Company	Harvey Norman Holdings Limited
Code	HVN
Meeting	AGM
Date	27 November 2018
Venue	The Tattersalls Club, Sydney
Monitor	Pamela Murray-Jones

Number attendees at meeting	Total attendees 98 including 33 voting shareholders, 7 proxy holders and 6 non-voting shareholders.
Number of holdings represented by ASA	68
Value of proxies	$1.555 million (0.4% of ordinary shares)
Number of shares represented by ASA	477,723
Market capitalisation	$3,657million
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with directors Brown, Gunderson-Briggs and Paton

A first strike on the REM and Gerry Harvey accuses his detractors of being "friggin mad"

"Totally friggin mad" is how Harvey Norman referred to his critics in his opening address at the AGM. It was not an orthodox start for an AGM of a top 200 company. Nor is it usual for a Chair to have to be prompted by his wife (CEO, Katie Page) on what he is supposed to be doing ("Just read from the slides, Gerry.") This is a family company masquerading as a public company, and it was telling that the Chair suggested that one opportunity that presented itself if the share price continued to fall was to privatise the company.

A bright spot was Katie Page's excellent overview of the flagship strategy. However, while company-owned stores are doing well domestically and internationally, there have been a number of missteps by the board that have sent the share price sliding for the second year in a row.

But questions on this were unwelcome with the Chair accusing me of being an agitator, and on one occasion accusing ASA of wanting to send the company "down the tubes". (I replied this was far from what ASA wanted.) When a shareholder, and ASA member, objected to the tone of Mr

Harvey's responses to ASA questions and his disparaging of small shareholders, he responded by saying she was "probably a very nice lady" but ASA were nothing but disruptors who couldn't say anything good.

John Singleton (acknowledging he was an old mate) was happy to provide the accolades, finishing off the meeting by congratulating the Chair on "the best retail company in Australia", and sticking the boot into ASA who he accused of being in league with the short-sellers.

However, ASA were not the only ones unhappy with aspects of Harvey Norman's management during the year. The remuneration report received a first strike with a 50.63% vote against the resolution. All other resolutions were passed, though for the three non- independent directors there was a vote of over 27% against their re-election, and all 5 executive directors had a 17%+ vote against their performance shares.

The Chair, still simmering, reportedly told *The Australian* after the meeting "all they (ASA) want to do is make a name for themselves." That wasn't the aim, but he has done that for us. With so much vitriol being directed towards ASA, we may be starting to shake the board out of its complacency – and that's good news for all shareholders.

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The questions that so infuriated the Chair and which he and John Singleton called "irrelevant" are below:

<u>On the financial reports:</u>

Non-trade debts receivable +90 days has increased by 86% this year and total trade receivables +90 days has increased by 37%. These are virtually unsecured loans. In addition, loans to joint ventures and unrelated parties have also increased. Can you explain how this has occurred? How it is being managed so we don't see a further increase and higher impairment in 2019?

<u>On resolution 2 (remuneration report):</u>

Under your remuneration report, the awarding of incentives is based on 50% financials and 50% non-financials. ASA has no issue with that. However, the non-financial measures are the same for every executive and every executive gets the same percentage regardless of individual effort or competence in their role. Furthermore, the STI (short-term incentive) is paid wholly in cash with none of the downside risk that part payment in equity holds. Without individual accountability and measurement, and with no downside risk in the short-term, how does this framework assist in the adequate supervision of management?

<u>To Mr Michael Harvey on his re-election</u>:

As a member of the Harvey family, how do you address your conflict of interest to ensure the interests of all shareholders are protected in decision making?

To Katie Page, CEO at General Question time:

You have noted that 80% of your customers are women – yet you are the only woman on the board. This is not representative of your stakeholders. When can we expect this situation to be rectified?

Allan Goldin attended as a shareholder and had questions of his own, though the media (and Gerry Harvey) linked both because of Allan being the previous monitor.

Question for the Auditors:

One of your key audit matters was the recoverability of non-trade receivables. I draw your attention to page 96 of the annual report (AR) where +90 days has increased from $57,368m to $105,704m. I would like to know how you assess the reasonableness of this noting that I assume that one of the items is the KEH Partnership which had an impairment of $16.92m this year and $18.41m last year and $11.56m in 2016.

The present value of future cash flows as at 30 June 2017 was assessed for a five-year period, based on financial budgets and assets held as security. The effective interest rate of 7.5% was applied to the cash flow projections. Cash flow projections were limited to five years. Each of the key assumptions in the impairment assessment was subject to judgement including the future trading performance of the retail joint venture. Judgement has been applied based on available information to assess the recoverable amount of the non-trade receivables as at balance date.

Second question for the Auditors:

In 2017 on page 55 of the AR it is was stated that as of 30 June 2017 $36.34m was owed to Dimbulu a company associated with four of the directors. One year later on page 55 of the 2018 AR it is stated that as of 30 June 2017 the amount owed to an unnamed entity three of the same directors was $46.239m. How is it possible that this item increased by $10m in one year and why was it re-stated?

General Question Time:

Our Company had a Capital raising in October 2018, when the allocation of shares was made despite the board having at least one lawyer plus the Company Secretary the directors awarded themselves shares in breach of Listing Rule 10.11. The shares were then donated to a scholarship fund. But what about the shareholders who missed out because of the Directors unlawful actions. How are they being compensated? How much are we talking about?

There were few other questions: One on the roll out of solar panels across stores; another on the number of franking credits Harvey Norman still holds and what they were doing to reduce this.

The AGM was filmed and should be available on Harvey Norman's website for ASA members to view and hear the responses