of the financial period at 30%	595,481	553,700	554,928
- franking credit balance that will arise from the payment of income tax payable as at the end of the financial period	5,000	49,284	48,390
- franking credits that will be utilised in the payment of the proposed interim/final dividend	(69,420)	(93,450)	(106,801)
<b>Amount of franking credits available for future reporting periods</b>	<b>531,061</b>	<b>509,534</b>	<b>496,517</b>

### 24 Non-Controlling Interests

Interest in:

- Ordinary shares	1,091	1,091	1,091
- Reserves	15,558	14,478	13,643
- Retained earnings	17,141	17,524	14,979
<b>Total non-controlling interests</b>	<b>33,790</b>	<b>33,093</b>	<b>29,713</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 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 2022	245,448	27,572	20,490	13	10,921	(16,274)	288,170
Revaluation of land and buildings	(11,835)	-	-	-	-	-	(11,835)
Tax effect of revaluation of land and buildings	1,598	-	-	-	-	-	1,598
Currency translation differences	-	34,612	-	-	-	-	34,612
Unrealised loss on financial assets at fair value through other comprehensive income	-	-	(3,431)	-	-	-	(3,431)
Reverse expired or realised cash flow hedge reserves	-	-	-	(13)	-	-	(13)
Net gain on forward foreign exchange contracts	-	-	-	22	-	-	22
Tax effect on net loss on forward foreign exchange contracts	-	-	-	(6)	-	-	(6)
Net loss on interest rate swap contract	-	-	-	(2,270)	-	-	(2,270)
Tax effect on net loss on interest rate swap contract	-	-	-	682	-	-	682
Cost of share based payments	-	-	-	-	2,672	-	2,672
Utilisation of employee equity benefits reserve	-	-	-	-	(2,287)	-	(2,287)
At 31 December 2022	235,211	62,184	17,059	(1,572)	11,306	(16,274)	307,914
At 31 December 2021	223,219	48,957	27,909	(24)	9,327	(16,274)	293,114

CONSOLIDATED		
December 2022 \$000	June 2022 \$000	December 2021 \$000

### 26 Cash and Cash Equivalents

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

Cash and cash equivalents comprise the following:

Cash at bank and on hand	224,625	155,158	349,115
Short-term money market deposits	101,133	93,646	62,602
	325,758	248,804	411,717
Bank overdraft (refer to Note 17)	(14,223)	(14,446)	(14,650)
Cash and cash equivalents at end of the period	311,535	234,358	397,067

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### CONSOLIDATED

December  
2022  
\$000

December  
2021  
\$000

## 26 Cash and Cash Equivalents (continued)

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

Profit after tax	369,751	433,682
<b>Adjustments for:</b>		
Net foreign exchange losses	204	(103)
Allowance for expected credit loss	(3,074)	(187)
Share of net profit from joint venture entities	(4,698)	(4,407)
Depreciation of property, plant and equipment	35,293	34,675
Depreciation of right-of-use assets	34,553	33,046
Fair value re-measurement of investment properties (leasehold): right-of-use assets	52,856	38,573
Amortisation	8,938	10,361
Impairment of right-of-use assets	-	996
Revaluation of freehold investment properties	(106,890)	(129,375)
Executive remuneration expenses	4,735	4,253
Profit on disposal and sale of property, plant and equipment and the revaluation of listed securities	(4,773)	(1,974)
<b>Changes in assets and liabilities:</b>		
<b>(Increase)/decrease in assets:</b>		
Receivables	(64,715)	158,141
Inventories	(76,966)	(82,894)
Other assets	(16,643)	(28,008)
<b>Increase/(decrease) in liabilities:</b>		
Payables and other current liabilities	161,224	179,915
Income tax payable	(51,816)	(85,817)
Provisions	3,095	5,287
<b>Net cash flows from operating activities</b>	<b>341,074</b>	<b>566,164</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 27 Investments Accounted for Using the Equity Method

	CONSOLIDATED		
	December 2022 \$000	June 2022 \$000	December 2021 \$000
Total investments accounted for using the equity method	2,427	1,502	1,960

	Ownership interest		Contribution to Profit / (Loss) Before Tax	
	December 2022	December 2021	December 2022	December 2021
Noarlunga (Shopping complex)	50%	50%	886	819
Perth City West (Shopping complex)	50%	50%	1,269	1,118
Warrawong King St (Shopping complex) (a)	62.5%	62.5%	577	534
Dubbo (Shopping complex)	50%	50%	292	342
Bundaberg (Land held for investment)	50%	50%	5	-
Gepps Cross (Shopping complex)	50%	50%	1,662	1,588
QCV (Miners residential complex)	50%	50%	7	6
			4,698	4,407

- (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 31 December 2022, the assets held for sale balance of \$12.74 million (December 2021: \$13.06 million) represents the carrying amount of a warehouse in Singapore that is currently held for sale.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) - 31 DECEMBER 2022

### 29 Fair Value of Financial Instruments

The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.
- The fair value of current trade receivables and payables is assessed to equal carrying value due to the short-term nature of the assets. The fair value of interest-bearing loans and borrowings approximates their carrying amounts.
- The fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments for non-option derivatives and option pricing models for option derivatives.

All financial instruments for which fair value is recognised or disclosed are categories within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities
- Level 2 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)
- Level 3 – Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the consolidated entity determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

As at 31 December 2022, the consolidated entity held the following classes of financial instruments measured at fair value:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial Assets</b>				
Listed investments	58,054	-	-	58,054
Other investments	-	-	8,229	8,229
Foreign exchange contracts	-	23	-	23
<b>Total Financial Assets</b>	<b>58,054</b>	<b>23</b>	<b>8,229</b>	<b>66,306</b>
<b>Financial Liabilities</b>				
Interest rate swap	-	2,270	-	2,270
Foreign exchange contracts	-	135	-	135
<b>Total Financial Liabilities</b>	<b>-</b>	<b>2,405</b>	<b>-</b>	<b>2,405</b>

## OTHER INFORMATION

### 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	
	December 2022	December 2021
<b>Net Tangible Assets Per Security</b>		
Net tangible asset backing per ordinary security	\$3.90	\$3.61

The NTA as at 31 December 2022 includes the right-of-use assets in respect of property, plant and equipment leases of \$533.47 million and investment properties (leasehold) of \$702.18 million, and the lease liabilities recognised under AASB 16 *Leases* of \$1,305.58 million. If the right-of-use assets were excluded as at 31 December 2022, the NTA calculation would have been \$2.90 per ordinary security (31 December 2021: \$2.71).

### 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 period 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 period	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 period 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 period	N/A	N/A

## DIRECTORS' DECLARATION

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

In the opinion of the directors:

- (a) the financial statements, notes and the additional disclosures included in the Directors' Report of the consolidated entity for the half-year ended 31 December 2022 are in accordance with the Corporations Act 2001, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) there are reasonable ground to believe that the consolidated entity will be able to pay its debts as and when they become due and payable

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the half-year ended 31 December 2022.

On behalf of the Board.

**G. HARVEY**

Chairman  
Sydney  
28 February 2023

**K.L. PAGE**

Chief Executive Officer  
Sydney  
28 February 2023

## Independent auditor's review report to the members of Harvey Norman Holdings Limited

### Conclusion

We have reviewed the accompanying half-year financial report of Harvey Norman Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

- a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and
- b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### Directors' responsibilities for the half-year financial report

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

### Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.





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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Ernst & Young*

Ernst & Young

James Karekinian  
Partner  
Sydney  
28 February 2023

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