Harvey Norman HOLDINGS LIMITED

APPENDIX 4E
YEAR ENDED 30 JUNE 2011

Key Dates	
30 August 2011	Announcement of Full Year Profit to 30 June 2011 Announcement of Final 2011 Dividend
4 November 2011	Record date for determining entitlement to Final 2011 Dividend
29 November 2011	Annual General Meeting of Shareholders The Annual General Meeting of the Shareholders of Harvey Norman Holdings Limited will be held at Tattersalls 181 Elizabeth Street, Sydney, at 11:00am
5 December 2011	Payment of Final 2011 Dividend
28 February 2012	Announcement of Half-Year Profit to 31 December 2011 Announcement of Interim 2012 Dividend
13 April 2012	Record date for determining entitlement to Interim 2012 Dividend
7 May 2012	Payment of Interim 2012 Dividend

Company Information	
Registered Office	A1 Richmond Road Homebush West NSW 2140 Ph: 02 9201 6111 Fax: 02 9201 6250
Company Secretary	Mr Chris Mentis
Share Registry	Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 Ph: 02 9290 9600
Stock Exchange Listing	Harvey Norman Holdings Limited shares are quoted on the Australian Securities Exchange Limited (“ASX”)
Bankers	Australia and New Zealand Banking Group Limited
Auditors	Ernst & Young
Solicitors	Brown Wright Stein

Contents

Financial Highlights	FY2007	FY2008	FY2009	FY2010	FY2011
no. of franchised outlets in Australia[1]	192	194	195	194	195
no. of company-owned stores[2]	53	66	69	70	96
franchisee sales revenue[1]	$4.50bn	$4.86bn	$5.06bn	$5.19bn	$5.08bn
company-owned sales revenue[2]	$1,329.43m	$1,428.85m	$1,440.65m	$1,344.46m	$1,556.38m
other revenues and other income items from continuing operations	$1,005.46m	$1,058.16m	$1,035.10m	$1,097.39m	$1,122.46m
earnings before interest and tax (EBIT) from continuing operations	$522.27m	$555.11m	$382.95m	$420.10m	$416.92m
profit from continuing operations after tax and non-controlling interests	$324.10m	$358.45m	$214.35m	$231.41m	$252.26m
profit from discontinued operations after tax and non-controlling interests	$83.15m	$0m	$0m	$0m	$0m
net profit after tax and non - controlling interests	$407.25m	$358.45m	$214.35m	$231.41m	$252.26m
net cash flows from operating activities	$444.43m	$289.45m	$442.50m	$386.87m	$358.97m
basic earnings per share	30.63c	33.76c	20.18c	21.78c	23.75c
dividends per share (fully franked)	11.0c	14.0c	11.0c	14.0c	12.0c
return on invested capital (ROIC) %	24.36%	22.66%	15.39%	16.80%	15.30%
debt to equity ratio (%)	32.58%	29.12%	28.49%	23.23%	29.16%

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

2 Includes the "Harvey Norman" and "Norman Ross" branded company-owned stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia and Slovenia and the "Clive Peeters", "Rick Hart" and "OFIS" brand names in Australia. The OFIS brand ceased during the last quarter of the June 2009 financial year.

Business Performance

Our integrated retail, franchise and property system is sustainable and robust, despite the current economic and market headwinds. We have a strong balance sheet underpinned by a $2.04 billion property portfolio and generate strong free net cashflows from our franchising operations segment. Furniture and bedding franchisees continue to outperform the Australian market. Electrical and computer franchisees have maintained their dominant market position despite intense competition and deflationary pressure in key categories.

Although retail trading conditions remain challenging, our integrated retail, franchise and property system has delivered a net profit from continuing operations after tax and non-controlling interests of $252.26 million for the year ended 30 June 2011 compared to $231.41 million for the previous year, an increase of $20.85 million or 9.0%.

This solid result has been achieved by focusing on our core competencies and by the prudent allocation of resources to those activities and assets that are capable of generating long term sustainable growth and value for our stakeholders.

These core competencies include:

- *Investing in the growth and performance of our Franchising Operations segment:*

The result before tax of the franchising operations segment was $254.59 million for the year ended 30 June 2011 compared to a result of $310.68 million for the preceding year, a reduction of 18.1%. Our franchisees are committed to driving sales growth and growing market share. However, the strength of the Australian dollar, price deflation and intense competition has eroded average selling prices and, ultimately, retail gross profit margins. These factors have reduced franchise fees received.

Our franchisees have managed a difficult trading environment well and are in good stead to take advantage of any uplift in discretionary spending in the local market. We will continue to invest in the ongoing development of our robust franchise system and will continue to support our franchisees where necessary to effectively manage changing retail trends and varying consumer habits.

- *Investing in and maintaining the high standard of quality of our consolidated property portfolio:*

A strong property portfolio is an essential component of the Harvey Norman brand and integrated retail and franchise system. Sustained but prudent investment in the property portfolio offers strength to our balance sheet and provides us with a steady and reliable income stream in the form of rent charged to franchisees and other third party tenants. Our consolidated property portfolio is valued at $2.04 billion as at 30 June 2011. Property-related income has seen an increasing trend year upon year and the combination of rental growth and stabilising capitalisation rates has delivered a net revaluation increment of $15.46 million for our Australian investment property portfolio and joint venture entities for the year ended 30 June 2011.

We continued our store roll-out program in Australia and have opened two (2) Harvey Norman complexes, re-branded three (3) former Clive Peeters stores to the Harvey Norman brand and re-branded one (1) former Clive Peeters store to the Joyce Mayne brand. We opened three (3) Harvey Norman company-owned stores in offshore markets located in Novo Mesto, Slovenia in October 2010, Mont Kiara, Malaysia in January 2011 and Gisborne, New Zealand in May 2011.

We have invested in a number of extensive new developments currently under construction or refurbishment. The large-scale developments at Springvale, Victoria (opening in October 2011) and Maroochydore, Queensland (opening in October 2012) will be anchored by Harvey Norman and Domayne franchised complexes and a vast array of dynamic external tenants to showcase the attributes of a truly integrated retail, franchise and property system.

- *Maintaining a conservative gearing ratio*

We are conservatively geared and maintain a low debt to equity ratio of 29.16% and a low net debt to equity ratio of 21.87% as at 30 June 2011.

Throughout the 2011 financial year, we have embarked on a number of projects and opportunities that have the capacity to enhance our enterprise and strengthen our brand. Investment in our integrated retail, franchise and property system and the reorganisation of our investment in several controlled retail entities has necessitated a rise in funding requirements.

We will continue to take advantage of our strong balance sheet and low gearing to seize opportunities in the marketplace as they arise.

Financial Analysis and Commentary

■ Net Profit from Continuing Operations After Tax and Non-Controlling Interests

Net profit from continuing operations after tax and non-controlling interests was $252.26 million for the year ended 30 June 2011 compared with $231.41 million for the previous year, an increase of $20.85 million or 9.0%.

This increase is mainly attributable to:

- the net property revaluation increment of $15.46 million before tax ($10.82 million after tax) recorded by the Australian investment property portfolio and joint venture entities for the current year compared to a net revaluation decrement of $39.91 million before tax ($27.93 million after tax) in prior year, a turnaround of $55.37 million before tax (or $38.75 million after tax);
- an increase of $16.70 million before tax ($11.69 million after tax) in rent received from franchisees and third party tenants;
- a reduction in the losses incurred by the company-run operations in the Republic of Ireland and Northern Ireland by $12.55 million before and after tax attributable to favourable foreign currency movements, lower impairment charges recognised during the current year and operational efficiencies and cost control measures implemented by management during the year;
- the profit of $7.34 million before tax ($5.14 million after tax) recognised on the sale of a development property located in Mentone, Victoria;
- a rise of $4.24 million before tax ($2.97 million after tax) in the market value of the listed public securities and dividends received by the consolidated entity relative to prior year; and
- the stronger result generated by the retail operations in Singapore, Malaysia and Slovenia which have increased profitability by $4.65 million before tax collectively compared to the previous year.

The impact of the above increases have been minimised by the following decreases in profit:

- a reduction in the profitability of the franchising operations segment by $56.09 million or 18.1% before tax ($39.26 million after tax) due to lower franchise fees collected during the year;
- start-up investment costs and trading losses of $41.07 million before tax ($28.75 million after tax) incurred in the Clive Peeters and Rick Hart operations since its acquisition in July 2010; and
- a reduction in the result of the retail operations in New Zealand by $5.63 million before tax ($3.94 million after tax) due to the turbulent trading environment which has deteriorated further pursuant to the GST increase in October 2010 and the major natural disasters in Christchurch.

The above factors contributed to a lower tax charge in the income statement by $34.16 million mainly attributable to:

- a reduction in profit before tax from $386.46 million in the previous year to $373.94 million in the current year, a decrease of $12.53 million;
- the recognition of deferred tax expense of $19.67 million in the previous year (nil in the current year) resulting from a New Zealand legislative change effectively excluding a tax deduction for future building depreciation expense; and
- an increase in the research and development tax concessions following increased capital expenditure on eligible information technology projects.

■ Franchising Operations Segment

The franchising operations segment in Australia delivered a lower segment result before tax of $254.59 million for the year ended 30 June 2011 compared with a segment result of $310.68 million for the previous year, a decrease of 18.1%.

The reduction in franchisee sales revenue has translated into a decrease in the profitability of the franchising operations segment. Franchise fees received during the year decreased. Franchisees continued to grow market share across key product categories. Franchisees are well placed to take advantage of any improvement in discretionary retail.

The franchising operations margin is calculated as the segment result before tax of the franchising operations segment over franchisee aggregate sales revenue. The franchising operations margin was 5.01% for the year ended 30 June 2011 compared to 5.99% for the year ended 30 June 2010.

Franchising Operations Segment (continued)

The table below shows the franchising operations margin for the following half-year ("HY") and full-year ("FY") periods.

Franchising Operations Margin	FY June 2009		FY June 2010		FY June 2011	
no. of franchised outlets in Australia[1]	195		194		195	
franchising operations segment result before tax	$293.04m		$310.68m		$254.59m	
franchisee sales revenue[1]	$5.06bn		$5.19bn		$5.08bn	
franchising operations margin (%)	**5.79%**		**5.99%**		**5.01%**	
	HY Dec-08	**HYJun-09**	**HY Dec-09**	**HY Jun-10**	**HY Dec-10**	**HY Jun-11**
no. of franchised outlets in Australia[1]	198	195	195	194	198	195
franchising operations segment result before tax	$148.17m	$144.87m	$186.79m	$123.89m	$150.36m	$104.23m
franchisee sales revenue[1]	$2.61bn	$2.45bn	$2.78bn	$2.41bn	$2.74bn	$2.34bn
franchising operations margin (%)	5.67%	5.91%	6.71%	5.15%	5.48%	4.46%

[1] Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity

Franchising Operations Segment Key Statistics:	2007	2008	2009	2010	2011
Franchising operations margin	6.30%	5.88%	5.79%	5.99%	5.01%
Return on franchising operations equity (a)	49.63%	47.95%	44.12%	44.13%	37.52%
Return on franchising operations assets (b)	27.08%	27.75%	24.85%	25.70%	20.88%
	$000	$000	$000	$000	$000
Revenue from franchising operations	828,676	865,836	913,312	944,323	938,927
Franchising operations EBITDA	356,035	354,454	377,277	384,800	332,459
Net operating cash flows from franchising operations	287,298	312,439	280,708	286,907	301,771

(a) Calculated as: EBIT from Franchising Operations ÷ Franchising Operations Equity*
[*equity allocated to franchising operations segment based on franchising operations assets as a proportion of total assets]
(b) Calculated as: EBIT from Franchising Operations ÷ Franchising Operations Segment Assets (after eliminations)

■ *Sales Revenue of Franchisees in Australia:*

Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Retail sales in Harvey Norman, Domayne and Joyce Mayne complexes in Australia are made by independently owned franchised business entities that are not consolidated with the consolidated entity's results.

Australian franchisee sales data for the year ended 30 June 2011 indicated the following:

- Furniture and bedding franchisees continue to grow revenue and market share despite continued slowdown in the industry. We expect that our brands will again outperform the market in FY12.
- Electrical franchisees are operating in an extremely challenging environment accentuated by the strength of the Australian dollar. Price deflation in the television category has continued and has resulted in reduced revenues, however transactions continue to grow. The franchisees' continued focus on white goods, cooking, home appliances and floor care has resulted in growth in these categories. Deflation will continue to dampen revenue growth in the coming year.
- Computer franchisee sales continue to be affected by a cautious consumer. Average selling price (ASP) declines are hiding positive unit sales growth in major categories. We believe the IT retail industry is entering a new phase of product re-generation with great mainstream technology, where new product lines in major categories are offering real benefits for consumers. "Tablets", "Smart Phones", "Ultrabooks", "All in One Computers" and new generation DSLR cameras offer the next generation of exciting products. Harvey Norman franchisees are well positioned to continue to lead this market.

■ Acquisition of Clive Peeters and Rick Hart Retail Brands and Assets

On 1 July 2010 Harvey Norman CP Pty Limited, a wholly-owned subsidiary of Harvey Norman Holdings Limited, entered into an Asset Sale Agreement ("ASA") with Clive Peeters Limited ACN 058 868 018 (Administrators Appointed) (Receivers & Managers Appointed) ("CP") and certain associated companies of CP to purchase certain assets for an estimated purchase price of $55 million inclusive of GST. The ASA was completed on 7 July 2010 and, subsequent to the satisfactory completion of the due diligence by management, a final purchase price of $54.75 million inclusive of GST was agreed with the Receivers.

The inventory and plant and equipment assets of each of the twenty-eight (28) Clive Peeters and Rick Hart stores and the Rick Hart seconds store listed in the table below, the know-how and intellectual property rights and systems of the Vendors were acquired less an allowance for employee entitlement provisions and customer deposits received in advance. There was no goodwill recognised pursuant to the Clive Peeters business combination as the purchase consideration paid for the net assets acquired approximated fair value as at acquisition date.

■ Clive Peeters and Rick Hart – Sales and Profit Performance

Consolidated sales revenue for the year ended 30 June 2011 was $209.20 million for Clive Peeters and $70.46 million for Rick Hart, a total of $279.66 million for the two brands. This was below management's expectations highlighting the impact of the damage to the brands prior to acquisition and the lead-time for customer acceptance and confidence following the period of receivership. Heavy discounting continued post acquisition to expedite the sale of inventory acquired from the former business whilst management focused on building a stronger retail offering to consumers by implementing a new computer business. The subdued sales result was compounded by the difficult trading conditions experienced by all retailers and price deflation on electrical goods.

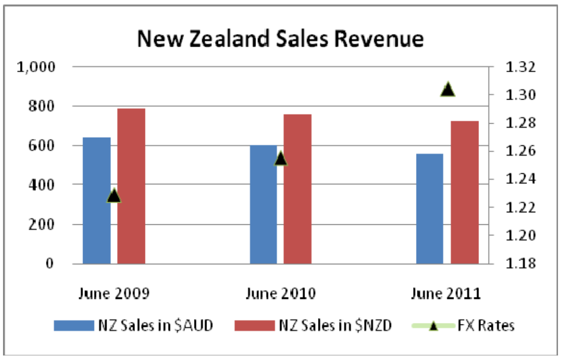
The consolidated result for the Clive Peeters and Rick Hart brands for the year ended 30 June 2011 was a loss of $41.07 million before tax. This loss reflects investment costs in attempting to rebuild the damaged Clive Peeters and Rick Hart brands. Significant investment costs included higher advertising and promotion costs to repair the brand, start-up costs associated with establishing the new computer business and the costs associated with altering and integrating the existing operations into the Harvey Norman system. The consolidated entity has determined that the Clive Peeters and Rick Hart retail operations were not viable businesses in its current form and as a result of worsening economic circumstances. The consolidated entity has acted decisively to cease trading under the impaired brands. In August 2011, the consolidated entity announced its intention to close seven (7) stores and to convert the eighteen (18) remaining stores to the Harvey Norman and Joyce Mayne brand formats.

The closure of the 4 Clive Peeters and 3 Rick Hart stores will result in a charge against the pre-tax profit of the consolidated entity of an amount presently estimated to be approximately $10 million in respect of the financial year ending 30 June 2012.

Clive Peeters	** Rebranding to Harvey Norman and Joyce Mayne formats will commence in September 2011 and will be completed by December 2011*		
Victoria		*Queensland*	
▪ Bendigo	Closure (Aug 2011)	▪ Aspley	Rebrand to Harvey Norman *
▪ Braybrook	Rebrand to Harvey Norman *	▪ Bundaberg	Rebranded to Joyce Mayne in Oct 2010
▪ Coburg	Rebrand to Harvey Norman *	▪ Burleigh Waters	Rebrand to Harvey Norman *
▪ Dandenong	Closure (Aug 2011)	▪ Loganholme	Rebrand to Harvey Norman *
▪ Malvern	Closure (Aug 2011)	▪ Macgregor	Rebrand to Harvey Norman *
▪ Moorabbin	Rebrand to Harvey Norman *	▪ Mackay	Rebrand to Joyce Mayne *
▪ Mornington	Rebrand to Harvey Norman *	▪ Maroochydore	Rebrand to Harvey Norman *
▪ Richmond	Rebrand to Harvey Norman *	▪ Maryborough	Rebranded to Harvey Norman in Sep 2010
▪ Ringwood	Rebrand to Harvey Norman *	▪ Morayfield	Rebrand to Joyce Mayne *
▪ Thomastown	Closure (Aug 2011)		
Tasmania		*New South Wales*	
▪ Moonah	Rebranded to Harvey Norman in Nov 2010	▪ Mt. Druitt	Rebranded to Harvey Norman in Aug 2010
Rick Hart			
Western Australia			
▪ Belmont	Rebrand to Harvey Norman *	▪ O'Connor	Closure (Aug 2011)
▪ Joondalup	Rebrand to Harvey Norman *	▪ Osborne Park	Rebrand to Harvey Norman *
▪ Mandurah	Closure (Aug 2011)	▪ Victoria Park	Rebrand to Harvey Norman *
▪ Midland	Rebrand to Harvey Norman *	▪ Osborne Park Seconds	Closure (Aug 2011)

■ Sales and Profitability of the Overseas Controlled Entities

New Zealand



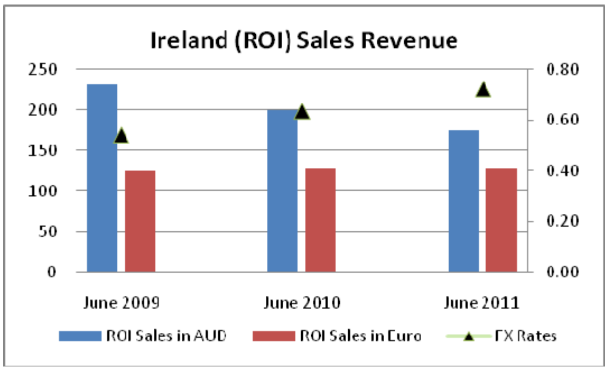
Sales revenue from the New Zealand company-owned stores decreased by $NZ29.42 million (decrease of 3.9%) due to the New Zealand downturn and low consumer sentiment. When sales in New Zealand were translated into Australian dollars for the purposes of this report, the decrease in sales revenue was $A45.31 million (decrease of 7.5%). This decrease is due to a 3.8% devaluation in the New Zealand dollar relative to the Australian dollar used for translation purposes.

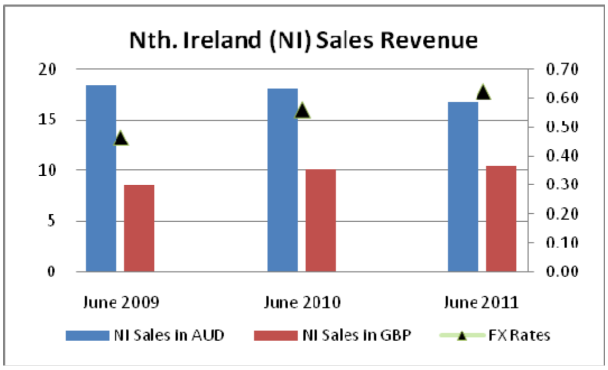
The retail segment result in New Zealand was $42.78 million for the year ended 30 June 2011 compared to $48.41 million for the previous year, a decrease of 11.6%. The decrease in local currency would have been 8.2%.

New Zealand's challenging retail environment was further exacerbated by the GST increase in October 2010 and the major Christchurch earthquakes in September 2010 and February 2011. The New Zealand economy remains challenging characterised by low consumer confidence, high inflation and the significant decline in property prices. Whilst unit sales have increased, New Zealand turnover and gross profit margins have been adversely impacted by significant price erosion of key products, consistent with trends seen across the globe.

The New Zealand operations are robust and continue to dominate and grow market share across key categories, despite the volatility in the New Zealand economy.

Republic of Ireland and Northern Ireland





Sales revenue from the company-owned stores in the Republic of Ireland decreased by €0.32 million (decrease of 0.3%) from €127.22 million in the previous year to €126.90 million for the year ended 30 June 2011. When sales in Ireland were translated into Australian dollars for the purposes of this report, sales revenue decreased by $25.03 million (decrease of 12.5%). This decrease is due to a 12.3% decline in the Euro relative to the Australian dollar used for translation purposes.

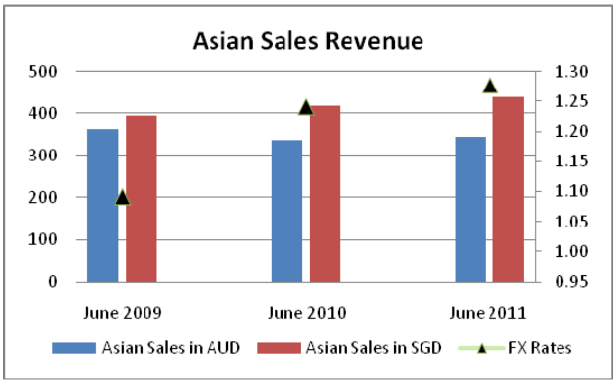
Sales revenue from the two company-owned stores in Northern Ireland increased by £0.32 million (increase of 3.2%) from £10.08 million in the previous year to £10.40 million for the year ended 30 June 2011. The sales increase can be attributed to increased brand awareness in Northern Ireland as the two (2) stores have been trading for over two years. When sales in Northern Ireland were translated into Australian dollars for the purposes of this report, sales revenue actually decreased by $1.30 million (decrease of 7.2%) due to a 10.0% decline in the UK Pound Sterling relative to the Australian dollar used for translation purposes.

The segment result for the operations in Ireland and Northern Ireland was a trading loss of $38.59 million for the current year compared to a loss of $51.14 million for the preceding year. The loss was reduced by $12.55 million or 24.5% partly due to the combination of an appreciation in the Australian dollar relative to the Euro, lower impairment charges recognised during the current year and cost control measures and operational efficiencies put in place by new management. We continue to grow market share in Ireland and are well positioned to take advantage of any improvement in macroeconomic conditions.

Ireland reported a loss of €24.54 million for the current year compared to a loss of €23.47 million in the previous year, an increase in loss of 4.6% in local currency. The Irish loss in Australian dollars improved on the previous year by 8.3%. Northern Ireland reported a loss of £2.93 million for the year compared to a loss of £7.94 million in the prior year, an improvement of 63.1% in local currency. In Australian dollars, the improvement in the Northern Ireland segment result was 66.8%. In the previous year ending 30 June 2010, the consolidated entity had incurred an impairment charge of $6.62 million attributable to the write-down of plant and equipment assets located in Northern Ireland.
The Board remains committed to Ireland for the long-term.

Sales and Profitability of Overseas Controlled Entities (continued)

Asia



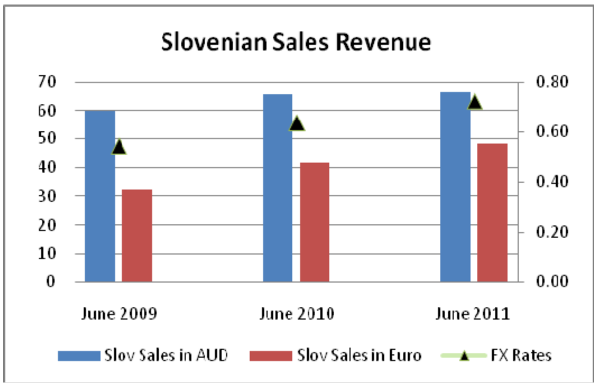
Sales revenue from the controlled entity Pertama Holdings Limited, Singapore, trading as "Harvey Norman" increased by $S20.87 million (increase of 5.0%). When sales in Singapore were translated into Australian dollars for the purposes of this report, the increase in sales was $A6.65 million (increase of 2.0%). There was a devaluation of 2.9% in the Singapore dollar relative to the Australian dollar used for translation purposes.

The Harvey Norman branded stores in Singapore and Malaysia continue to grow market share and outperform competitors. There has been an improvement in the segment result for the Asian operations during the year from $10.41 million in the previous year to $13.05 million for the year ended 30 June 2011, an increase of 25.4%. The increase in local currency was 29.1%.

The Harvey Norman stores in Singapore have performed well. The Malaysian operations are expected to be a growth area within the Asian segment. The investment in the "Space Furniture" brand in Singapore has resulted in a 13.5% increase in sales revenue.

Slovenia

Sales revenue from the company-owned stores in Slovenia increased by €6.33 million (increase of 15.2%) relative to the previous year. This increase is mainly attributable to the sales revenue recorded by the new store at Novo Mesto which commenced trading in October 2010 and a full year's trading of the Celje store which opened in August 2009.



When sales in Slovenia were translated into Australian dollars for the purposes of this report, the increase in sales was $A0.67 million (increase of 1.0%).

With the recent opening of Novo Mesto, there are now four (4) stores in Slovenia with strong market share in all categories. The segment result was $5.37 million for the year ended 30 June 2011 compared to $3.36 million for the preceding year.

Other Non-Franchised Retail

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

Sales revenue for the other non-franchised retail segment was $112.58 million for the year ended 30 June 2011 compared to $116.56 million for the previous year, a decrease of 3.4%.

The segment result for the non-franchised retail segment was a profit of $7.87 million for the current year compared to a profit of $7.02 million in the prior year, an improvement of $0.85 million or 12.1%.

Property Portfolio

Composition of the Property Portfolio

The Harvey Norman property portfolio consists of Harvey Norman, Domayne and Joyce Mayne complexes in Australia, Harvey Norman and Norman Ross stores in New Zealand, properties located in Singapore, four (4) Harvey Norman stores in Slovenia, properties held under joint venture agreements and land and buildings in Australia for development and resale at a profit.

Composition of the Property Portfolio	FY2007	FY2008	FY2009	FY2010	FY2011
Investment properties	1,020,906	1,178,784	1,316,572	1,393,991	1,401,158
Investment properties under construction	79,620	134,829	80,172	95,209	200,443
Joint venture properties	106,416	187,222	189,571	140,581	158,978
Owned land & buildings in New Zealand, Singapore and Slovenia	207,089	183,500	214,184	230,595	257,765
Properties held for resale	-	-	20,063	17,485	26,579
Total Property Portfolio	**1,414,031**	**1,684,335**	**1,820,562**	**1,877,861**	**2,044,923**

Benefits of Property Ownership

The ownership of a substantial property portfolio is an essential complement to the Harvey Norman brand and retail system. It enables shareholders to indirectly participate in the ownership of high-quality bulky goods retail and warehouse properties, geographically spread. Core properties within the portfolio comprise of bulky goods retail centres, stand-alone showrooms and warehouses.

Property ownership is integral to the success of the integrated retail, franchise and property system and delivers the following benefits to the consolidated entity:

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

Key Statistics Relating to the Australian Property Portfolio:

Australian Property Portfolio Statistics	FY2007	FY2008	FY2009	FY2010	FY2011
Weighted average capitalisation rates	8.69%	8.21%	8.36%	8.7%	8.77%
Average occupancy rates	98.56%	98.46%	97.89%	96.96%	97.56%
Net property yield (a)	14.11%	14.95%	6.76%	4.61%	9.10%
Return on equity (b)	25.86%	25.84%	12.00%	7.91%	16.35%
Australian Retail Property Portfolio:	**$000**	**$000**	**$000**	**$000**	**$000**
Australian Retail Property Segment Result	139,128	177,666	82,813	53,639	123,313
Australian Retail Property EBIT	156,228	189,783	96,044	67,457	141,051
Revaluation increment/(decrement):					
(a) Australian investment properties	64,483	64,709	(4,620)	(30,052)	15,297
(b) Share of joint venture properties	866	37,572	14,304	(9,854)	158
Total revaluation increment/(decrement)	65,349	102,281	9,684	(39,906)	15,455

(a) Calculated as: EBIT from Australian Retail Property Segment ÷ Australian Retail Property Segment Assets (after eliminations)
(b) Calculated as: EBIT from Australian Retail Property Segment ÷ Australian Retail Property Equity*
[*equity allocated to Australian retail property segment based on Australian retail property assets as a proportion of total assets]

New Developments and Store Refurbishment Programme

The consolidated entity has embarked on an extensive new development and store refurbishment programme that is driven by a commitment to growing the Harvey Norman brands and maintaining the high standard of presentation of the franchised complexes and company-owned stores. The highlights of the programme are large-scale developments at Springvale and Maroochydore and a boutique restoration in Singapore to house the flagship Space Furniture retail brand.

Springvale, VIC: Opening October 2011
Springvale is a landmark development that showcases for the first time the joint retail powers of Harvey Norman and IKEA together under one roof. The development includes both Harvey Norman and Domayne as part of the 72,000 sqm centre.

Maroochydore, QLD: Opening October 2012
The Maroochydore development is well located close to the CBD. The centre will boast over 32,600 sqm of lettable area anchored by Harvey Norman and Domayne. Construction of the multi-level centre commenced in April 2011 and is due for completion in October 2012.

Bencoolen Street, Singapore: Opening September 2011
In Singapore, a mixture of conservation restoration and cutting-edge design will combine to form the new SPACE Asian hub. The heritage site in the very heart of Singapore's arts district was purchased in 2007. An intense design and construction programme will see the world class showroom open in September 2011.

Breakdown of Owned and Leased Complexes

30 June 2011	Number of Owned Sites	Leased**	Total
Australia: Franchised complexes	74	121	**195**
Australia: Clive Peeters & Rick Hart	0	25	**25**
New Zealand	15	16	**31**
Slovenia	4	0	**4**
Ireland & Northern Ireland	0	16	**16**
Asia	0	20	**20**
TOTAL	**93**	**198**	**291**

** leased from external parties

■ Geographic Spread

This diagram displays the geographic spread of the franchised Harvey Norman ("HN"), Domayne ("DM") and Joyce Mayne ("JM") franchised complexes in the Australian market, the Harvey Norman and Norman Ross ("NR") branded company-owned stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia and Slovenia and the Clive Peeters ("CP") and Rick Hart ("RH") branded company-owned stores in Australia as at 30 June 2011.

■ Acquisitions, New Complex and Store Openings, Closures and Conversions

Store Openings Due to Acquisitions

In July 2010 the consolidated entity acquired the Clive Peeters and Rick Hart brand names and the inventory and plant and equipment assets of twenty-eight (28) former CP and RH stores and a discounts "seconds" store at Osborne Park. The retail sites continued to trade under the Clive Peeters and Rick Hart brand names, with the exception of the following stores located at Mt. Druitt, Maryborough and Moonah, which were rebranded to Harvey Norman, and Bundaberg which was rebranded to Joyce Mayne during the year.

As at 30 June 2011, there were seventeen (17) CP stores located in Victoria and Queensland and seven (7) Rick Hart stores and one (1) Rick Hart seconds store located in Western Australia.

In August 2011, the consolidated entity announced its intention to restructure the Clive Peeters and Rick Hart businesses with the proposed closure of seven (7) CP and RH retail sites and the conversion of sixteen (16) CP and RH stores to the Harvey Norman brand format and two (2) CP stores to the Joyce Mayne brand format. This restructure will take place during the first half of the 2012 financial year.

Franchised Complex Openings, Conversions and Closures

Two (2) new franchised Harvey Norman complexes, located at Morwell and Ipswich, commenced trading during the current year. There were 195 franchised complexes in Australia as at 30 June 2011 under the following brand names:

- Harvey Norman 166
- Domayne 15
- Joyce Mayne 14

Included in the above figures are the rebranding of the HN Bernoths store at Toowoomba and the former CP Bundaberg store to Joyce Mayne and the rebranding of three (3) former CP stores to Harvey Norman.

One (1) Harvey Norman franchised complex located at Ulverstone, Tasmania ceased trading during the year.

Company-Owned Store Openings and Closures in Offshore Markets

One (1) new store was opened in Novo Mesto, Slovenia in October 2010 bringing the total number of stores in Slovenia to four (4). In New Zealand, one (1) new Harvey Norman store opened in May 2011 at Gisborne and the Lower Hutt Norman Ross store ceased trading. There are thirty-one (31) stores in total in New Zealand under the Harvey Norman and Norman Ross brand names. There are seven (7) HN stores in Malaysia with the opening of a new store at Mont Kiara in January 2011. There are thirteen (13) HN stores in Singapore following one (1) store closure during the year. We remain committed to our company-owned stores in the Republic of Ireland and Northern Ireland with fourteen (14) and two (2) HN stores respectively.

There were 71 company-owned stores located in offshore markets as at 30 June 2011.

■ Outlook

In the midst of challenging macroeconomic conditions, the outlook for the integrated retail, franchise and property system of the company remains positive. There is a clear strategy that is supported by a strong asset base.

The franchising operations within Australia are performing strongly in the cooking, white goods, and furniture and bedding categories. Intense competition and the improved and ongoing strength of the Australian dollar has continued to drive deflationary pressure within the electrical and computer categories. The franchise system remains strong in this challenging market.

The most significant addition to our business in the first half of the 2012 financial year will be the launching of our e-commerce site for Harvey Norman in early October 2011. Using market intelligence we have already gained from our successful photo-finishing and Domayne sites, we are confident our on-line transactional strategy will produce incremental dollars to the existing channel. Added to this, we will be pioneering a "software on demand" multi-channel offer as an extension to our successful photo-finishing business.

Our Irish business continues to outperform the Irish market although the economic environment remains very challenging. We continue to be resilient and committed to the Ireland and Northern Ireland markets.

Within New Zealand, our strong position will be enhanced by the positive stimulus that is expected from the commencement of the rebuilding of the city of Christchurch. A projected net population and employment growth within New Zealand, combined with the national economic uplift of the rugby world cup, has us well placed in this competitive market.

Within the property portfolio, the Springvale development in Victoria, comprising 72,000 sqm, will open in October 2011 accommodating Harvey Norman, Domayne and IKEA along with 25 other retail tenancies all integrated under the one roof. This landmark development will be the largest of its kind in Australia. Construction has recently commenced at Maroochydore Queensland to develop an internal centre comprising 32,600sqm of space, accommodating both Harvey Norman and Domayne along with 23 other retail tenancies. Completion is scheduled for October 2012.

We continue to grow market share within our Slovenian business despite the challenging European conditions. The Maribor store, opening in the north east of Slovenia in October 2011, will provide us with a broad coverage of Slovenia, bringing the total number of stores to 5. Maribor is Slovenia's second largest city, and we have high expectations from this 10,000 sqm store. October 2011 will also see the opening of our first Croatian store in the capital Zagreb. Croatia is set to join the European Union in 2013, which will provide us with many opportunities to continue our European growth and expansion. With a population of almost 1 million people, a catchment of approximately double this, and located 1 hour from Ljubljana (the capital of Slovenia) we anticipate the 9,500 sqm single-level leased Zagreb store to perform well.

The balance sheet of the company remains strong through conservative fiscal management. The low debt to equity ratio with tangible property assets in excess of $2 billion has the company well positioned to manage the core business within the respective territories and take advantage of opportunities in the future.

■ Equity

Consolidated equity as at 30 June 2011 was $2.23 billion compared to $2.16 billion at 30 June 2010 – an increase of $71.25 million or 3.3%. Of the total equity of $2.23 billion, an amount of $34.88 million (June 2010: $53.99 million) is attributable to non-controlling interests mainly relating to Pertama Holdings Limited, Singapore. The reduction of $19.11 million in equity relating to non-controlling interests is due to the on-market acquisitions during the year totalling 44,459,000 shares in Pertama Holdings Limited, Singapore by Harvey Norman Singapore Pte Limited, a wholly-owned subsidiary of Harvey Norman Holdings Limited. Consolidated equity was diluted by $6.92 million due to the consideration paid in excess of the carrying value of the non-controlling interest.

■ Dividend

The recommended final dividend is 6.0 cents per share fully franked (June 2010: 7.0 cents per share fully franked). This final dividend will be paid on 5 December 2011 to shareholders registered at 5:00 pm on 4 November 2011. No provision has been made in the Statement of Financial Position for this recommended final dividend.

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

G. HARVEY
Chairman
Sydney, 30 August 2011

	NOTE	CONSOLIDATED June 2011 $000	June 2010 $000
Current Assets			
Cash and cash equivalents	27(a)	**162,779**	157,236
Trade and other receivables	5	**1,065,232**	1,081,645
Other financial assets	6	**41,229**	34,400
Inventories	7	**336,742**	261,674
Other assets	8	**21,040**	20,913
Intangible assets	9	**322**	761
Total current assets		**1,627,344**	1,556,629
Non-Current Assets			
Trade and other receivables	10	**14,538**	25,182
Investments accounted for the using equity method	28	**158,978**	140,581
Other financial assets	11	**8,294**	7,171
Property, plant and equipment	12	**512,479**	439,033
Investment properties	13	**1,601,601**	1,489,200
Intangible assets	14	**58,294**	24,229
Deferred income tax assets		**22,481**	22,488
Total non-current assets		**2,376,665**	2,147,884
Total Assets		**4,004,009**	3,704,513
Current Liabilities			
Trade and other payables	15	**854,897**	739,715
Interest–bearing loans and borrowings	16	**105,275**	154,342
Income tax payable		**7,366**	41,040
Other liabilities	17	**1,603**	2,930
Provisions	18	**25,235**	23,326
Total current liabilities		**994,376**	961,353
Non-Current Liabilities			
Trade and other payables	19	**-**	23,332
Interest-bearing loans and borrowings	20	**546,483**	346,824
Provisions	21	**9,675**	8,819
Deferred income tax liabilities		**208,036**	184,990
Other liabilities	22	**16,978**	21,984
Total non-current liabilities		**781,172**	585,949
Total Liabilities		**1,775,548**	1,547,302
NET ASSETS		**2,228,461**	2,157,211
Equity			
Contributed equity	23	**259,610**	259,610
Reserves	24	**32,621**	56,418
Retained profits	25	**1,901,350**	1,787,196
Parent entity interests		**2,193,581**	2,103,224
Non-controlling interests	26	**34,880**	53,987
TOTAL EQUITY		**2,228,461**	2,157,211

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

	NOTE	CONSOLIDATED June 2011 $000	June 2010 $000
Continuing Operations			
Sales revenue	2	**1,556,384**	1,344,455
Cost of sales		**(1,129,517)**	(968,273)
Gross profit		**426,867**	376,182
Revenues and other income items	2	**1,122,459**	1,097,389
Distribution expenses		**(8,591)**	(8,108)
Marketing expenses		**(373,314)**	(355,039)
Occupancy expenses		**(217,637)**	(228,121)
Administrative expenses		**(447,951)**	(373,836)
Other expenses from ordinary activities		**(102,960)**	(85,773)
Finance costs	3	**(42,984)**	(33,638)
Share of equity accounted entities:			
- Share of net profit of joint venture entities	28	**17,888**	7,260
- Share of joint venture property revaluation	28	**158**	(9,854)
Profit from continuing operations before income tax		**373,935**	386,462
Income tax expense		**(114,315)**	(148,474)
Profit from continuing operations after tax		**259,620**	237,988
Attributable to:			
Owners of the parent		**252,255**	231,409
Non-controlling interests		**7,365**	6,579
		259,620	237,988
Earnings Per Share From Continuing Operations:			
Basic earnings per share (cents per share)	4	**23.75 cents**	21.78 cents
Diluted earnings per share (cents per share)	4	**23.75 cents**	21.78 cents
Dividends per share (cents per share)		**12.0 cents**	14.0 cents

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

	CONSOLIDATED	
	June 2011 $000	June 2010 $000
Profit for the year	**259,620**	237,988
Other comprehensive income		
Foreign currency translation	**(23,756)**	431
Net fair value gains on available-for-sale investments	**973**	981
Cash flow hedges:		
- Gain/(loss) taken to equity	**567**	(1,797)
- Transferred realised (losses)/gains to other income	**(57)**	67
- Transferred to Statement of Financial Position	**(4)**	450
Fair value revaluation of land and buildings	**(544)**	4,176
Income tax on items of other comprehensive income	**(1,988)**	415
Other comprehensive income for the year (net of tax)	**(24,809)**	4,723
Total comprehensive income for the year	**234,811**	242,711
Total comprehensive income attributable to:		
- Owners of the parent	**235,315**	237,303
- Non-controlling interests	**(504)**	5,408
	234,811	242,711

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-controlling Interest	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	**$000**
AT 1 JULY 2010	259,610	1,787,196	68,980	(20,107)	1,354	(1,201)	7,392	-	53,987	**2,157,211**
Other comprehensive income:										
Revaluation of land and buildings	-	-	(2,423)	-	-	-	-	-	60	**(2,363)**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	(61)	-	-	-	**(61)**
Currency translation differences	-	-	-	(15,827)	-	-	-	-	(7,929)	**(23,756)**
Fair value of interest rate swaps	-	-	-	-	-	394	-	-	-	**394**
Fair value of forward foreign exchange contracts	-	-	-	-	-	4	-	-	-	**4**
Fair value of available for sale financial assets	-	-	-	-	973	-	-	-	-	**973**
Other comprehensive income	-	-	(2,423)	(15,827)	973	337	-	-	(7,869)	**(24,809)**
Profit for the year	-	252,255	-	-	-	-	-	-	7,365	**259,620**
Total comprehensive income for the year	**-**	**252,255**	**(2,423)**	**(15,827)**	**973**	**337**	**-**	**-**	**(504)**	**234,811**
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(6,917)	(13,992)	**(20,909)**
Cost of share based payments	-	-	-	-	-	-	419	-	-	**419**
Reversal of share expenses	-	-	-	-	-	-	(359)	-	-	**(359)**
Dividends paid	-	(138,101)	-	-	-	-	-	-	(4,611)	**(142,712)**
AT 30 JUNE 2011	**259,610**	**1,901,350**	**66,557**	**(35,934)**	**2,327**	**(864)**	**7,452**	**(6,917)**	**34,880**	**2,228,461**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011 (CONTINUED)

	Attributable to Equity Holders of the Parent								
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Non-controlling Interest	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	**$000**
AT 1 JULY 2009	259,610	1,693,888	64,928	(21,715)	373	(460)	9,419	53,139	**2,059,182**
Other comprehensive income:									
Revaluation of land and buildings	-	-	4,052	-	-	-	-	-	**4,052**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	517	-	-	**517**
Currency translation differences	-	-	-	1,608	-	-	(6)	(1,171)	**431**
Fair value of forward foreign exchange contracts	-	-	-	-	-	2	-	-	**2**
Fair value of interest rate swaps	-	-	-	-	-	(1,260)	-	-	**(1,260)**
Fair value of available for sale financial assets	-	-	-	-	981	-	-	-	**981**
Other comprehensive income	-	-	4,052	1,608	981	(741)	(6)	(1,171)	**4,723**
Profit for the year	-	231,409	-	-	-	-	-	6,579	**237,988**
Total comprehensive income for the year	**-**	**231,409**	**4,052**	**1,608**	**981**	**(741)**	**(6)**	**5,408**	**242,711**
Cost of share based payments	-	-	-	-	-	-	843	-	**843**
Reversal of share based payments	-	-	-	-	-	-	(2,864)	-	**(2,864)**
Dividends paid	-	(138,101)	-	-	-	-	-	(2,800)	**(140,901)**
Distribution to members	-	-	-	-	-	-	-	(1,760)	**(1,760)**
AT 30 JUNE 2010	**259,610**	**1,787,196**	**68,980**	**(20,107)**	**1,354**	**(1,201)**	**7,392**	**53,987**	**2,157,211**

	NOTE	CONSOLIDATED June 2011 $000	June 2010 $000
Cash Flows from Operating Activities		Inflows/(Outflows)	
Net receipts from franchisees	A	**998,052**	1,016,090
Receipts from customers	B	**1,634,885**	1,392,072
Payments to suppliers and employees	C	**(2,130,828)**	(1,824,296)
Distributions received from joint ventures	D	**37,217**	7,811
GST paid	E	**(22,294)**	(49,837)
Interest received		**7,738**	5,786
Interest and other costs of finance paid	F	**(43,045)**	(33,515)
Income taxes paid		**(126,924)**	(132,752)
Dividends received		**2,587**	1,916
Cash flows from operating activities prior to consumer finance related cash flows		**357,388**	383,275
Consumer finance related cash flows:			
Consumer finance loans granted by the consolidated entity		**(1,330)**	(1,559)
Repayments received from consumers on consumer finance loans granted by consolidated entity		**2,915**	5,151
Consumer finance related cash flows		**1,585**	3,592
Net Cash Flows from Operating Activities	27(b)	**358,973**	386,867
Cash Flows from Investing Activities			
Payment for purchases of property, plant and equipment and intangible assets	G	**(170,783)**	(84,089)
Payment for the purchase of investment properties	G	**(172,709)**	(87,709)
Proceeds from sale of property, plant and equipment		**5,836**	8,287
(Payments) / proceeds from units in unit trusts		**(4)**	6
Payments for purchase of equity investments	H	**(5,643)**	(1,744)
Payments for purchase of listed securities		**-**	(3,487)
Proceeds from sale of listed securities		**4,838**	2,944
Loans repaid from other entities		**(6,776)**	2,752
Payment for purchase of shares in a controlled entity	I	**(21,485)**	-
Net Cash Flows Used In Investing Activities		**(366,726)**	(163,040)
Cash Flows from Financing Activities			
Proceeds from Syndicated Loan Facility	J	**164,500**	321,400
Dividends paid		**(138,101)**	(138,101)
(Repayments) / proceeds of loans from directors and other persons		**(1,149)**	8,824
Proceeds / (repayments) of borrowings	J	**322**	(376,415)
Net Cash Flows From / (Used In) Financing Activities		**25,572**	(184,292)
Net Increase / (Decrease) in Cash and Cash Equivalents		**17,819**	39,535
Cash and Cash Equivalents at Beginning of the Year		**100,910**	61,375
Cash and Cash Equivalents at End of the Year	27(a)	**118,729**	100,910

■ Commentary to the Statement of Cash Flows:

<A> Total revenue received from franchisees decreased from $1.024 billion for the prior year to $989.04 million for the year ended 30 June 2011, a decrease of $35.14 million or 3.4% (see note 2). As a result, net receipts from franchisees decreased by $18.04 million compared to the prior year.

<B> Sales revenue derived by company-owned stores increased for the year ended 30 June 2011 relative to the previous year due to the inclusion of seventeen (17) Clive Peeters stores, seven (7) Rick Hart stores and one (1) Rick Hart seconds store pursuant to the acquisition of the two brands in July 2010. The consolidated sales revenue for the year ended 30 June 2011 for Clive Peeters and Rick Hart was $279.66 million.

Three (3) new stores commenced trading in offshore markets located in Novo Mesto, Slovenia, Mont Kiara, Malaysia and Gisborne, New Zealand.

<C> The increase in payments to suppliers and employees is attributable to the acquisition of inventory of selected Clive Peeters and Rick Hart stores in July 2010 and the build up of inventory for the Clive Peeters and Rick Hart businesses.

The remainder of the increase relates to increased inventory payments and operating expenses by company-owned stores.

<D> The distributions received from joint venture entities in the current year included $21.99 million in proceeds received from the sale of a development property located in Mentone, Victoria.

<E> Net GST payments are lower by $27.54 million in the year ended 30 June 2011 compared to the previous year. The current year contained higher GST input tax credits (cash inflows) resulting from increased capital acquisitions and lower GST outputs (cash outflows) due to lower revenue received from franchisees.

<F> Interest and other costs of finance paid have increased by $9.53 million largely due to an increase in the utilised Syndicated Facility in Australia. The increase in interest rates in Australia also had the effect of increasing interest payments.

<G> Payments for the purchases of property, plant and equipment, intangible assets and investment properties increased by $171.69 million relative to the previous year. This increase is attributable to several significant property acquisitions during the current year including the At Home Centre at Penrith and several extensive new developments under construction including the Springvale complex in Victoria, the Maroochydore development in Queensland and the new SPACE Asian hub at Bencoolen Street in Singapore.

<H> The increase in payments for the purchase of equity investments is largely due to capital contributions required for a mining camp joint venture in Queensland of $4.79 million.

<I> During the current year, the consolidated entity acquired additional 44,459,000 shares in Pertama Holdings Limited, Singapore for a total purchase consideration of $21.49 million.

<J> On 2 December 2009, the Company entered into the Syndicated Facility Agreement (as defined in Note 20(a)) in relation to the Facility. Proceeds from the Facility were used to repay the short-term facility previously provided by the Australia and New Zealand Banking Group Limited of $220.00 million and the secured bill facility in Australia of $161.50 million. As at 30 June 2011, $485.90 million had been drawn down pursuant to the Facility to fund operating activities and investing activities including significant property acquisitions (see Note G above) and the Clive Peeters asset acquisition.

OPERATING SEGMENTS – 30 June 2011

SEGMENT REVENUE

	Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Share of Joint Venture Revaluation	Share of Net Profit/(Loss) of Equity Accounted Investments	**Segment Revenue**
	2011 $000	2011 $000	2011 $000	2011 $000	**2011 $000**
FRANCHISING OPERATIONS	3,836	935,091	-	-	**938,927**
Retail – New Zealand	557,959	11,986	-	-	**569,945**
Retail – Asia	343,901	2,519	-	-	**346,420**
Retail – Slovenia	66,395	406	-	-	**66,801**
Retail – Ireland & Northern Ireland	191,903	3,161	-	-	**195,064**
Non-Franchised Retail – Clive Peeters and Rick Hart	279,663	12,677	-	-	**292,340**
Other Non-Franchised Retail	112,578	2,738	-	-	**115,316**
TOTAL RETAIL	1,552,399	33,487	-	-	**1,585,886**
Retail Property	149	161,468	-	9,958	**171,575**
Property Under Construction for Retail	-	890	-	367	**1,257**
Property Development for Resale	-	(6,023)	158	7,563	**1,698**
TOTAL PROPERTY	149	156,335	158	17,888	**174,530**
Equity Investments	-	14,657	-	-	**14,657**
Other	-	12,248	-	-	**12,248**
Inter-company eliminations	-	(29,359)	-	-	**(29,359)**
Total from continuing operations	**1,556,384**	**1,122,459**	**158**	**17,888**	**2,696,889**

Operating Segments – 30 June 2011 (continued)

SEGMENT RESULT	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	**Segment Result Before Tax**
	2011 $000	2011 $000	2011 $000	2011 $000	**2011 $000**
FRANCHISING OPERATIONS	332,459	(15,887)	(54,925)	(7,055)	**254,592**
Retail – New Zealand	49,963	(416)	(6,748)	(22)	**42,777**
Retail – Asia	16,952	(828)	(2,991)	(83)	**13,050**
Retail – Slovenia	7,267	(1,055)	(811)	(27)	**5,374**
Retail – Ireland & Northern Ireland	(31,654)	(2,565)	(3,407)	(968)	**(38,594)**
Non-Franchised Retail – Clive Peeters and Rick Hart	(37,085)	(737)	(2,871)	(375)	**(41,068)**
Other Non-Franchised Retail	11,312	(1,704)	(1,516)	(221)	**7,871**
TOTAL RETAIL	16,755	(7,305)	(18,344)	(1,696)	**(10,590)**
Retail Property	139,765	(17,738)	(3,810)	-	**118,217**
Property Under Construction for Retail	(3,899)	(2,314)	(289)	-	**(6,502)**
Property Development for Resale	683	(380)	-	-	**303**
TOTAL PROPERTY	136,549	(20,432)	(4,099)	-	**112,018**
Equity Investments	14,657	(488)	-	-	**14,169**
Other	9,897	(832)	(4,226)	(1,093)	**3,746**
Inter-company eliminations	(1,960)	1,960	-	-	-
Total from continuing operations	**508,357**	**(42,984)**	**(81,594)**	**(9,844)**	**373,935**
Income tax expense					**(114,315)**
Profit from continuing operations attributable to non-controlling interests					**(7,365)**
Net profit for the year attributable to owners of the parent					**252,255**

Operating Segments – 30 June 2011 (continued)

	SEGMENT ASSETS			SEGMENT LIABILITIES		
	Segment Assets	Inter-company Eliminations	**Segment Assets After Eliminations**	Segment Liabilities	Inter-company Eliminations	**Segment Liabilities After Eliminations**
	2011 $000	2011 $000	**2011 $000**	2011 $000	2011 $000	**2011 $000**
FRANCHISING OPERATIONS	3,299,119	(2,003,809)	**1,295,310**	1,556,043	(594,789)	**961,254**
Retail – New Zealand	161,842	-	**161,842**	44,293	(1,071)	**43,222**
Retail – Asia	131,981	-	**131,981**	73,325	(24,125)	**49,200**
Retail – Slovenia	23,667	-	**23,667**	19,146	217	**19,363**
Retail – Ireland & Northern Ireland	53,343	-	**53,343**	197,175	(129,331)	**67,844**
Non-Franchised Retail – Clive Peeters and Rick Hart	96,135	-	**96,135**	137,695	(65,940)	**71,755**
Other Non-Franchised Retail	76,116	(24,454)	**51,662**	99,639	(68,780)	**30,859**
TOTAL RETAIL	543,084	(24,454)	**518,630**	571,273	(289,030)	**282,243**
Retail Property	1,784,562	(13,938)	**1,770,624**	1,162,629	(927,496)	**235,133**
Property Under Construction for Retail	246,468	(6,119)	**240,349**	232,477	(174,091)	**58,386**
Property Development for Resale	50,903	(16,951)	**33,952**	44,298	(39,147)	**5,151**
TOTAL PROPERTY	2,081,933	(37,008)	**2,044,925**	1,439,404	(1,140,734)	**298,670**
Equity Investments	48,251	-	**48,251**	6,398	-	**6,398**
Other	119,156	(44,744)	**74,412**	97,043	(85,462)	**11,581**
CONSOLIDATED	6,091,543	(2,110,015)	**3,981,528**	3,670,161	(2,110,015)	**1,560,146**
Unallocated			**22,481**			**215,402**
TOTAL			**4,004,009**			**1,775,548**

OPERATING SEGMENTS – 30 June 2010

SEGMENT REVENUE	Sales to Customers Outside the Consolidated Entity 2010 $000	Other Revenues from Outside the Consolidated Entity 2010 $000	Share of Net Profit/(Loss) of Equity Accounted Investments 2010 $000	**Segment Revenue 2010 $000**
FRANCHISING OPERATIONS	86	944,237	-	**944,323**
Retail – New Zealand	603,266	9,621	-	**612,887**
Retail – Asia	337,250	2,467	-	**339,717**
Retail – Slovenia	65,728	(101)	-	**65,627**
Retail – Ireland & Northern Ireland	218,229	2,760	-	**220,989**
Other Non-Franchised Retail	116,561	5,062	-	**121,623**
TOTAL RETAIL	1,341,034	19,809	-	**1,360,843**
Retail Property	39	146,124	7,581	**153,744**
Property Under Construction for Retail	-	8	(283)	**(275)**
Property Development for Resale	3,296	92	(38)	**3,350**
TOTAL PROPERTY	3,335	146,224	7,260	**156,819**
Equity Investments	-	10,406	-	**10,406**
Other	-	6,053	-	**6,053**
Inter-company Eliminations	-	(29,340)	-	**(29,340)**
Total from continuing operations	**1,344,455**	**1,097,389**	**7,260**	**2,449,104**

Operating Segments – 30 June 2010 (continued)

SEGMENT RESULT	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation 2010 $000	Interest Expense 2010 $000	Depreciation Expense 2010 $000	Amortisation & Impairment Expense 2010 $000	**Segment Result Before Tax 2010 $000**
FRANCHISING OPERATIONS	384,800	(13,678)	(53,717)	(6,721)	**310,684**
Retail – New Zealand	56,823	(922)	(7,488)	(2)	**48,411**
Retail – Asia	14,222	(102)	(3,621)	(90)	**10,409**
Retail – Slovenia	5,132	(937)	(805)	(25)	**3,365**
Retail – Ireland & Northern Ireland (a)	(35,933)	(2,277)	(5,130)	(7,803)	**(51,143)**
Other Non-Franchised Retail	10,183	(1,424)	(1,430)	(305)	**7,024**
TOTAL RETAIL	50,427	(5,662)	(18,474)	(8,225)	**18,066**
Retail Property	66,124	(13,818)	(3,438)	(703)	**48,165**
Property Under Construction for Retail	(2,382)	(969)	-	-	**(3,351)**
Property Development for Resale	32	(262)	-	-	**(230)**
TOTAL PROPERTY	63,774	(15,049)	(3,438)	(703)	**44,584**
Equity Investments	10,406	(356)	-	-	**10,050**
Other	3,806	(532)	(196)	-	**3,078**
Inter-company Eliminations	(1,639)	1,639	-	-	**-**
Total from continuing operations	**511,574**	**(33,638)**	**(75,825)**	**(15,649)**	**386,462**
Income tax expense					**(148,474)**
Profit from continuing operations attributable to non-controlling interests					**(6,579)**
Net profit for the year attributable to owners of the parent					**231,409**

(a) Included in the Ireland & Northern Ireland segment is the impairment expense of $7.80 million in respect of the write-down of plant and equipment assets to recoverable amount.

Operating Segments – 30 June 2010 (continued)

	SEGMENT ASSETS			SEGMENT LIABILITIES		
	Segment Assets	Inter-company Eliminations	**Segment Assets After Eliminations**	Segment Liabilities	Inter-company Eliminations	**Segment Liabilities After Eliminations**
	2010 $000	2010 $000	**2010 $000**	2010 $000	2010 $000	**2010 $000**
FRANCHISING OPERATIONS	3,684,531	(2,422,266)	**1,262,265**	2,114,491	(1,301,561)	**812,930**
Retail – New Zealand	166,673	(16,250)	**150,423**	65,347	(1,028)	**64,319**
Retail – Asia	145,623	-	**145,623**	50,619	(3,633)	**46,986**
Retail – Slovenia	21,994	-	**21,994**	35,130	(5)	**35,125**
Retail – Ireland & Northern Ireland	55,232	-	**55,232**	171,502	(85,495)	**86,007**
Other Non-Franchised Retail	79,482	(16,946)	**62,536**	107,204	(49,612)	**57,592**
TOTAL RETAIL	469,004	(33,196)	**435,808**	429,802	(139,773)	**290,029**
Retail Property	1,725,807	(34,132)	**1,691,675**	1,090,802	(923,109)	**167,693**
Property Under Construction for Retail	154,290	(523)	**153,767**	114,131	(67,296)	**46,835**
Property Development for Resale	46,252	(13,833)	**32,419**	41,147	(37,531)	**3,616**
TOTAL PROPERTY	1,926,349	(48,488)	**1,877,861**	1,246,080	(1,027,936)	**218,144**
Equity Investments	40,314	-	**40,314**	-	-	**-**
Other	118,805	(53,028)	**65,777**	87,877	(87,708)	**169**
CONSOLIDATED	6,239,003	(2,556,978)	**3,682,025**	3,878,250	(2,556,978)	**1,321,272**
Unallocated			**22,488**			**226,030**
TOTAL			**3,704,513**			**1,547,302**

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

Operating Segment	Description of Segment
Franchising Operations	Consists of the franchising operations of the consolidated entity (other than retailing, property and financial services).
Retail – New Zealand	Consists of the wholly-owned operations of the consolidated entity in New Zealand.
Retail – Asia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman brand name.
Retail – Slovenia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Slovenia under the Harvey Norman brand name.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in Ireland and Northern Ireland.
Non-Franchised Retail – Clive Peeters and Rick Hart	Consists of the wholly-owned operations of the consolidated entity under the Clive Peeters and Rick Hart brands.
Non-Franchised Retail	Consists of the retail trading operations in Australia which are controlled by the consolidated entity and does not include any operations of Harvey Norman franchisees. This segment includes the Space Furniture brand in Malaysia.
Retail Property	Consists of land and buildings for each retail site that is fully operational or is ready and able to be tenanted. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement for each retail site that is owned by the consolidated entity which is fully operational (or ready for operations) as at year end. The property is held for the purpose of facilitating the expansion and operation of the franchising operations.
Property Under Construction for Retail	Consists of sites that are currently undergoing construction at half-year end intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income and facilitating the expansion and operation of the franchising operations.
Property Developments for Resale	Consists of land and buildings acquired by the consolidated entity, to be developed, or currently under development, for the sole purpose of resale at a profit.
Equity Investments	This segment refers to the trading of, and investment in, listed securities.
Other	This segment primarily relates to credit facilities provided to third parties and other unallocated income and expense items.

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 2010, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2010.

	Note	CONSOLIDATED June 2011 $000	June 2010 $000

2. ■ Revenues from Continuing Operations

	Note	June 2011 $000	June 2010 $000
Revenues from continuing operations:			
Revenue from the sale of products		**1,556,384**	1,344,455
Gross revenue from franchisees:			
- Franchise fees		**750,563**	789,625
- Rent		**204,181**	196,336
- Interest		**34,292**	38,219
Total revenue received from franchisees		**989,036**	1,024,180
Rent received from other third parties		**44,219**	34,274
Interest received from other unrelated parties		**7,739**	5,786
Dividends from other unrelated parties		**2,587**	1,916
Total other revenues from continuing operations		**54,545**	41,976
Share of net profit of joint venture entities	28	**17,888**	7,260
Share of joint venture property revaluation	28	**158**	-
Total revenues from continuing operations		**2,618,011**	2,417,871
Other Income Items:			
Net property revaluation increment on Australian investment properties		**15,297**	-
Net profit on the revaluation of equity investments to fair value		**12,070**	8,499
Net foreign exchange gains		**2,258**	357
Unrealised gain on interest rate swap		**230**	246
Other revenue		**49,023**	22,131
Total other income items		**78,878**	31,233
Total revenues and other income items from continuing operations		**2,696,889**	2,449,104
Total revenues from continuing operations is disclosed on the Income Statement as follows:			
Sales revenue		**1,556,384**	1,344,455
Other revenues from continuing operations		**1,043,581**	1,066,156
Other income items		**78,878**	31,233
Total other revenues and income items		**1,122,459**	1,097,389
Share of net profit of joint venture entities		**17,888**	7,260
Share of joint venture property revaluation		**158**	-
Total revenues and other income items from continuing operations		**2,696,889**	2,449,104

	CONSOLIDATED June 2011 $000	June 2010 $000

3. ■ Expenses and Losses from Continuing Operations

In arriving at profit from continuing operations before income tax, the following items were taken into account:

	June 2011 $000	June 2010 $000
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	**4,097**	3,438
- Plant and equipment	**77,497**	72,387
Amortisation of:		
- Leased plant and equipment	**-**	86
- Computer software	**7,773**	7,016
Impairment of: (included in administrative and other expenses line in the Income Statement)		
- Plant and equipment – Ireland	**968**	1,182
- Plant and equipment – Northern Ireland	**-**	6,621
- Capitalised IT Projects	**1,093**	41
- Other assets	**10**	703
Total depreciation, amortisation and impairment	**91,438**	91,474
Finance costs:		
Interest paid or payable:		
- Loans from directors and director-related entities	**2,835**	1,972
- Bank interest paid to financial institutions	**37,694**	29,540
- Interest paid on non-trade amounts owing to Commercial Mortgage Backed Securities	**-**	281
- Other	**2,455**	1,845
Total finance costs	**42,984**	33,638
Employee benefits expense:		
- Wages and salaries	**228,862**	182,893
- Workers' compensation costs	**1,539**	1,390
- Superannuation contributions expense	**13,231**	8,602
- Payroll tax expenses	**10,934**	7,994
- Share-based payment expense	**419**	(2,021)
- Other employee benefits expense	**6,776**	5,216
Total employee benefits expense	**261,761**	204,074
Property revaluation decrements:		
- Net revaluation decrement for Australian investment properties	**-**	30,052
- Share of joint venture property revaluations	**-**	9,854
Total property revaluation decrements	**-**	39,906
Other expense items:		
- Net bad debts – provided for or written off	**1,999**	1,587
- Net charge to provision for doubtful debts	**(2,533)**	(3,182)
- Net loss on disposal of plant and equipment	**2,344**	272
- Minimum lease payments	**161,009**	146,941
- Provision for obsolescence of inventories	**(336)**	977
- Provision for employee benefits	**5,494**	(56)

	CONSOLIDATED	
	June 2011 $000	June 2010 $000

4. ■ Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax from continuing operations	**259,620**	237,988
Profit after tax attributable to non-controlling interests	**(7,365)**	(6,579)
Profit from continuing operations after tax attributable to the parent	**252,255**	231,409

	NUMBER OF SHARES	
	June 2011	June 2010
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	**1,062,316,784**	1,062,316,784
Effect of dilutive securities (b):		
- Share Options	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,062,316,784**	1,062,316,784

(a) Weighted Average Number of Ordinary Shares

The number of ordinary shares on issue at 30 June 2011 was 1,062,316,784 (June 2010: 1,062,316,784).

There has been no movement in the weighted average number of ordinary shares used in calculating basic earnings per share as there has been no movement in the number of shares on issue since the previous reporting period.

There has been no exercise of share options granted under the Executive Option Plan (“EOP”) in respect of previous years.

(b) Effect of Dilutive Securities

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

The 3,000,000 options have been excluded from the calculation of diluted earnings per share as the exercise price of each of the options granted was higher than the average market price of an ordinary share in the Company from grant date up to 30 June 2011.

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

	CONSOLIDATED June 2011 $000	June 2010 $000

5. ■ Trade and Other Receivables (Current)

	June 2011 $000	June 2010 $000
Trade debtors	**1,022,892**	1,042,461
Provision for doubtful debts	**(990)**	(3,289)
Trade debtors, net	**1,021,902**	1,039,172
Consumer finance loans	**2,970**	3,735
Amounts receivable in respect of finance leases	**8,685**	14,068
Non-trade debts receivable from:		
- Related parties	**1,797**	1,550
- Other unrelated persons	**33,270**	26,742
- Provision for doubtful debts	**(3,392)**	(3,622)
Non-trade debts receivable, net	**31,675**	24,670
Total trade and other receivables (current)	**1,065,232**	1,081,645

6. ■ Other Financial Assets (Current)

	June 2011 $000	June 2010 $000
Listed shares held for trading at fair value	**40,171**	33,350
Other investments	**1,058**	1,050
Total other financial assets (current)	**41,229**	34,400

7. ■ Inventories (Current)

	June 2011 $000	June 2010 $000
Finished goods at cost	**316,453**	250,815
Provision for obsolescence	**(6,290)**	(6,626)
Finished goods at cost, net	**310,163**	244,189
Finished goods at net realisable value	**26,579**	17,485
Total current inventories at the lower of cost and net realisable value	**336,742**	261,674

8. ■ Other Assets (Current)

	June 2011 $000	June 2010 $000
Prepayments	**16,378**	17,209
Other current assets	**4,662**	3,704
Total other assets (current)	**21,040**	20,913

9. ■ Intangible Assets (Current)

	June 2011 $000	June 2010 $000
Net Licence Property	**322**	761

	CONSOLIDATED June 2011 $000	June 2010 $000

10. ■ Trade and Other Receivables (Non-Current)

	June 2011 $000	June 2010 $000
Trade debtors	**440**	1,225
Consumer finance loans	**1,518**	1,917
Provision for doubtful debts	**(16)**	(20)
	1,942	3,122
Amounts receivable in respect of finance leases	**12,596**	22,060
Total trade and other receivables (non-current)	**14,538**	25,182

11. ■ Other Financial Assets (Non-Current)

	June 2011 $000	June 2010 $000
Listed shares held for trading at fair value	**2,000**	1,590
Listed shares held as available for sale	**6,080**	5,375
Units in unit trusts held as available for sale	**210**	206
Other non-current financial assets	**4**	-
Total other financial assets (non-current)	**8,294**	7,171

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

Summary

	June 2011 $000	June 2010 $000
Land		
- At fair value	**95,928**	102,527
- Properties under construction, at cost	**20,325**	1,403
Total Land	**116,253**	103,930
Buildings		
- At fair value	**127,940**	125,549
- Properties under construction, at cost	**13,572**	1,116
Total buildings	**141,512**	126,665
Net land and buildings	**257,765**	230,595

The consolidated entity has adopted the amendment to AASB 140 which brings property under construction within the scope of AASB 140 Investment Properties. Consequently, as at 1 July 2009, all investment properties under construction were transferred to investment properties.

The property disclosed as being under construction as at 30 June 2010 related to the Novo Mesto site in Slovenia which was completed during the current year and transferred to land and buildings at fair value. The current year figure includes the construction of a property in Singapore, which was previously classified as an investment property in prior periods.

	CONSOLIDATED June 2011 $000	June 2010 $000
12. Property, Plant and Equipment (Non-Current) (continued)		
Plant and equipment:		
- At cost	**755,771**	692,032
- Accumulated depreciation	**(501,557)**	(485,564)
Net plant and equipment, at cost	**254,214**	206,468
Plant and equipment under lease	**-**	95
Lease make good asset:		
- At cost	**2,723**	4,921
- Accumulated depreciation	**(2,223)**	(3,046)
Net lease make good asset, at cost	**500**	1,875
Total plant and equipment	**254,714**	208,438
Total property, plant and equipment:		
- Land and buildings at cost and fair value	**257,765**	230,595
- Plant and equipment at cost	**758,494**	696,953
- Plant and equipment under lease	**-**	95
Total property, plant and equipment	**1,016,259**	927,643
Accumulated depreciation and amortisation	**(503,780)**	(488,610)
Total written down amount	**512,479**	439,033

13 ■ Investment Properties

	June 2011 $000	June 2010 $000
Opening balance at beginning of the year, at fair value	**1,489,200**	1,316,572
- Investment properties under construction transferred (to) / from Property, Plant and Equipment	**-**	80,173
- Net additions, disposals and transfers	**97,104**	122,507
- Net decrease from fair value adjustments	**15,297**	(30,052)
Closing balance at end of the year, at fair value	**1,601,601**	1,489,200

Investment Properties

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

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

For the properties valued using the capitalisation method of valuation during the year, management also undertook a discounted cash flow valuation of the same properties. There were no material differences between the capitalisation method result and the discounted cash flow method result.

Primary sites (as determined by management), which have been operating for greater than a twelve-month period, totalling $1.29 billion (2010: $1.14 billion) generally have capitalisation rates within the range of 8.25% to 9.0% (2010: 8.0% to 9.5%). Secondary sites (as determined by management), which have been operating for greater than a twelve-month period, totalling $242.06 million (2010: $236.53 million) generally have capitalisation rates within the range of 8.75% to 11.0% (2010: 8.5% to 11.0%). The consolidated entity has a strict property maintenance program to ensure that all investment properties are continuously maintained to a high standard. The vacancy rate of the investment property portfolio in Australia is 2.44% (2010: 3.04%).

	CONSOLIDATED	
	June 2011 $000	June 2010 $000

14 ■ Intangible Assets (Non-Current)

Goodwill	**9**	11
Net software licences	**494**	473
Computer software		
- At cost	**98,236**	58,325
- Accumulated amortisation and impairment	**(40,445)**	(34,580)
Net computer software	**57,791**	23,745
Net intangible assets (non-current)	**58,294**	24,229

15 ■ Trade and Other Payables (Current)

Trade creditors	**701,823**	656,042
Accruals	**77,761**	36,900
Other creditors	**75,313**	46,773
Total trade and other payables (current)	**854,897**	739,715

16 ■ Interest-Bearing Loans and Borrowings (Current)

Secured:		
Non trade amounts owing to:		
- Commercial bills payable (a)	**15,075**	15,988
- Other short-term borrowings	**-**	34,507
- Bank overdraft (a)	**44,050**	56,326
Unsecured:		
Derivatives payable	**-**	209
Lease liabilities	**168**	182
Non trade amounts owing to:		
- Directors	**36,944**	33,189
- Other related parties	**8,844**	13,733
- Other unrelated persons	**194**	208
Total interest-bearing loans and borrowings (current)	**105,275**	154,342

(a) Commercial Bills Payable and Bank Overdraft

The commercial bills payable and bank overdraft ("Other ANZ Facilities") are secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 20(a)), and subject to annual review by Australia and New Zealand Banking Group Limited ("ANZ"). The Other ANZ Facilities are repayable on demand by ANZ, upon the occurrence of any event of default or Relevant Event (as defined in Note 20(a)) under the Syndicated Facility Agreement, or after any annual review date.

17 ■ Other Liabilities (Current)

Lease incentives	**1,545**	2,003
Unearned revenue	**58**	927
Total other liabilities (current)	**1,603**	2,930

	CONSOLIDATED June 2011 $000	June 2010 $000
18 ■ Provisions (Current)		
Employee entitlements	**20,450**	15,360
Lease make good	**658**	3,507
Deferred lease expenses	**1,058**	801
Onerous lease costs	**2,426**	2,972
Other	**643**	686
Total provisions (current)	**25,235**	23,326
19 ■ Trade and Other Payables (Non-Current)		
Other creditors	**-**	23,332
20 ■ Interest-Bearing Loans and Borrowings (Non-Current)		
Secured:		
Non trade amounts owing to:		
Other borrowings		
- Syndicated Facility Agreement (a)	**485,900**	321,400
- Other non-current borrowings	**26,886**	-
Secured bills payable	**32,428**	23,544
Derivatives payable	**1,269**	1,798
Lease liabilities	**-**	82
Total interest-bearing loans and borrowings (non-current)	**546,483**	346,824

(a) Non-Current Borrowings – Syndicated Facility Agreement

1) On 2 December 2009, the Company, a subsidiary of the Company ("Borrower") and certain other subsidiaries of the Company ("Guarantors") entered into a syndicated facility agreement with certain banks ("Financiers" and each a "Financier") in relation to a loan facility of $435,000,000 ("Facility") made available by the Financiers to the Borrower ("Syndicated Facility Agreement").
2) The Facility is secured by:
   (a) a fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers; and
   (b) real estate mortgages granted by certain Guarantors in favour of the security trustee for the Financiers over various real properties owned by those Guarantors.
3) The Facility is repayable:
   (a) on 3 December 2012; or
   (b) 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 ("Commitment"), the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

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

During the year ended 30 June 2011, the amount of the Facility was increased to $560,000,000.

	CONSOLIDATED June 2011 $000	June 2010 $000
21 ■ Provisions (Non-Current)		
Employee entitlements	**2,343**	1,939
Lease make good	**2,058**	1,437
Deferred lease expenses	**5,274**	5,443
Total provisions (non-current)	**9,675**	8,819
22 ■ Other Liabilities (Non-Current)		
Lease incentives	**16,956**	19,385
Unearned revenue	**22**	2,599
Total other liabilities (non-current)	**16,978**	21,984
23 ■ Contributed Equity		
Ordinary shares	**259,610**	259,610
Total contributed equity	**259,610**	259,610

	June 2011 Number	June 2010 Number
Ordinary shares:		
Number of ordinary shares issued and fully paid	**1,062,316,784**	1,062,316,784

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

	CONSOLIDATED Number	$000
Movements in ordinary shares on issue		
At 1 July 2010	1,062,316,784	259,610
Issue of shares under executive share option plan	-	-
At 30 June 2011	1,062,316,784	259,610

24 ■ Reserves

	CONSOLIDATED $000						
	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2009	64,928	(21,715)	373	(460)	9,419	-	**52,545**
Revaluation of land and buildings	4,176	-	-	-	-	-	**4,176**
Tax effect of revaluation of land and Buildings	(124)	-	-	-	-	-	**(124)**
Unrealised gains on available-for-sale investments	-	-	981	-	-	-	**981**
Net loss on interest rate swap	-	-	-	(1,799)	-	-	**(1,799)**
Tax effect of net loss on interest rate swap	-	-	-	539	-	-	**539**
Ineffective interest rate swap	-	-	-	(53)	-	-	**(53)**
Reverse expired or realised cash flow hedge reserves	-	-	-	570	-	-	**570**
Net gains on forward foreign exchange contracts	-	-	-	2	-	-	**2**
Currency translation differences	-	1,608	-	-	(6)	-	**1,602**
Share based payment	-	-	-	-	843	-	**843**
Reversal of share expenses	-	-	-	-	(2,864)	-	**(2,864)**
At 30 June 2010	68,980	(20,107)	1,354	(1,201)	7,392	**-**	**56,418**
At 1 July 2010	68,980	(20,107)	1,354	(1,201)	7,392	**-**	**56,418**
Revaluation of land and buildings	(604)	-	-	-	-	-	**(604)**
Tax effect of revaluation of land and buildings	(1,819)	-	-	-	-	-	**(1,819)**
Unrealised gains on available-for-sale investments	-	-	973	-	-	-	**973**
Net gains on interest rate swap	-	-	-	563	-	-	**563**
Tax effect of net gains on interest rate swap	-	-	-	(169)	-	-	**(169)**
Reverse expired or realised cash flow hedge reserves	-	-	-	(61)	-	-	**(61)**
Net gains on forward foreign exchange contracts	-	-	-	4	-	-	**4**
Currency translation differences	-	(15,827)	-	-	-	-	**(15,827)**
Acquisition of non-controlling interest	-	-	-	-	-	(6,917)	**(6,917)**
Share based payment	-	-	-	-	419	-	**419**
Reversal of share expenses	-	-	-	-	(359)	-	**(359)**
At 30 June 2011	66,557	(35,934)	2,327	(864)	7,452	**(6,917)**	**32,621**

■ Nature and purpose of reserves:

(a) Asset revaluation reserve

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

(b) Foreign currency translation reserve

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

(c) Available for sale reserve

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

(d) Cash flow hedge reserve

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

(e) Employee equity benefits reserve

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

(f) Acquisition reserve

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

	CONSOLIDATED June 2011 $000	June 2010 $000

25 ■ Retained Profits and Dividends

Movements in retained earnings were as follows:

Balance 1 July	**1,787,196**	1,693,888
Profit for the year	**252,255**	231,409
Dividends paid	**(138,101)**	(138,101)
Balance at end of the year	**1,901,350**	1,787,196

Dividends declared and paid during the year:

Dividends on ordinary shares:		
Final franked dividend for 2010: 7.0 cents (2009: 6.0 cents)	**74,362**	63,739
Interim franked dividend for 2011: 6.0 cents (2010: 7.0 cents)	**63,739**	74,362
Total dividends paid	**138,101**	138,101

The final dividend for the year ended 30 June 2010 was paid on 6 December 2010.

The interim dividend for the year ended 30 June 2011 was paid on 2 May 2011.

Proposed for approval at AGM:
(not recognised as a liability at 30 June):

Dividends on ordinary shares:
Final franked dividend for 2011: 6.0 cents

The proposed final dividend for the year ended 30 June 2011 will be paid on 5 December 2011 to shareholders registered at 5:00pm on 4 November 2011.

Franking credit balance

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

- franking account balance as at the end of the financial year at 30%	**667,917**	617,846
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	**3,635**	33,848
- franking credits that will be utilised in the payment of proposed dividend	**(27,317)**	(31,870)
The amount of franking credits available for future reporting periods	**644,235**	619,824

26 ■ Non-Controlling Interests

Interest in:		
- Ordinary shares	**26,991**	35,050
- Reserves	**(8,407)**	(3,365)
- Retained earnings	**16,296**	22,302
Total non-controlling interests	**34,880**	53,987

	CONSOLIDATED June 2011 $000	June 2010 $000

27 ■ Cash and Cash Equivalents

(a) Reconciliation to Cash Flow Statement		
Cash and cash equivalents comprise the following at end of the year:		
Cash at bank and on hand	**114,353**	105,285
Short term money market deposits	**48,426**	51,951
	162,779	157,236
Bank overdraft (Note 16)	**(44,050)**	(56,326)
Cash and cash equivalents at end of the year	**118,729**	100,910

(b) Reconciliation of profit after income tax to net operating cash flows:		
Profit after tax	**259,620**	237,988
Adjustments for:		
Net foreign exchange gains	**(2,258)**	(357)
Bad and doubtful debts	**1,999**	1,587
Provision for inventory obsolescence	**(336)**	977
Share of joint ventures	**(17,888)**	(7,260)
Depreciation of property, plant and equipment	**81,594**	75,825
Amortisation	**7,773**	7,102
Impairment of fixed assets	**2,071**	7,844
Impairment of assets held in joint venture entities	**-**	703
Revaluation of investment properties and properties held under joint ventures	**(15,455)**	39,906
Deferred lease expenses	**353**	530
Provision for onerous leases	**860**	2,214
Other provisions	**107**	687
Discount on interest-free long term receivables	**150**	175
Accretion of interest-free long term receivables	**(216)**	(335)
Executive remuneration including shares and options expense	**2,669**	329
Realised / unrealised (gain)/loss on interest-rate swap	**(230)**	(246)
Accrued income items	**(3,150)**	-
Transfers to provisions:		
- Employee entitlements	**5,494**	(56)
- Doubtful debts	**(2,533)**	(3,182)
(Profit)/loss on disposal and revaluation of:		
- Property, plant and equipment, and listed securities	**(9,726)**	(8,227)
Changes in assets and liabilities net of effects from purchase and sale of controlled entities:		
(Increase)/decrease in assets:		
Receivables	**36,299**	(14,493)
Inventory	**(74,732)**	(2,774)
Other current assets	**(127)**	(5,845)
Deferred tax assets	**7**	409
Increase/(decrease) in liabilities:		
Payables and other current liabilities	**120,302**	53,124
Income tax payable	**(33,674)**	242
Net cash from operating activities	**358,973**	386,867

28 ■ **Investments Accounted for Using Equity Method**	CONSOLIDATED Investment **June 2011 $000**	CONSOLIDATED Investment June 2010 $000	CONSOLIDATED Share of net profit/(loss) **June 2011 $000**	CONSOLIDATED Share of net profit/(loss) June 2010 $000
Total joint venture entities accounted for using the equity method	**158,978**	140,581	**17,888**	7,260

Name and Principal activities	Ownership Interest **June 2011 %**	Ownership Interest June 2010 %	Contribution to Net Profit (Loss) **June 2011 $000**	Contribution to Net Profit (Loss) June 2010 $000	Contribution to Property revaluation **June 2011 $000**	Contribution to Property revaluation June 2010 $000
New Zealand						
- Lincoln Junction	**50%**	50%	**311**	(225)	**-**	-
Noarlunga						
- Shopping complex	**50%**	50%	**925**	881	**-**	1,067
Perth City West						
- Shopping complex	**50%**	50%	**3,917**	3,132	**-**	(7,746)
Kelso						
- Development of land for resale	**50%**	50%	**(1)**	42	**-**	-
Tweed Heads – Stage 1						
- Shopping complex	**50%**	50%	**1,006**	955	**-**	(2,764)
Warrawong King St (a)						
- Shopping complex	**62.5%**	62.5%	**939**	976	**-**	-
Tweed Heads Traders Way						
- Building development	**50%**	50%	**60**	67	**-**	-
Sylvania						
- Residential development	**40%**	40%	**(182)**	(80)	**-**	-
Mentone						
- Shopping complex / residential development	**50%**	50%	**7,196**	(198)	**-**	-
Byron Bay						
- Residential / convention development	**50%**	50%	**(730)**	(895)	**-**	-
Byron Bay - 2						
- Resort operations	**50%**	50%	**504**	697	**-**	-
Dubbo						
- Shopping complex / building development	**50%**	50%	**459**	510	**-**	(411)
Cubitt						
- Showroom and warehouse	**50%**	50%	**550**	73	**158**	-
Cambridge (b)						
- Building and office complex / building	**100%**	100%	**-**	1,326	**-**	-
Bundaberg						
- Warehouse	**50%**	50%	**(6)**	(1)	**-**	-
Bundaberg – 2						
- Land held for investment	**50%**	-	**(4)**	-	**-**	-
Mining Camp (c)						
- Miners residential complex	**50%**	-	**1,704**	-	**-**	-
Gepps Cross						
- Shopping complex	**50%**	-	**1,326**	-	**-**	-
QCV Benaraby (d)						
- Miners residential complex	**50%**	-	**(8)**	-	**-**	-
QCV Benaraby						
- Land held for investment	**50%**	-	**(78)**	-	**-**	-
			17,888	7,260	**158**	(9,854)

(a) This joint venture has not been consolidated as the consolidated entity does not have control over operating and financing decisions, and all joint venture parties participate equally in decision making.

(b) On 31 March 2010, the consolidated entity acquired the 50% share of the Cambridge joint venture property from the other joint venture partner for a purchase consideration of $33.32 million. This resulted in 100% ownership of the land and buildings in the Cambridge Park joint venture, the wind up of the joint venture entity and the cessation of equity accounting.

(c) A wholly-owned subsidiary of Harvey Norman Holdings Limited ("HNHL") has entered into a joint venture with an unrelated party to provide mining camp accommodation ("the JV"). The JV has been granted a finance facility by the Commonwealth Bank of Australia ("CBA") ("the Facility"). The amount of the Facility is $15.20 million plus interest and costs. HNHL has granted a guarantee to CBA in respect of the obligation of the JV under the Facility.

(d) A wholly-owned subsidiary of HNHL has entered into a joint venture with an unrelated party to provide mining camp accommodation.

■ Non-Cash Financing and Investing Activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.	N/A

	CONSOLIDATED	
	June 2011	June 2010

■ Net Tangible Assets Per Security

Net tangible asset backing per ordinary security	**2.18**	2.11

■ Business Combinations Having Material Effect

Name of business combination	Clive Peeters & Rick Hart asset acquisition	N/A
Consolidated profit/(loss) from continuing operations after tax of the business combination since the date in the current year on which control was acquired	($41.07 million)	N/A
Date from which such profit has been calculated	7 July 2010	N/A
Profit/(loss) from continuing operations after tax of the controlled business combination for the whole of the previous corresponding year	N/A	N/A

■ Loss of Control of Entities Having Material Effect

Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current year to the date of los of control	N/A	N/A
Date from which such profit/(loss) has been calculated	N/A	N/A
Profit (loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding year	N/A	N/A

■ Audit

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