2012

APPENDIX 4E

Harvey Norman®

HOLDINGS LIMITED

Harvey Norman
HOLDINGS LIMITED

Appendix 4E
Year Ended 30 JUNE 2012

Key Dates	
31 August 2012	Announcement of Full Year Profit to 30 June 2012 Announcement of Final 2012 Dividend
2 November 2012	Record date for determining entitlement to Final 2012 Dividend
27 November 2012	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
3 December 2012	Payment of Final 2012 Dividend
28 February 2013	Announcement of Half-Year Profit to 31 December 2012 Announcement of Interim 2013 Dividend
12 April 2013	Record date for determining entitlement to Interim 2013 Dividend
6 May 2013	Payment of Interim 2013 Dividend

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Company Information

Registered Office:
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Company Secretary:
Mr Chris Mentis

Share Registry:
Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000
Ph: 02 9290 9600

Auditors:
Ernst & Young

Stock Exchange Listing:
Harvey Norman Holdings Limited shares are quoted on the Australian Securities Exchange Limited ("ASX")

Solicitors:
Brown Wright Stein

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Financial Highlights	FY2008	FY2009	FY2010	FY2011	FY2012
No. of franchised complexes in Australia[1]	194	195	194	195	213
No. of franchisees in Australia	604	635	637	667	702
No. of company-operated stores[2]	66	69	70	96	76
Franchisee sales revenue[1]	$4.86bn	$5.06bn	$5.19bn	$5.08bn	$4.83bn
Company-operated sales revenue[2]	$1,428.85m	$1,440.65m	$1,344.46m	$1,556.38m	$1,407.34m
Other revenues and other income items	$1,058.16m	$1,035.10m	$1,097.39m	$1,122.46m	$1,061.23m
Earnings before interest and tax (EBIT)	$555.11m	$382.95m	$420.10m	$416.92m	$276.86m
Profit after tax and non-controlling interests	$358.45m	$214.35m	$231.41m	$252.26m	$172.47m
Net cash flows from operating activities	$289.45m	$442.50m	$386.87m	$358.97m	$200.95m
Basic earnings per share	33.76c	20.18c	21.78c	23.75c	16.24c
Dividends per share (fully franked)	14.0c	11.0c	14.0c	12.0c	9.0c
Net debt to equity ratio (%)	25.80%	20.82%	15.94%	21.87%	26.60%

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-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia and the "Clive Peeters" and "Rick Hart" branded company-operated stores in Australia (prior to the restructure).

CHAIRMAN'S REPORT

Business Performance

2012 proceeded to be the most challenging year due to unprecedented price and margin deflation in our television and devices categories. External factors being the demise of WOW Sight & Sound (turnover estimated at approximately $225 million), the closure of numerous Retravision stores and the restructure of the Dick Smith brand (resulting in a Dick Smith provision of $420 million) created a glut of product being sold at never before seen prices.

We continue, however, to see good growth in the stores located near the mining areas of Western Australia, Queensland and the Hunter Valley in New South Wales. The capital cities of Sydney, Melbourne and Brisbane are not yet seeing the flow-on effects of the mining boom but our franchisees are well-placed when that happens.

We are fortunate to have an integrated retail, franchise, property and digital operation that enables us to diversify and adapt to the changing retail landscape and mitigate some of the detrimental headwinds experienced in the past few years. We have endured one of our most challenging years since inception, but remain confident that our system is robust and is the most viable format to effectively compete in a difficult market.

Our Omni Channel strategy, incorporating our integrated retail, franchise, property & digital operations, provides strategic advantages over our competitors including:

1. The ability to diversify the product offering within the franchising operations segment to focus on more profitable product categories - Unlike many of our competitors that are solely exposed to the challenging audio visual and information technology ("AV/IT") category, we operate in a number of different product categories that continue to perform solidly. The flexibility of our franchising operations segment allows us to diversify and tailor the product offering of our franchisees towards the more profitable Homemaker categories.
2. A strong balance sheet underpinned by real, tangible property assets – As at balance date, we have a total asset base of approximately $4 billion which is inclusive of a property portfolio valued at $2.12 billion. Our strong balance sheet affords quick access to capital and the ability to seize opportunities in the marketplace as they arise. Property ownership offers the distinct advantage of a reliable income stream in an uncertain retail climate.
3. Our strong asset position and prudent management of working capital allows us to conservatively manage our debt levels. Whilst a cautious level of investment in our system is necessary to maintain and grow market share, our debt to equity ratio remains low at 34.16% and our net debt to equity ratio is 26.60%.
4. Our digital, store and distribution centre channels are fully integrated with consumers supporting our buy online, pick-up in-store capability.

Our Omni Channel strategy requires that we provide our franchisees with tactical support, when and where necessary. Our franchisees will continue to deliver quality, service and value to their customers.

The challenging retail environment and intense competitive pressures have resulted in a net profit before tax of $227.41 million for the year ended 30 June 2012 compared to $373.94 million for the previous year, a decrease of $146.53 million or 39.2%. This result is inclusive of a net property revaluation decrement of $24.99 million before tax for the year compared to a net property revaluation increment of $15.46 million before tax for the preceding year, a deterioration of $40.45 million before tax. Excluding the impact of the net property revaluation adjustments from both years, the net profit before tax would have been $252.40 million for the current year compared to $358.48 million for the previous year, a reduction of $106.08 million or 29.6%.

Our Omni Channel strategy is the backbone of the business and we have made strong progress throughout the year. With the successful launch of new online sites in both Australia and New Zealand throughout 2012, we continue to build on our Omni Channel capability. Since the site's launch, we have made further enhancements through mobile capability and improved functionality in response to the ongoing customer feedback that we have received. Online sales are performing to our initial expectations and, whilst low, our digital platform has been established for the future. Our "Customer First" system which receives and manages communications from consumers across all of our channels as well as providing the workflow for our online sites has been a very good development throughout 2012.

Our digital, store and distribution centre channels are fully integrated with consumers supporting our buy online, pick-up in-store capability. This is proving to be a successful model in other markets around the world and with an established network of stores in metropolitan, regional and country areas, we are well-placed to be able to deliver product and services to consumers as these integrated channels grow.

We continue to develop, support and invest in the skills of our franchisees as well as the information tools of the company for the future. With the natural progression of consumers being more connected, our aim is to continually provide a consistent and quality experience to all Harvey Norman, Domayne and Joyce Mayne customers with a clear focus on our channels and our capability within them.

CHAIRMAN'S REPORT (CONTINUED)

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

Net profit after tax and non-controlling interests was $172.47 million for the year ended 30 June 2012 compared with $252.26 million for the preceding year, a decrease of $79.78 million or 31.6%.

This decrease can be explained as follows:

- a reduction in the profitability of the franchising operations segment by $127.61 million or 50.1% before tax ($89.33 million after tax) due to lower franchise fees and a higher level of tactical support during the year. The aggregate amount of tactical support provided to franchisees was $124.19 million in the current year compared to $60.37 million in the previous year.;
- the net property revaluation decrement of $27.77 million before tax ($19.44 million after tax) recorded by the Australian investment property portfolio and joint venture entities for the current year compared to a net revaluation increment of $15.46 million before tax ($10.82 million after tax) in the preceding year, a deterioration of $43.23 million before tax ($30.26 million after tax);
- restructuring and closure costs associated with the restructure of the Clive Peeters and Rick Hart businesses during the year of $8.07 million before tax ($5.65 million after tax);
- a decline of $9.76 million before tax ($6.83 million after tax) in the market value of the listed public securities and dividends received by the consolidated entity; and
- 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 in the previous year.

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

- a reduction in the trading losses (excluding restructure and closure costs) incurred by the Clive Peeters and Rick Hart businesses during the year by $34.35 million before tax ($24.05 million after tax) as the businesses did not trade for the full year following the closure of seven (7) stores and the conversion of eighteen (18) stores to Harvey Norman and Joyce Mayne franchised stores in the first half of the year;
- an increase of $24.68 million before tax ($17.27 million after tax) in rent received from franchisees and third party tenants;
- profit of $10.00 million before tax ($7.00 million after tax) recognised on the successful completion and opening of the Springvale development during the current year; and
- a reduction in the trading losses incurred in Ireland and Northern Ireland by $4.56 million before and after tax attributable to favourable foreign currency movements and the continued focus on operational efficiencies and cost control measures.

The tax charge in the income statement was lower by $63.22 million for the year ended 30 June 2012 compared to prior year mainly attributable to:

- a reduction in profit before tax from $373.94 million in the previous year to $227.41 million in the current year, a decrease of $146.53 million translating to a reduction in our tax liability by approximately $40 million;
- the tax benefit recognised in the current year of $16.29 million associated with the treatment of support payments provided to Harvey Norman Holdings (Ireland) Limited during 2010, 2011 and 2012 as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012; and
- the tax benefit recognised in the current year of $6.31 million associated with the reversal of future tax liabilities previously recognised on certain pre-CGT properties.

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

Review of the Franchising Operations Segment in Australia:

The result before tax of the franchising operations segment was $126.98 million for the year ended 30 June 2012 compared to $254.59 million for the preceding year, a reduction of $127.61 million 50.1%. The discretionary retail sector in Australia has been affected by a perfect storm of challenges, including deteriorating global economic confidence, a prudent consumer, deflationary headwinds, particularly in the AV/IT categories and a high Australian dollar limiting growth in non-mining related sectors. This has seen consolidation occur in the AV/IT category and has forced many retailers to struggle to maintain margins in the fight for market share. These factors have reduced franchise fees received. Gross revenue from the franchising operations segment has reduced from $938.93 million in the previous year to $858.01 million for the year ended 30 June 2012, a reduction of $80.92 million or 8.6%. Our Omni Channel strategy enables us to provide a higher level of tactical support to assist franchisees to manage the challenging environment and effectively compete in their local markets.

Sales Revenue Generated by Independent Franchisees:

Sales revenue generated by independent franchisees amounted to $4.83 billion for the year ended 30 June 2012 compared with $5.08 billion for the preceding period, a decline of 4.9%.

CHAIRMAN'S REPORT (CONTINUED)

Our retail franchisees will continue to innovate, invest and improve their product offering, online channel, staff training and strategic category enhancements. Trading conditions continue to be challenged particularly in the technology categories. Home appliances, furniture and bedding remain stable and the businesses are well-placed for any upturn in housing starts.

Franchising Operations Margin and Key Statistics:

The franchising operations margin is calculated as the segment result before tax of the franchising operations segment over franchisee aggregate sales revenue. The franchising operations margin was 2.63% for the year ended 30 June 2012 compared to 5.01% for the year ended 30 June 2011.

Franchising Operations Margin	2010	2011	2012
No. of franchised outlets in Australia[1]	194	195	213
Franchising operations segment result before tax	$310.68m	$254.59m	$126.98m
Franchisee sales revenue[1]	$5.19bn	$5.08bn	$4.83bn
Franchising operations margin (%)	**5.99%**	**5.01%**	**2.63%**

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

Franchising Operations Segment Key Statistics:	2010	2011	2012
Return on franchising operations equity (a)	44.13%	37.52%	19.90%
Return on franchising operations assets (b)	25.70%	20.88%	11.42%
Revenue from franchising operations	$944.32m	$938.93m	$858.01m
Franchising operations EBITDA	$384.80m	$332.46m	$202.81m

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

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

The integrated franchising and retail property system in Australia (excluding freehold property located in New Zealand, Singapore and Slovenia) delivered a segment result before tax of $223.57 million for the year ended 30 June 2012 compared to a result before tax of $377.90 million for the comparative year, a reduction of $154.33 million or 40.8%.

Integrated Franchising & Retail Property Segment in Australia	2010	2011	2012
Franchising operations segment result before tax	$310.68m	$254.59m	$126.98m
Australian retail property segment result before tax	$53.64m	$123.31m	$96.59m
Total integrated franchising & Australian retail property segment result before tax	**$364.32m**	**$377.90m**	**$223.57m**

Australian Retail Property Segment – Key Statistics:

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

Australian Retail Property Portfolio Statistics	2010	2011	2012
Weighted average capitalisation rates	8.70%	8.77%	8.89%
Average occupancy rates	96.96%	97.56%	96.94%
Net property yield (a)	4.61%	9.10%	7.09%
Return on equity (b)	7.91%	16.35%	12.39%
Australian Retail Property Portfolio:	**$000**	**$000**	**$000**
Australian retail property segment result (c)	53,639	123,313	$96,587
Australian retail property EBIT (c)	67,457	141,051	$122,198
Australian net revaluation increment / (decrement)	(39,906)	15,455	(27,768)

(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)
(c) The Australian retail property segment result and EBIT figures are inclusive of the Australian net revaluation increments/(decrements)

CHAIRMAN'S REPORT (CONTINUED)

Australian Net Property Revaluation Adjustments:

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

During the year ended 30 June 2012, thirty (30) investment and joint venture properties in Australia have been independently reviewed. The review for the current year resulted in a revaluation decrement of $27.77 million. The revaluation decrement is isolated to a small number of sites including the devaluation of surplus land at Cambridge, Tasmania and a devaluation of the Maroochydore, Queensland development which was driven by higher development and construction costs relative to fair market valuations. The Maroochydore development is currently under construction (approximately 75% complete) and is expected to commence trading in November 2012. The softer fair market valuation of Maroochydore also takes into consideration the fact that the site is not fully tenanted as at balance date and the challenging leasing conditions in the local area.

Valuations for fully operational sites have generally remained stable. We have seen some slight softening of capitalisation rates but these have been offset by improvements in rental income from existing tenants and supported by stable occupancy rates.

Review of the Property Portfolio of the Consolidated Entity:

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

A strong property portfolio is an essential component of our Omni Channel strategy. Physical stores and distribution centres are key channels of the business that are integrated with our digital operations. Since inception, we have adopted a selective and prudent acquisition and development strategy. Over the years, the property portfolio has grown substantially to a mixture of predominantly retail properties, a number of industrial sites and some selected non-retail property assets. The combination of multi-tenant retail centres and stand-alone sites, which are geographically spread across Australia, provides a wide selection of retail floor space. The property portfolio is well-placed to adapt and respond to prevailing opportunities both in retail and other sectors of the market.

Our consolidated property portfolio is valued at $2.12 billion as at 30 June 2012. This represents over 50% of our total asset base as at balance date. The result before tax generated by our property segments represents 37% of our consolidated profit before tax for the year ended 30 June 2012 or 48% if we excluded the impact of the net property revaluation decrement for the year.

The segment result before tax of our property segments was $84.44 million for the year ended 30 June 2012 compared to a result of $112.02 million for the previous year, a decrease of $27.58 million or 24.6%. If the net property revaluation adjustments were excluded from both years, the segment result before tax would have been $109.43 million for the current year compared to $96.56 million for the preceding year, an increase of $12.87 million or 13.3%.

Composition of the Property Portfolio	2010 $000	2011 $000	2012 $000
Investment properties	1,393,991	1,401,158	1,578,659
Investment properties under construction	95,209	200,443	75,087
Joint venture properties	140,581	158,978	157,992
Owned land & buildings in New Zealand, Singapore & Slovenia	230,595	257,765	280,717
Properties held for resale	17,485	26,579	26,739
Total Property Portfolio	**1,877,861**	**2,044,923**	**2,119,194**

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, Harvey Norman stores in Slovenia, properties held under joint venture agreements and land and buildings in Australia for development and resale at a profit.

Benefits of Property Ownership:

Property ownership delivers the following benefits to the consolidated entity:

- The presence of Harvey Norman, Domayne or Joyce Mayne franchisees as anchor tenants in a complex is a key drawcard to attract superior national third-party tenants and quality local operators to co-locate within the same complex. This provides us with a distinct advantage in its ability to create a solid, dynamic and cross-beneficial tenancy mix in order to maximise the profitability of the retail property segment.
- 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.

CHAIRMAN'S REPORT (CONTINUED)

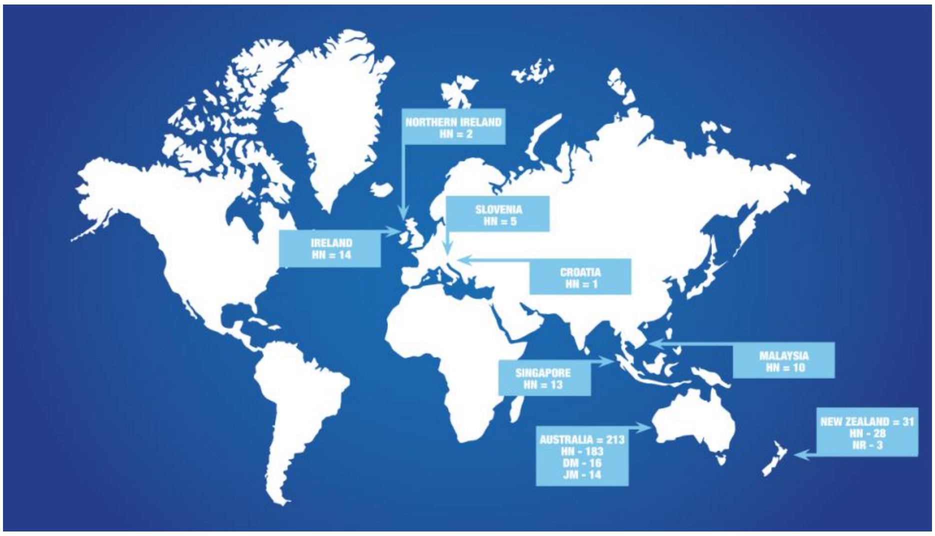
Breakdown of Owned and Leased Sites:

30 June 2012	Number of Owned Sites	Number of Leased Sites *	Total
Australia: Franchised complexes	77	136	213
New Zealand	17	14	31
Slovenia	5	-	5
Croatia	-	1	1
Ireland & Northern Ireland	-	16	16
Asia	-	23	23
TOTAL	99	190	289

* 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-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia as at 30 June 2012.



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

Store Openings Due to Conversions from the Clive Peeters and Rick Hart brands

In August 2011, we announced that we would restructure the Clive Peeters and Rick Hart businesses. By the end of August 2011, we had closed seven (7) Clive Peeters and Rick Hart retail sites. In September 2011 we commenced the conversion process for the remaining eighteen (18) Clive Peeters and Rick Hart stores to the franchised model. Eighteen (18) new franchised complexes were opened pursuant to this conversion. Sixteen (16) stores were converted to the Harvey Norman brand format and two (2) stores were converted to the Joyce Mayne brand format.

Franchised Complex Openings, Conversions and Closures

Three (3) new franchised Harvey Norman complexes, located at Ballina (NSW), Springvale (VIC) and Atherton (QLD) commenced trading during the current year.

One (1) new franchised Domayne complex commenced trading at the landmark Springvale development.

During the year we closed two (2) Harvey Norman complexes located at Indooroopilly (QLD) and Woden (ACT) and two (2) Joyce Mayne complexes located at Alexandria (NSW) and Morayfield (QLD).

There were 213 franchised complexes in Australia as at 30 June 2012 under the following brand names:

- Harvey Norman 183
- Domayne 16
- Joyce Mayne 14

CHAIRMAN'S REPORT (CONTINUED)

Company-Operated Store Openings and Closures in Offshore Markets

During the year, we entered into the Croatian market with our first store opening at Zagreb, the capital of Croatia, in October 2011.

One (1) new store was opened in Maribor, Slovenia's second largest city, in October 2011 bringing the total number of stores in Slovenia to five (5).

The flagship Space showroom located in Bencoolen Street, Singapore, was officially opened in November 2011 following extensive redesign and restoration work by WOHA Architects. Two (2) new stores were opened in Malaysia, both in May 2012, located in Setia City Mall and Paradigm Mall. We now have ten (10) stores in total in Malaysia.

There were no other store openings or closures in other overseas markets.

There are thirty-one (31) stores in total in New Zealand under the Harvey Norman and Norman Ross brand names. There are thirteen (13) Harvey Norman stores in Singapore. We remain committed to our company-operated stores in Ireland and Northern Ireland with fourteen (14) and two (2) Harvey Norman stores respectively.

There were 76 company-operated stores located in offshore markets as at 30 June 2012.

Review of the Company-Operated Retail Segments:

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

The total retail segment result before tax was a profit of $9.70 million for the year ended 30 June 2012 compared to a loss of $10.59 million before tax for the previous year, a turnaround of $20.29 million. This improvement is predominantly due to an improved loss generated by the Clive Peeters and Rick Hart businesses during the year by $26.28 million following the restructure of the brands in the first half of the year.

We are pleased with the performance of our retail operations in New Zealand. Despite the subdued state of the New Zealand economy, the retail stores in New Zealand delivered a solid result of $39.13 million before tax, an 8.5% reduction from prior year. The 100% company-owned Space brand in Singapore and Malaysia is ideally placed for the growing prestige market in the Asia Pacific region. Our controlling investment interest in Pertama Holdings Limited, Singapore is a platform for future growth and expansion of the Harvey Norman brand in Singapore and Malaysia.

Restructure and Closure of the Clive Peeters and Rick Hart Stores and Brand Names:

In August 2011 we advised the market of our intention to restructure the Clive Peeters and Rick Hart businesses and to cease trading under the impaired brand names. By the end of August 2011, we had closed four (4) former Clive Peeters stores and three (3) former Rick Hart stores. The remaining thirteen (13) Clive Peeters stores and five (5) Rick Hart stores were converted to Harvey Norman and Joyce Mayne franchised operations.

We incurred restructuring and closure costs of $8.07 million before tax mainly attributable to redundancy and termination costs, fixed asset write-downs and onerous lease costs for the closed sites. This is less than the expected closure costs previously estimated and reported in August 2011 of approximately $10.00 million before tax.

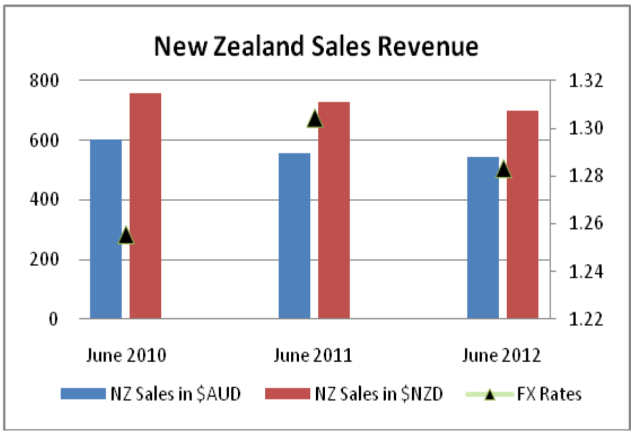
Consolidated sales revenue for the year ended 30 June 2012 was $134.41 million for the Clive Peeters and Rick Hart brands, under the company-operated retail model. Consolidated sales revenue for the preceding year was $279.66 million. Excluding restructuring and closure costs of $8.07 million before tax, the trading loss incurred by the Clive Peeters and Rick Hart businesses amounted to $6.72 million before tax. This is a reduction from $41.07 million of losses incurred in the previous year.

CHAIRMAN'S REPORT (CONTINUED)

Sales and Profitability of the Overseas Controlled Entities:

New Zealand

Sales revenue from the New Zealand company-operated stores decreased by $NZ29.38 million (decrease of 4.0%) due to a combination of natural disasters and the challenging retail climate in New Zealand. The store closures in Christchurch arising from the earthquakes in early 2011 negatively impacted sales revenue. Upon translation into Australian dollars, the decrease in sales revenue was $13.64 million (decrease of 2.4%). The rate of decrease in Australian dollars was reduced due to a 1.7% appreciation in the New Zealand dollar relative to the Australian dollar.

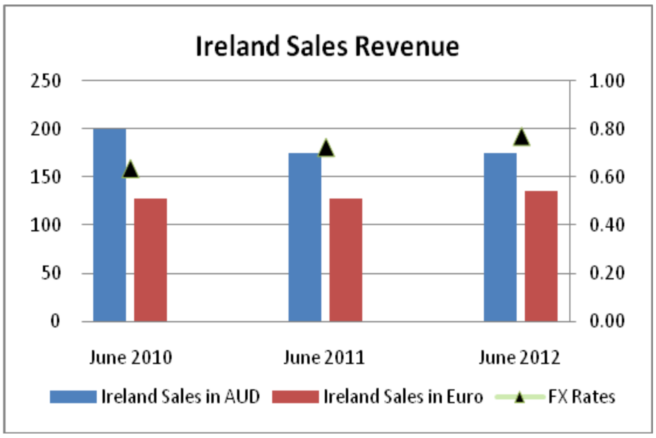


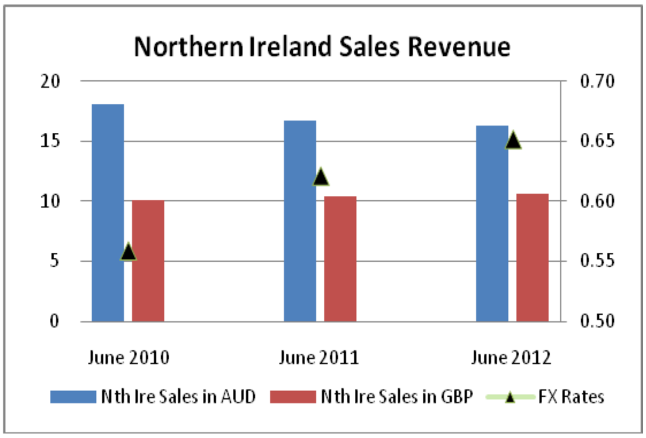
Similar to the trend experienced by franchisees in Australia, the Homemaker categories in New Zealand, mainly the bedding category, are doing particularly well, assisted by the closures of key bedding suppliers during the year which gave our company-operated stores in New Zealand an opportunity to seize market share. The AV/IT categories in New Zealand have also been significantly hampered by severe price deflation and intense discounting by competitors.

The retail segment result in New Zealand was $39.13 million for the year ended 30 June 2012 compared to $42.78 million for the previous year, a decrease of 8.5%. The decrease in local currency was 10.0%.

Despite the depressed economic climate in New Zealand, our operations are robust, being the market leader across all major product categories.

Ireland and Northern Ireland





Sales revenue from the company-operated stores in Ireland increased by €8.02 million (increase of 6.3%) from €126.90 million in the previous year to €134.92 million for the year ended 30 June 2012. Upon translation into Australian dollars, sales revenue actually decreased by $0.10 million (decrease of 0.1%). The lower increase was due to a 6.0% decline in the Euro relative to the Australian dollar.

Sales revenue from the two company-operated stores in Northern Ireland increased by £0.20 million (increase of 2.0%) from £10.40 million in the previous year to £10.60 million for the year ended 30 June 2012. Upon translation into Australian dollars, sales revenue actually decreased by $0.47 million (decrease of 2.8%) due to a 4.7% decline in the UK Pound Sterling relative to the Australian dollar.

The segment result for the operations in Ireland and Northern Ireland was a trading loss of $34.04 million for the year ended 30 June 2012 compared to a loss of $38.59 million for the preceding year. The loss was reduced by $4.56 million or 11.8% due to the combination of an appreciation in the Australian dollar relative to the Euro and the implementation of operational efficiencies by management that have effectively controlled costs. With growth in market share and strong brand awareness across Ireland and Northern Ireland, the operations are well positioned to take advantage of any improvements in macroeconomic conditions.

CHAIRMAN'S REPORT (CONTINUED)

Ireland reported a loss of €22.30 million for the year ended 30 June 2012 compared to a loss of €24.54 million in the previous year, a reduced loss of 9.1% in local currency. The Irish loss in Australian dollars improved on the previous year by 14.6%.

Northern Ireland reported a loss of £3.32 million for the year ended 30 June 2012 compared to a loss of £2.93 million in the previous year, a deterioration of 13.3% in local currency. In Australian dollars, there was an 8.0% deterioration in the Northern Ireland segment result.

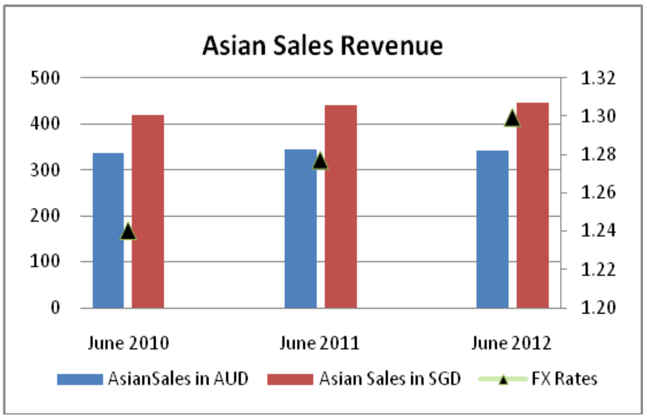
In early July 2012, the Company announced the restructure of the Irish and Northern Irish businesses with the aim of reducing future losses and increasing growth. The main features of the restructure include:

- The launch of a large new furniture and bedding store in West Dublin;
- The launch of Harvey Norman Online, a new e-commerce initiative in Ireland and Northern Ireland;
- The closure of the store located at Mullingar, Ireland which has underperformed;
- The reformatting of the Dundalk Outlet store in Ireland to focus on the furniture and bedding categories;
- The reformatting of the two stores in Northern Ireland located at Newtownabbey and Holywood to focus on the furniture and bedding categories.

We have not recognised the costs of the above restructure in the financial statements and notes disclosed in this report as the announcement to affected parties in Ireland and Northern Ireland and the general public was made subsequent to 30 June 2012.

The Board remains committed to the operations in Ireland and Northern Ireland for the long-term.

Asia



Sales revenue from controlled entity Pertama Holdings Limited, Singapore and trading as "Harvey Norman", increased by S$5.41million (increase of 1.2%). Upon translation into Australian dollars, sales actually decreased by $1.69 million (decrease of 0.5%). There was a devaluation of 1.7% in the Singapore dollar relative to the Australian dollar.

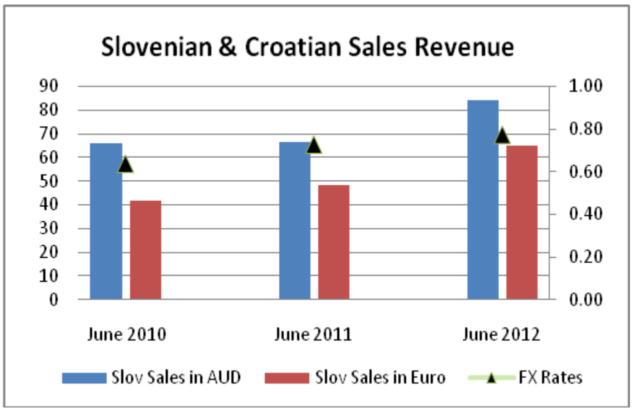
The Harvey Norman branded stores in Singapore and Malaysia continue to grow market share. The segment result in Asia was $9.44 million in the year ended 30 June 2012 compared to $13.05 million in the previous year, a decrease of 27.7%. The decrease in local currency was 26.4%. The profitability of the Asian segment reduced on prior year due to price deflation, particularly in the AV/IT categories, disruption of trade to the Millenia Walk flagship store in Singapore attributed to resumption of floorspace by the landlord and the operation of two warehouses in lieu of purchasing a large warehouse to service all stores in Singapore.

We are pleased with the performance of the Harvey Norman branded stores in Singapore and Malaysia, and the plan is to increase the Harvey Norman brand in the Malaysian market.

The investment in the 100% company-owned Space brand in Singapore and its relocation to the recently redeveloped world-class showroom in Bencoolen Street, Singapore will position it to take advantage of growth in demand for premium furniture within this key global market.

CHAIRMAN'S REPORT (CONTINUED)

Slovenia and Croatia



Sales revenue from the company-operated stores in Slovenia and Croatia increased by €16.90 million (increase of 35.1%) relative to the previous year. This increase is mainly attributable to the sales revenue recorded by the two new stores at Maribor in Slovenia and Zagreb in Croatia that commenced trading in October 2011 and a full year's trading of the Novo Mesto store that opened in October 2010.

Upon translation into Australian dollars, the increase in sales was $17.74 million (increase of 26.7%).

The retail segment result in Slovenia and Croatia was $2.43 million for the year ended 30 June 2012 compared to $5.37 million for the previous year, a decrease of 54.8%. Slovenia reported a profit of €3.21 million for the year ended 30 June 2012 compared to a profit of €3.89 million in the previous year, a reduction in local currency of 17.6%. Croatia reported a loss of €1.34 million or a loss of $1.73 million in Australian dollars primarily due to the start-up investment costs of opening the Zagreb store.

Despite the challenging economic conditions in Europe, the retail business in Slovenia continues to be robust and growing market share. With the opening of the store in Maribor, Slovenia's second largest city and located in the country's north east region, the existing 5 stores cover a wide geographic area of Slovenia.

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 $106.26 million for the year ended 30 June 2012 compared to $112.58 million for the previous year, a decrease of 5.6%.

The segment result for the non-franchised retail segment was a profit of $7.53 million for the current year compared to a profit of $7.87 million in the prior year, a decrease of $0.34 million or 4.4%.

Outlook and Other

Equity

Consolidated equity as at 30 June 2012 was $2.27 billion compared to $2.23 billion at 30 June 2011 – an increase of $38.42 million or 1.7%. Included within consolidated equity is an amount of $30.93 million (June 2011: $34.88 million) attributable to non-controlling interests, of which $28.21 million relates to non-controlling interests in Pertama Holdings Limited, Singapore. Consolidated equity was diluted by $14.74 million as a result of the payment of consideration for the on-market acquisition of a further 12,592,150 shares in Pertama Holdings Limited, Singapore and the acquisition of a further 24.9% shareholding in a retail controlled entity in Australia which was in excess of the carrying value of the non-controlling interest.

Dividend

The recommended final dividend is 4.0 cents per share fully franked (June 2011: 6.0 cents per share fully franked). This final dividend will be paid on 3 December 2012 to shareholders registered at 5:00 pm on 2 November 2012. No provision has been made in the Statement of Financial Position for this recommended final dividend.

CHAIRMAN'S REPORT (CONTINUED)

Outlook

We continue to execute our Omni Channel strategic plan to deliver improved performance for the Australian franchisees and company-operated stores internationally. We are convinced that this will deliver improved results and a sustainable and growing future.

Our integrated retail, franchise, property and digital operations are the backbone of our Omni Channels. This is unique within the categories and markets in which we operate. The online operations of the business across Australia and New Zealand will continue to develop and will deliver incremental revenue in the year ahead for our existing franchisees and company-operated stores. Continuing refinement of our digital platform will create new opportunities for growth in which we continue to invest. There will be an increase in the number of products that are available online in the coming year and we will continue to improve our online offer to consumers.

We continue to implement our merchandising and supply-chain improvements program. Our investment will deliver improved information from both our suppliers and customers and provide a seamless customer experience across all channels.

Within the Australian franchising operations segment, we anticipate that the Home Entertainment and Technology category will continue to remain volatile and uncertain however with further retailer and supplier rationalisation occurring, there is the opportunity for improvement. Whilst the predictions for market values remain flat at best, we are cautiously optimistic of consolidating and increasing our market shares in the technology categories and geographies in which we compete. The strong performance of the Home Appliance, Furniture and Bedding categories will continue to deliver results. We are more than well positioned to capitalise on any resurgence in the domestic home market.

Our New Zealand operation remains strong and will be positively supported by the re-opening of the main complex within Christchurch in late 2012.

Our Irish business has improved and we expect this to continue in the year ahead within this challenged economy. We have a strong position with both Irish consumers and suppliers that is supporting the ongoing improvements to this business.

Within central Europe, Slovenia has a solid position for growth and we expect that the investment in the initial store in Croatia will develop positively throughout the year.

The flagship homemaker centre at Maroochydore in Queensland will open as scheduled in November 2012 adding to the strong asset base of the company's property portfolio.

The balance sheet of the company remains strong through conservative fiscal management. The low net debt to equity ratio with tangible property assets in excess of $2.12 billion has the company well positioned to manage the core business within the respective territories and take advantage of opportunities in the future.

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, 31 August 2012

Statement of Financial Position as at 30 June 2012

	NOTE	CONSOLIDATED June 2012 $000	June 2011 $000
Current Assets			
Cash and cash equivalents	26(a)	172,459	162,779
Trade and other receivables	5	1,017,973	1,065,232
Other financial assets	6	24,396	41,229
Inventories	7	263,421	336,742
Other assets	8	20,161	21,040
Intangible assets	9	531	322
Total current assets		1,498,941	1,627,344
Non-Current Assets			
Trade and other receivables	10	10,556	14,538
Investments accounted for using equity method	27	157,992	158,978
Other financial assets	11	9,355	8,294
Property, plant and equipment	12	536,277	512,479
Investment properties	13	1,653,746	1,601,601
Intangible assets	14	57,442	58,294
Deferred income tax assets		27,507	22,481
Total non-current assets		2,452,875	2,376,665
Total Assets		3,951,816	4,004,009
Current Liabilities			
Trade and other payables	15	647,279	854,897
Interest-bearing loans and borrowings	16	234,876	105,275
Income tax payable		13,487	7,366
Other liabilities	17	1,631	1,603
Provisions	18	20,497	25,235
Total current liabilities		917,770	994,376
Non-Current Liabilities			
Interest-bearing loans and borrowings	19	544,471	546,483
Provisions	20	8,954	9,675
Deferred income tax liabilities		198,849	208,036
Other liabilities	21	14,890	16,978
Total non-current liabilities		767,164	781,172
Total Liabilities		1,684,934	1,775,548
NET ASSETS		2,266,882	2,228,461
Equity			
Contributed equity	22	259,610	259,610
Reserves	23	19,376	32,621
Retained profits	24	1,956,966	1,901,350
Parent entity interests		2,235,952	2,193,581
Non-controlling interests	25	30,930	34,880
TOTAL EQUITY		2,266,882	2,228,461

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

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	CONSOLIDATED June 2012 $000	June 2011 $000
Sales revenue	2	1,407,342	1,556,384
Cost of sales		(1,025,359)	(1,129,517)
Gross profit		381,983	426,867
Revenues and other income items	2	1,061,233	1,122,459
Distribution expenses		(10,869)	(8,591)
Marketing expenses		(355,456)	(373,314)
Occupancy expenses		(242,986)	(217,637)
Administrative expenses		(404,228)	(447,951)
Other expenses from ordinary activities	3	(164,050)	(102,960)
Finance costs	3	(49,455)	(42,984)
Share of equity accounted entities:			
- Share of net profit of joint venture entities (a)	2, 27	13,742	17,888
- Share of joint venture property revaluation (a)	3, 27	(2,505)	158
Profit before income tax		227,409	373,935
Income tax expense		(51,094)	(114,315)
Profit after tax		176,315	259,620
Attributable to:			
Owners of the parent		172,471	252,255
Non-controlling interests		3,844	7,365
		176,315	259,620
Earnings Per Share:			
Basic earnings per share (cents per share)	4	16.24 cents	23.75 cents
Diluted earnings per share (cents per share)	4	16.24 cents	23.75 cents
Dividends per share (cents per share)		9.0 cents	12.0 cents

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

(a) The total share of net profit of joint venture entities, including the share of joint venture property revaluation, was $11.24 million before tax for the year ended 30 June 2012 (June 2011: $18.05 million before tax).

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	CONSOLIDATED June 2012 $000	June 2011 $000
Profit for the year	176,315	259,620
Other comprehensive income		
Foreign currency translation	1,402	(23,756)
Net fair value gains on available-for-sale investments	1,027	973
Cash flow hedges:		
- (Loss)/gain taken to equity	(18,741)	567
- Transferred realised gains/(losses) to other income	100	(57)
- Transferred to Statement of Financial Position	(4)	(4)
Fair value revaluation of land and buildings	9,040	(544)
Income tax on items of other comprehensive income	2,223	(1,988)
Other comprehensive income for the year (net of tax)	(4,953)	(24,809)
Total comprehensive income for the year	171,362	234,811
Total comprehensive income attributable to:		
- Owners of the parent	166,713	235,315
- Non-controlling interests	4,649	(504)
	171,362	234,811

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 2012

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012 (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	Acquisition Reserve	Non-controlling Interests	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 forward foreign exchange contracts	-	-	-	-	-	4	-	-	-	**4**
Fair value of interest rate swaps	-	-	-	-	-	394	-	-	-	**394**
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 CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	NOTE	CONSOLIDATED June 2012 $000	June 2011 $000
Cash Flows from Operating Activities		Inflows/(Outflows)	
Net receipts from franchisees	A	757,348	937,680
Receipts from customers	B	1,463,238	1,634,885
Payments to suppliers and employees	C	(1,905,301)	(2,070,456)
Distributions received from joint ventures	D	12,651	37,217
GST paid	E	(33,963)	(22,294)
Interest received		9,422	7,738
Interest and other costs of finance paid	F	(49,340)	(43,045)
Income taxes paid		(57,016)	(126,924)
Dividends received		2,919	2,587
Cash flows from operating activities prior to consumer finance related cash flows		199,958	357,388
Consumer finance related cash flows:			
Consumer finance loans granted by the consolidated entity		(918)	(1,330)
Repayments received from consumers on consumer finance loans granted by the consolidated entity		1,905	2,915
Consumer finance related cash flows		987	1,585
Net Cash Flows From Operating Activities	26(b)	200,945	358,973
Cash Flows from Investing Activities			
Payment for purchases of property, plant and equipment and intangible assets	G	(108,547)	(170,783)
Payment for the purchase of investment properties	G	(88,631)	(172,709)
Proceeds from sale of property, plant and equipment		5,322	5,836
Payments from units in unit trusts		(195)	(4)
Payments for purchase of equity investments	H	(222)	(5,643)
Proceeds from sale of listed securities		18,941	4,838
Loans repaid from / (granted to) other entities		2,260	(6,776)
Net Cash Flows Used In Investing Activities		(171,072)	(345,241)
Cash Flows from Financing Activities			
Payment for purchase of shares in a controlled entity	I	(12,101)	(21,485)
Proceeds from Syndicated Facility and Syndicated Working Capital Facility	J	104,100	164,500
Dividends paid		(116,855)	(138,101)
Repayments of loans from directors and other persons		(1,211)	(1,149)
Proceeds from borrowings	J	17,558	322
Net Cash Flows (Used In) / From Financing Activities		(8,509)	4,087
Net Increase in Cash and Cash Equivalents		21,364	17,819
Cash and Cash Equivalents at Beginning of the Year		118,729	100,910
Cash and Cash Equivalents at End of the Year	26(a)	140,093	118,729

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012 (CONTINUED)

Commentary to the Statement of Cash Flows:

<A> Net receipts from franchisees decreased by $180.33 million compared to the previous year partly attributed to the reduction in total revenue received from franchisees from $989.04 million for the prior year to $945.64 million for the year ended 30 June 2012, a decrease of $43.40 million or 4.4% (refer note 2).

Cash flows from operating activities are also affected by movement in franchisee working capital loans receivable as at 30 June 2012 relative to the previous corresponding period. The aggregate amount of loans advanced to franchisees as at 30 June 2012 exceeded the aggregate amount of loans advanced to franchisees as at 30 June 2011 by $135.55 million. This is primarily due to a lower rate of reduction in franchisee loan balances from reduced cash receipts from franchisee sales and a higher level of tactical support provided to franchisees which offset the reduced outflows from inventory and working capital management. The aggregate amount of tactical support for the current year was $124.19 million compared to $60.37 million for the previous year, an increase of $63.82 million.

<B> Sales revenue to external customers derived by company-operated stores decreased for the year ended 30 June 2012 relative to the previous year due to the closure of seven (7) Clive Peeters and Rick Hart stores and the conversion of the remaining eighteen (18) Clive Peeters and Rick Hart stores to the franchised model during the first half of the financial year. The sale of Clive Peeters and Rick Hart inventory upon conversion to the franchised model was made via several working capital advances to franchisees and not settled in cash.

The reductions were offset by the opening of five (5) new stores in offshore markets located in Maribor, Slovenia Zagreb, Croatia and Malaysia.

<C> The decrease in payments to suppliers and employees is due to the closure of seven (7) Clive Peeters and Rick Hart stores and the conversion of the remaining eighteen (18) Clive Peeters and Rick Hart stores to the franchised model during the current year. The consolidated entity continues to focus on the prudent management of working capital and has made a concerted effort to effectively manage inventory and control operating costs in a difficult retail climate.

<D> The decrease in distributions received from joint venture entities is because the prior year balance included proceeds received from the sale of a development property located in Mentone, Victoria.

<E> Net GST payments increased by $11.67 million in the year ended 30 June 2012 compared to the prior year. The previous year contained higher GST input tax credits (cash inflows) resulting from increased real property acquisitions and developments.

<F> Interest and other costs of finance paid increased by $6.30 million due to an increase in the utilised portion of the Syndicated Facilities and other short term borrowings in Australia and the increase in commercial bill facilities utilised by overseas controlled entities. During the current year, the consolidated entity has entered into a further separate agreement with certain banks in relation to a loan facility of $85.00 million (the "Syndicated Working Capital Facility").

<G> Payments for the purchases of property, plant and equipment, intangible assets and investment properties decreased by $146.31 million relative to the previous year. Higher payments in the prior year were attributable to several significant property acquisitions including the At Home Centre at Penrith, the new development under construction at Springvale, Victoria, the Space Asian showroom in Singapore and the acquisition of plant and equipment assets from the former owners of Clive Peeters and Rick Hart.

<H> The decrease in payments for the purchase of equity investments is because the prior year balance included capital contributions required for a mining camp joint venture in Queensland of $4.76 million.

<I> During the current year, the consolidated entity acquired an additional 12,592,150 shares in Pertama Holdings Limited, Singapore for a total purchase consideration of $6.32 million. The consolidated entity also acquired a further 24.9% interest in a controlled entity for a total purchase consideration of $5.78 million.

<J> The utilised Syndicated Facility and Syndicated Working Capital Facility increased to $590.00 million during the year ended 30 June 2012 to fund operating activities (refer to Notes 16 & 19 for further information on these facilities).

OPERATING SEGMENTS

OPERATING SEGMENTS – 30 June 2012

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

OPERATING SEGMENTS (CONTINUED)

Operating Segments – 30 June 2012 (continued)

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

OPERATING SEGMENTS (CONTINUED)

Operating Segments – 30 June 2012 (continued)

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

OPERATING SEGMENTS (CONTINUED)

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
	June 2011 $000	June 2011 $000	June 2011 $000	June 2011 $000	June 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 segment revenue	**1,556,384**	**1,122,459**	**158**	**17,888**	**2,696,889**

OPERATING SEGMENTS (CONTINUED)

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**
	June 2011 $000	June 2011 $000	June 2011 $000	June 2011 $000	**June 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 segment result before tax	**508,357**	**(42,984)**	**(81,594)**	**(9,844)**	**373,935**
Income tax expense					**(114,315)**
Profit attributable to non-controlling interests					**(7,365)**
Net profit for the year attributable to owners of the parent					**252,255**

OPERATING SEGMENTS (CONTINUED)

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 (continued)

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 and Space brand names.
Retail – Slovenia & Croatia	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Slovenia and Croatia under the Harvey Norman brand name.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in Ireland and Northern Ireland.
Non-Franchised Retail – Clive Peeters & Rick Hart	Consists of the wholly-owned operations of the consolidated entity under the Clive Peeters and Rick Hart brands prior to the restructure in August 2011.
Non-Franchised Retail	Consists of the retail trading operations in Australia which are controlled by the consolidated entity and do not include any operations of Harvey Norman franchisees. This segment includes the Space brand in Malaysia.
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 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.

Notes to the Financial Statements

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 2011, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2011.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	June 2012 $000	June 2011 $000

2. Revenues

	June 2012 $000	June 2011 $000
Revenue from the sale of products	1,407,342	1,556,384
Gross revenue from franchisees:		
- Franchise fees	690,141	750,563
- Rent	222,586	204,181
- Interest	32,909	34,292
Total revenue received from franchisees	945,636	989,036
Rent received from other third parties	50,492	44,219
Interest received from other unrelated parties	9,422	7,739
Dividends from other unrelated parties	2,919	2,587
Total other revenues	62,833	54,545
Share of net profit from joint venture entities (Note 27)	13,742	17,888
Share of joint venture property revaluation	-	158
Total revenues	2,429,553	2,618,011
Other Income Items:		
Net property revaluation increment on Australian investment properties	-	15,297
Reversal of a previous property revaluation decrement	2,775	-
Net profit on the revaluation of equity investments to fair value	1,866	12,070
Net foreign exchange gains	1,318	2,258
Unrealised gain on interest rate swap	-	230
Other revenue	46,805	49,023
Total other income items	52,764	78,878
Total revenues and other income items	2,482,317	2,696,889
Total revenue is disclosed on the Income Statement as follows:		
Sales revenue	1,407,342	1,556,384
Other revenues	1,008,469	1,043,581
Other income items	52,764	78,878
Total other revenues and income items	1,061,233	1,122,459
Share of net profit of joint venture entities	13,742	17,888
Share of joint venture property revaluation	-	158
Total revenues and other income items	2,482,317	2,696,889

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	June 2012 $000	June 2011 $000

3. Expenses and Losses

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

	June 2012 $000	June 2011 $000
Tactical support:		
Tactical support provided to franchisees	124,186	60,372
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	4,749	4,097
- Plant and equipment	73,492	77,416
Amortisation of:		
- Leased plant and equipment	39	81
- Computer software	9,782	7,773
Impairment of (included in administrative and other expenses line in the Income Statement):		
- Plant and equipment – Ireland	509	968
- Capitalised IT Projects	2,356	1,093
- Other assets	139	10
Total depreciation, amortisation and impairment	91,066	91,438
Finance costs:		
Interest paid or payable:		
- Loans from directors and director-related entities	2,672	2,835
- Bank interest paid to financial institutions	43,017	37,694
- Other	3,766	2,455
Total finance costs	49,455	42,984
Employee benefits expense:		
- Wages and salaries	200,092	228,862
- Workers' compensation costs	786	1,539
- Superannuation contributions expense	10,659	13,231
- Payroll tax expense	8,977	10,934
- Share-based payments expense	334	419
- Other employee benefits expense	4,660	6,776
Total employee benefits expense	225,508	261,761
Property revaluation decrements:		
- Net revaluation decrement for Australian investment properties	25,263	-
- Share of joint venture property revaluations	2,505	-
Total property revaluation decrements	27,768	-
Other expense items:		
- Net bad debts – provided for or written off	1,438	1,999
- Net charge to provision for doubtful debts	1,324	(2,533)
- Net loss on disposal of plant and equipment	5,491	2,344
- Minimum lease payments	157,707	161,009
- Provision for obsolescence of inventories	(1,901)	(336)

	Consolidated June 2012 $000	Consolidated June 2011 $000

4. Earnings Per Share

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

	June 2012 $000	June 2011 $000
Profit after tax	176,315	259,620
Profit after tax attributable to non-controlling interests	(3,844)	(7,365)
Profit after tax attributable to the parent	172,471	252,255

	Number of Shares June 2012	Number of Shares June 2011
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 30 June 2012 was 1,062,316,784 (June 2011: 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 (the "First Tranche"). These options are capable of exercise from 1 January 2014 to 30 June 2016 at an exercise price of $3.02 per option. The options were valued at grant date utilising the assumptions underlying the Black-Scholes methodology. Under this valuation methodology, the value of each option was $0.87 per option or $2,610,000 in total.

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

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

Options issued pursuant to the First Tranche and the Second Tranche have both 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 as calculated during the year.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	June 2012 $000	June 2011 $000

5. Trade and Other Receivables (Current)

	June 2012 $000	June 2011 $000
Trade debtors	985,542	1,022,892
Provision for doubtful debts	(845)	(990)
Trade debtors, net	984,697	1,021,902
Consumer finance loans	2,874	2,970
Amounts receivable in respect of finance leases	9,907	8,685
Non-trade debts receivable from:		
- Related parties	20,442	1,797
- Other unrelated persons	4,916	33,270
- Provision for doubtful debts	(4,863)	(3,392)
Non-trade debts receivable, net	20,495	31,675
Total trade and other receivables (current)	1,017,973	1,065,232

6. Other Financial Assets (Current)

	June 2012 $000	June 2011 $000
Listed shares held for trading at fair value	23,346	40,171
Other investments	1,050	1,058
Total other financial assets (current)	24,396	41,229

7. Inventories (Current)

	June 2012 $000	June 2011 $000
Finished goods at cost	241,071	316,453
Provision for obsolescence	(4,389)	(6,290)
Finished goods at cost, net	236,682	310,163
Finished goods at net realisable value	26,739	26,579
Total current inventories at the lower of cost and net realisable value	263,421	336,742

8. Other Assets (Current)

	June 2012 $000	June 2011 $000
Prepayments	10,753	16,378
Other current assets	9,408	4,662
Total other assets (current)	20,161	21,040

9. Intangible Assets (Current)

	June 2012 $000	June 2011 $000
Net licence property	531	322

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED June 2012 $000	June 2011 $000
10. Trade and Other Receivables (Non-Current)		
Trade debtors	384	440
Consumer finance loans	1,307	1,518
Provision for doubtful debts	(14)	(16)
	1,677	1,942
Amounts receivable in respect of finance leases	8,879	12,596
Total trade and other receivables (non-current)	10,556	14,538
11. Other Financial Assets (Non-Current)		
Listed shares held for trading at fair value	1,750	2,000
Listed shares held as available for sale	7,194	6,080
Units in unit trusts held as available for sale	204	210
Other non-current financial assets	207	4
Total other financial assets (non-current)	9,355	8,294
12. Property, Plant and Equipment (Non-Current)		
Summary		
Land		
- At fair value	121,497	95,928
- Properties under construction, at cost (a)	-	20,325
Total Land	121,497	116,253
Buildings		
- At fair value	159,220	127,940
- Properties under construction, at cost (a)	-	13,572
Total buildings	159,220	141,512
Net land and buildings	280,717	257,765
Plant and equipment:		
- At cost	768,731	755,771
- Accumulated depreciation	(514,724)	(501,557)
Net plant and equipment, at cost	254,007	254,214

(a) The property disclosed as being under construction as at 30 June 2011 related to the construction of the Space showroom in Singapore which was completed during the current year and transferred to land and buildings at fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED June 2012 $000	June 2011 $000
12. Property, Plant and Equipment (Non-Current) (continued)		
Lease make good asset:		
- At cost	3,713	2,723
- Accumulated depreciation	(2,160)	(2,223)
Net lease make good asset, at cost	1,553	500
Total plant and equipment	255,560	254,714
Total property, plant and equipment:		
- Land and buildings at cost and fair value	280,717	257,765
- Plant and equipment at cost	772,444	758,494
Total property, plant and equipment	1,053,161	1,016,259
Accumulated depreciation and amortisation	(516,884)	(503,780)
Total written down amount	536,277	512,479
13. Investment Properties		
Opening balance at beginning of the year, at fair value	1,601,601	1,489,200
- Net additions, disposals and transfers	77,408	97,104
- Net (decrease) / increase from fair value adjustments	(25,263)	15,297
Closing balance at end of the year, at fair value	1,653,746	1,601,601

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.

Investment Properties under Construction

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

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

Primary sites (as determined by management), which have been operating for greater than a twelve-month period, totalling $1.44 billion (June 2011: $1.29 billion) generally have capitalisation rates within the range of 8.5% to 10.0% (June 2011: 8.25% to 9.00%). Secondary sites (as determined by management), which have been operating for greater than a twelve-month period, totalling $233.69 million (June 2011: $242.06 million) generally have capitalisation rates within the range of 8.75% to 11.5% (June 2011: 8.75% 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 3.06% (June 2011: 2.44%).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED June 2012 $000	June 2011 $000
14. Intangible Assets (Non-Current)		
Goodwill	10	9
Net software licences	484	494
Computer software:		
- At cost	106,052	98,236
- Accumulated amortisation and impairment	(49,104)	(40,445)
Net computer software	56,948	57,791
Net intangible assets (non-current)	57,442	58,294
15. Trade and Other Payables (Current)		
Trade creditors	553,570	701,823
Accruals	49,957	77,761
Other creditors	43,752	75,313
Total trade and other payables (current)	647,279	854,897
16. Interest-Bearing Loans and Borrowings (Current)		
Secured:		
Non trade amounts owing to:		
- Bank overdraft (a)	32,366	44,050
- Commercial bills payable (b)	9,750	15,075
- Other short-term borrowings (c)	146,675	-
Unsecured:		
Derivatives payable	1,199	-
Lease liabilities	117	168
Non trade amounts owing to:		
- Directors	32,406	36,944
- Other related parties	12,253	8,844
- Other unrelated persons	110	194
Total interest-bearing loans and borrowings (current)	234,876	105,275

(a) Bank Overdraft

Relates to a fully-drawn bank overdraft in the sum of $32.37 million due by Harvey Norman Trading (Ireland) Limited to Bank of Ireland ("BOI") (the "BOI Overdraft Facility"). Australia and New Zealand Banking Group Limited ("ANZ") has provided an Indemnity/Guarantee/Stand-by Letter of Credit Facility in favour of BOI in support of the BOI Overdraft Facility, at the request of the Company ("ANZ-BOI Facility"). The ANZ-BOI Facility is further secured by the Syndicated Facility Agreement described in Note 19(a).

(b) Commercial Bills Payable

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

(c) Other Short –Term Borrowings

Of the total short term borrowings of $146.68 million, a total of $79.80 million is secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 19(a)).

Included in the total short term borrowings amount is a separate further facility agreement that was established on 17 February 2012 by a subsidiary of the Company (as borrower), and several other subsidiaries of the Company (as guarantors), with certain banks totalling $85.00 million (the "Syndicated Working Capital Facility"). The Syndicated Working Capital Facility is a twelve (12) month revolving facility, secured by properties located in Australia and New Zealand. The utilised portion of $65.00 million is secured by the securities given pursuant to the Syndicated Working Capital Facility and $1.90 million is applicable to other banking facilities with financiers that are external to the Syndicated Facility Agreement. The security provided under these facilities is a parental guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The Syndicated Working Capital Facility is repayable:
(a) on 17 February 2013;
(b) otherwise on demand by or on behalf of the lenders under the Syndicated Working Capital Facility (the "Syndicated Working Capital Facility Lenders") upon the occurrence of any one of a number of events (each a "Syndicated Working Capital Facility Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Syndicated Working Capital Facility Relevant Event:
 (i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;
 (ii) if any change in law or other event makes it illegal or impractical for a Syndicated Working Capital Facility Lender to perform its obligations under the Syndicated Working Capital Facility Agreement or fund or maintain the amount committed by that Syndicated Working Capital Facility Lender to the provision of the Syndicated Working Capital Facility ("Syndicated Working Capital Facility Commitment"), the Syndicated Working Capital Facility Lender may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Syndicated Working Capital Facility Commitment of that Syndicated Working Capital Facility Lender, in full on the date which is forty (40) business days after the date of that notice.

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

	CONSOLIDATED June 2012 $000	June 2011 $000
17. Other Liabilities (Current)		
Lease incentives	1,503	1,545
Unearned revenue	128	58
Total other liabilities (current)	1,631	1,603
18. Provisions (Current)		
Employee entitlements	15,843	20,450
Lease make good	1,061	658
Deferred lease expenses	737	1,058
Onerous lease costs	2,110	2,426
Other	746	643
Total provisions (current)	20,497	25,235
19. Interest-Bearing Loans and Borrowings (Non-Current)		
Secured:		
Non trade amounts owing to:		
Other borrowings		
- Syndicated Facility Agreement (a)	525,000	485,900
- Other non-current borrowings	-	26,886
Secured bills payable	675	32,428
Derivatives payable	18,784	1,269
Lease liabilities	12	-
Total interest-bearing loans and borrowings (non-current)	544,471	546,483

(a) Non-Current Borrowings – Syndicated Facility Agreement

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Interest-Bearing Loans and Borrowings (Non-Current) (continued)

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

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

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

	CONSOLIDATED	
	June 2012 $000	June 2011 $000

20. Provisions (Non-Current)

Employee entitlements	**1,278**	2,343
Lease make good	**3,028**	2,058
Deferred lease expenses	**4,648**	5,274
Total provisions (non-current)	**8,954**	9,675

21. Other Liabilities (Non-Current)

Lease incentives	**14,868**	16,956
Unearned revenue	**22**	22
Total other liabilities (non-current)	**14,890**	16,978

22. Contributed Equity

Ordinary shares	**259,610**	259,610
Total contributed equity	**259,610**	259,610

	June 2012 Number	June 2011 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 2011	1,062,316,784	259,610
Issue of shares under executive share option plan	-	-
At 30 June 2012	1,062,316,784	259,610

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. Reserves

	CONSOLIDATED $000						
	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 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 gain on interest rate swap	-	-	-	563	-	-	563
Tax effect of net gain on interest rate swap	-	-	-	(169)	-	-	(169)
Reverse expired or realised cash flow hedge reserves	-	-	-	(61)	-	-	(61)
Net gain on forward foreign exchange contracts	-	-	-	4	-	-	4
Currency translation differences	-	(15,827)	-	-	-	-	(15,827)
Acquisition of non-controlling interests	-	-	-	-	-	(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
At 1 July 2011	66,557	(35,934)	2,327	(864)	7,452	(6,917)	32,621
Revaluation of land and buildings	9,072	-	-	-	-	-	9,072
Tax effect of revaluation of land and buildings	(3,400)	-	-	-	-	-	(3,400)
Unrealised gains on available-for-sale investments	-	-	1,027	-	-	-	1,027
Net loss on interest rate swap	-	-	-	(18,704)	-	-	(18,704)
Tax effect of net loss on interest rate swap	-	-	-	5,613	-	-	5,613
Reverse expired or realised cash flow hedge reserves	-	-	-	95	-	-	95
Net loss on forward foreign exchange contracts	-	-	-	(37)	-	-	(37)
Tax effect of net loss on forward foreign exchange contracts	-	-	-	11	-	-	11
Currency translation differences	-	565	-	-	-	-	565
Acquisition of non-controlling interests	-	-	-	-	-	(7,821)	(7,821)
Share based payment	-	-	-	-	966	-	966
Reversal of share expenses	-	-	-	-	(632)	-	(632)
At 30 June 2012	72,229	(35,369)	3,354	(13,886)	7,786	(14,738)	19,376

Nature and purpose of reserves:

(a) Asset revaluation reserve

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

(b) Foreign currency translation reserve

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

(c) Available for sale reserve

This reserve 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED June 2012 $000	June 2011 $000
24. Retained Profits and Dividends		
Movements in retained earnings were as follows:		
Balance 1 July	1,901,350	1,787,196
Profit for the year	172,471	252,255
Dividends paid	(116,855)	(138,101)
Balance at end of the year	1,956,966	1,901,350
Dividends declared and paid during the year:		
Dividends on ordinary shares:		
Final franked dividend for 2011: 6.0 cents (2010: 7.0 cents)	63,739	74,362
Interim franked dividend for 2012: 5.0 cents (2011: 6.0 cents)	53,116	63,739
Total dividends paid	116,855	138,101

The final dividend for the year ended 30 June 2011 was paid on 5 December 2011.

The interim dividend for the year ended 30 June 2012 was paid on 7 May 2012.

Franking credit balance

	June 2012 $000	June 2011 $000
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%	665,794	667,917
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	7,673	3,635
- franking credits that will be utilised in the payment of proposed dividend	(18,211)	(27,317)
The amount of franking credits available for future reporting periods	655,256	644,235

25. Non-Controlling Interests

	June 2012 $000	June 2011 $000
Interest in:		
- Ordinary shares	12,404	26,991
- Reserves	5,746	(8,407)
- Retained earnings	12,780	16,296
Total non-controlling interests	30,930	34,880

26. Cash and Cash Equivalents

	June 2012 $000	June 2011 $000
(a) Reconciliation to Cash Flow Statement		
Cash and cash equivalents comprise the following at end of the year:		
Cash at bank and on hand	141,159	114,353
Short term money market deposits	31,300	48,426
	172,459	162,779
Bank overdraft (Note 16)	(32,366)	(44,050)
Cash and cash equivalents at end of the year	140,093	118,729

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED	
	June 2012 $000	June 2011 $000
(b) Reconciliation of profit after income tax to net operating cash flows:		
Profit after tax	176,315	259,620
Adjustments for:		
Net foreign exchange gains	(1,318)	(2,258)
Bad and doubtful debts	1,438	1,999
Provision for inventory obsolescence	(1,901)	(336)
Share of net profit from joint venture entities	(13,742)	(17,888)
Depreciation of property, plant and equipment	78,241	81,594
Amortisation	9,821	7,773
Impairment of fixed assets and IT projects	3,004	2,071
Revaluation of investment properties and properties held under joint ventures	27,768	(15,455)
Reversal of a previous property revaluation decrement	(2,775)	-
Net profit on property development	(10,000)	-
Deferred lease expenses	(477)	353
Provision for onerous leases	2,912	860
Other provisions	104	107
Discount on interest-free long term receivables	83	150
Accretion of interest-free long term receivables	(152)	(216)
Executive remuneration including shares and options expense	1,789	2,669
Realised / unrealised gain on interest-rate swap	-	(230)
Accrued income items	(5,511)	(3,150)
Transfers to provisions:		
- Employee entitlements	(5,672)	5,494
- Doubtful debts	1,324	(2,533)
Loss/(profit) on disposal and revaluation of:		
- Property, plant and equipment, and listed securities	3,625	(9,726)
Changes in assets and liabilities net of effects from purchase and sale of controlled entities:		
(Increase)/decrease in assets:		
Receivables	47,331	36,299
Inventory	75,222	(74,732)
Other current assets	879	(127)
Deferred tax assets	(5,026)	7
Increase/(decrease) in liabilities:		
Payables and other current liabilities	(188,458)	120,302
Income tax payable	6,121	(33,674)
Net cash from operating activities	200,945	358,973

27. Investments Accounted for Using Equity Method	CONSOLIDATED Investment		CONSOLIDATED Share of net profit	
	June 2012 $000	June 2011 $000	June 2012 $000	June 2011 $000
Total joint venture entities accounted for using equity method	157,992	158,978	13,742	17,888

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Investments Accounted for Using Equity Method (continued)

Name and Principal activities	Ownership Interest		Contribution to Net Profit / (Loss)		Contribution to Property Revaluation	
	June 2012 %	June 2011 %	**June 2012 $000**	June 2011 $000	**June 2012 $000**	June 2011 $000
New Zealand						
- Lincoln Junction	**50%**	50%	**-**	311	**-**	-
Noarlunga						
- Shopping complex	**50%**	50%	**1,012**	925	**1,193**	-
Perth City West						
- Shopping complex	**50%**	50%	**3,954**	3,917	**-**	-
Kelso						
- Development of land for resale	**50%**	50%	**(2)**	(1)	**-**	-
Tweed Heads – Expo Park						
- Shopping complex	**50%**	50%	**1,102**	1,006	**(1,519)**	-
Warrawong King St (a)						
- Shopping complex	**62.5%**	62.5%	**1,015**	939	**250**	-
Tweed Heads Traders Way						
- Building development	**50%**	50%	**73**	60	**(1,398)**	-
Sylvania						
- Residential development	**-**	40%	**-**	(182)	**-**	-
Mentone						
- Development of land for resale	**-**	50%	**(295)**	7,196	**-**	-
Byron Bay						
- Residential / convention development	**50%**	50%	**(702)**	(730)	**-**	-
Byron Bay - 2						
- Resort operations	**50%**	50%	**434**	504	**-**	-
Dubbo						
- Shopping complex / building development	**50%**	50%	**540**	459	**(1,031)**	-
Cubitt						
- Showroom and warehouse	**-**	50%	**1**	550	**-**	158
Bundaberg						
- Warehouse	**50%**	50%	**(5)**	(6)	**-**	-
Bundaberg – 2						
- Land held for investment	**50%**	50%	**(3)**	(4)	**-**	-
QCV Chinchilla (Mining Camp) (b)						
- Miners residential complex	**50%**	50%	**3,071**	1,704	**-**	-
Gepps Cross						
- Shopping complex	**50%**	50%	**2,737**	1,326	**-**	-
QCV Benaraby – 1 (c)						
- Miners residential complex	**50%**	50%	**195**	(78)	**-**	-
QCV Benaraby – 2						
- Land held for investment	**50%**	50%	**(27)**	(8)	**-**	-
QCV Fairview (d)						
- Miners residential complex	**50%**	-	**656**	-	**-**	-
QCV Other						
- Other QCV joint ventures	**50%**	-	**(14)**	-	**-**	-
			13,742	17,888	**(2,505)**	158

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

(b) A 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 Chinchilla Facility"). The amount of the Chinchilla Facility is $5.20 million plus interest and costs. HNHL has granted a joint and several guarantee to CBA in respect of the JV under the Chinchilla Facility.

(c) A wholly-owned subsidiary of HNHL has entered into a joint venture with an unrelated party to provide mining camp accommodation. The JV was granted a finance facility by ANZ ("the Benaraby Facility"). The total amount of the Benaraby Facility is $14.1 million plus interest and costs. HNHL has granted a joint and several guarantee to ANZ in respect of the JV under the Benaraby Facility.

(d) 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 has been granted a finance facility by CBA ("the Fairview Facility"). The amount of the Fairview Facility is $23.30 million plus interest and costs. HNHL has granted a joint and several guarantee to CBA in respect of the JV under the Fairview Facility.

OTHER INFORMATION

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 2012	June 2011
Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	**2.21**	2.18

Business Combinations Having Material Effect

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

Loss of Control of Entities Having Material Effect

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

Audit

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