DEC 2014

APPENDIX 4D

HALF-YEAR REPORT

Harvey Norman®

HOLDINGS LIMITED

Harvey Norman®

DOMAYNE®

JOYCE MAYNE®

Our brands provide 'Solutions For The Home' by offering the largest range of trusted brands, products and services under one roof in 195 Harvey Norman, Domayne and Joyce Mayne franchised stores in Australia and 86 company-operated stores across 7 overseas countries.

KEY DATES:

27 February 2015	Announcement of Half-Year Profit to 31 December 2014 Announcement of Interim 2015 Dividend
10 April 2015	Record date for Determining Entitlement to Interim 2015 Dividend
4 May 2015	Payment of Interim 2015 Dividend
28 August 2015	Announcement of Full Year Profit to 30 June 2015 Announcement of Final 2015 Dividend

COMPANY INFORMATION

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

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

Company Secretary:
Mr Chris Mentis

HARVEY NORMAN HOLDINGS LIMITED
ABN 54 003 237 545

FRANCHISEE SALES REVENUE

$2.53 BN

up 1.9% on PCP*

REPORTED PROFIT BEFORE TAX

$200.79 M

up 25.8% on PCP*

REPORTED PROFIT AFTER TAX & NON-CONTROLLING INTERESTS

$141.98 M

up 27.4% on PCP*

PROFIT AFTER TAX & NON-CONTROLLING INTERESTS EXCLUDING NET PROPERTY REVALUATION ADJUSTMENTS

$139.13 M

up 18.5% on PCP*

*PCP = previous corresponding period

CONTENTS

> The Omni Channel Strategy, incorporating the Harvey Norman integrated retail, franchise, property and digital platforms, is robust and the most sustainable format to effectively compete in an evolving market. The digital store, physical store and distribution channels provide a significant competitive advantage for Harvey Norman franchisees.

Financial Highlights	HY2014 Dec-13	HY2015 Dec-14	Mvmt $	Mvmt %
No. of franchised outlets in Australia[1]	202	195		
No. of franchisees in Australia[1]	670	678		
No. of company-operated stores[2]	81	86		
Franchisee sales revenue[1]	$2.48bn	$2.53bn	$47.71m	+1.9%
Company-operated sales revenue[2]	$776.96m	$839.33m	$62.36m	+8.0%
Other revenues and other income items	$540.62m	$565.16m	$24.54m	+4.5%
Earnings before interest and tax (EBIT)	$178.25m	$218.21m	$39.96m	+22.4%
Earnings before interest, tax, depreciation, amortisation and impairment	$217.75m	$256.21m	$38.46m	+17.7%
Profit before tax	$159.64m	$200.79m	$41.15m	+25.8%
Net property revaluation (decrement)/increment	($8.61m)	$3.86m	$12.47m	+144.9%
Profit before tax excluding net property revaluation adjustments	$168.25m	$196.93m	$28.68m	+17.0%
Profit after tax and non-controlling interests	$111.42m	$141.98m	$30.56m	+27.4%
Net cash flows from operating activities	$183.48m	$136.21m	($47.26m)	-25.8%
Basic earnings per share	10.36c	13.19c	2.83c	+27.3%
Dividend per share (fully franked)	6.0c	9.0c	3.0c	+50.0%
Special dividend per share (fully franked)	-	14.0c		
Net debt to equity ratio (%)	24.95%	22.18%		

1 Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.
2 Relates to the "Harvey Norman" branded company-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia.

The directors of Harvey Norman Holdings Limited (the "Company") submit their report for the half-year ended 31 December 2014. Unless otherwise indicated, all directors (collectively termed "the Board") held their position as a director throughout the entire financial period and up to the date of this report.

Directors

- **Gerald Harvey**
  Executive Chairman
- **Kay Lesley Page**
  Executive Director & CEO
- **Chris Mentis**
  Executive Director, CFO & Company Secretary
- **John Evyn Slack-Smith**
  Executive Director & COO
- **David Matthew Ackery**
  Executive Director
- **Michael John Harvey**
  Non-Executive Director
- **Christopher Herbert Brown**
  Non-Executive Director
- **Kenneth William Gunderson-Briggs**
  Non-Executive Director (Independent)
- **Graham Charles Paton**
  Non-Executive Director (Independent)

Committee Membership

As at the date of this report, the Company had an Audit Committee, a Remuneration Committee and a Nomination Committee. Members acting on the committees of the board during the half year were:

Audit Committee:

- G.C. Paton AM (Chairman)
- C.H. Brown OAM
- K.W. Gunderson-Briggs

Remuneration Committee:

- C.H. Brown OAM (Chairman)
- K.W. Gunderson-Briggs
- G.C. Paton AM

Nomination Committee:

- C.H. Brown OAM (Chairman)
- K.W. Gunderson-Briggs
- G.C. Paton AM

Principal Activities

The principal activities of the consolidated entity are that of an integrated retail, franchise, property and digital system including:

- Franchisor;
- Sale of furniture, bedding, computers, communications and consumer electrical products in New Zealand, Slovenia, Croatia, Ireland, Northern Ireland, Singapore and Malaysia;
- Property investment;
- Lessor of premises to Harvey Norman franchisees and other third parties;
- Media placement; and
- Provision of consumer finance and other commercial advances.

Significant Changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the half-year ended 31 December 2014.

Corporate Governance

The Company is committed to good corporate governance and disclosure. The Company has substantially adopted the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" for the entire financial period, unless otherwise stated.

Significant Events After Balance Date

There have been no circumstances arising since balance date which have significantly affected or may significantly affect:

- the operations;
- the results of those operations; or
- the state of affairs of the entity or consolidated entity in future financial years.

Dividends

The directors recommend a fully franked interim dividend of 9.0 cents per share. This interim dividend will be paid on 4 May 2015 to shareholders registered at 5:00 pm on 10 April 2015. No provision has been made in the Statement of Financial Position for this recommended interim dividend.

Operating and Financial Review (OFR)

The Operating and Financial Review provides shareholders with an overview of the consolidated entity's results, financial position, dividends and key strategies for the first half of the 2015 financial year.

Financial Analysis and Commentary: Net Profit Before Tax & Net Profit After Tax

Profit Before Income Tax

Net profit before income tax was $200.79 million for the half-year ended 31 December 2014, **an increase of $41.15 million or 25.8%** on the $159.64 million recorded in the previous corresponding period. Excluding net property revaluation adjustments, net profit before tax for the half-year ended 31 December 2014 was $196.93 million, **an increase of $28.68 million or 17.0%** on the $168.25 million result in the previous corresponding period.

Net profit before tax was impacted by:

- an improvement in the profitability of the franchising operations segment by $35.23 million or 44.1% due primarily to a $21.78 million increase (+5.0%) in franchising operations segment revenue and a $11.47 million reduction (-22.4%) in tactical support provided to franchisees compared to the previous corresponding period;
- a net property revaluation increment of $3.86 million for the current period compared to a decrement of $8.61 million in the previous half-year, a turnaround of $12.47 million in the contribution made by property revaluations;
- a $4.80 million, or 22.8% increase in profit generated by company-operated stores in New Zealand driven by the continued implementation of the company's omni channel strategy as it further integrated its retail stores and digital offering;
- a $4.78 million, or 54.0% reduction in trading losses incurred by company-operated stores in Ireland and Northern Ireland attributable to continued efforts to optimise operations and increase brand awareness, combined with improving customer sentiment in the region;
- an increase of $4.82 million in rent received from franchisees and third party tenants; and
- a decline in the profitability of company-operated stores in Asia by $2.63 million as weak consumer sentiment in Singapore persisted and gross margins declined.

Net Profit After Tax and Non-Controlling Interests:

Net profit after tax and non-controlling interests was $141.98 million for the half-year ended 31 December 2014, **an increase of $30.56 million or 27.4%,** on the $111.42 million recorded in the previous corresponding period. Excluding net property revaluation adjustments, net profit after tax and non-controlling interests was $139.13 million, **an increase of $21.68 million or 18.5%**, on the $117.45 million recorded in the previous corresponding period.

The effective income tax rate for the half-year ended 31 December 2014 was 29.23% compared to an effective income tax rate of 30.64% for the previous corresponding period.

Profitability of the Franchising Operations Segment and the Franchising Operations Margin (%)

The Franchising Operations Segment continued to benefit from the positive momentum experienced since the second half of the 2013 financial year, recording an 8th consecutive quarterly increase in like-for-like franchisee sales revenue.

Headline Australian franchisee sales revenue increased by 1.8% in the 1st quarter to September 2014, with like-for-like increases of 2.8%. Headline Australian franchisee sales revenue grew by 2.1% in the 2nd quarter to December 2014, with like-for-like increases of 2.8%.

Franchisee Sales Revenue by Quarter[1]	Q3 Mar-13	Q4 Jun-13	Q1 Sep-13	Q2 Dec-13	Q3 Mar-14	Q4 Jun-14	Q1 Sep-14	Q2 Dec-14
Franchisee Sales ($ billion)	$1.09bn	$1.19bn	$1.15bn	$1.33bn	$1.11bn	$1.18bn	$1.17bn	$1.36bn
Increase on PCP (%)	+0.1%	+2.0%	+1.2%	+1.7%	+1.8%	-0.1%	+1.8%	+2.1%
Like-For-Like Sales ($ billion)	$1.08bn	$1.17bn	$1.14bn	$1.32bn	$1.11bn	$1.18bn	$1.17bn	$1.35bn
Increase on PCP (%)	+1.5%	+2.6%	+2.9%	+3.6%	+3.6%	+2.0%	+2.8%	+2.8%

[1] Retail sales in Harvey Norman, Domayne and Joyce Mayne complexes in Australia are made by independently owned franchised business entities and do not form part of the financial results of the consolidated entity.
[2] PCP refers to previous corresponding period

Sales momentum was supported by an improvement in the discretionary retail trading environment in Australia, coupled with the company's strategy to invest in franchisee businesses where necessary to support market position and the strength of the Harvey Norman brand. The sustained recovery in consumer sentiment in Australia during the half was also buoyed by the recent fall in petrol prices, the strong growth in the housing market and sustained low interest rates.

Sales growth continues to be weighted towards Homemaker categories including furniture, bedding, whitegoods, small appliances and cooking. This trend has been underpinned by a solid residential property market in Australia and particularly in New South Wales (NSW), where more than 35% of Harvey Norman stores are located. The NSW economy has been supported by significant state government infrastructure spend and strong levels of activity in the housing construction market, most notably in the suburbs of Western Sydney. In the January 2015 CommSec "State of the States" report, which compares the performance of each Australian State relative to their ten-year average performance across eight economic indicators, NSW was ranked 1st for the first time since July 2011. The report stated that, in response to population growth and a shortage of accommodation, new dwellings in NSW were 46.3% above the ten-year average and retail spending in the September quarter was 16.2% above the ten-year average levels. With continuing infrastructure investment in NSW and a strong outlook for the housing market, consumer demand for Homemaker categories is expected to continue.

Harvey Norman has established a market-leading position as a retailer of Homemaker products and is well-placed to continue capitalising on this trend. Franchisees are equipped with full-format stores, allowing flexibility to reconfigure store-layouts and effectively showcase products in the Homemaker category, which are often floorspace intensive.

The Franchising Operations Margin (%)

The franchising operations segment produced a strong result of $115.09 million for the half-year ended 31 December 2014. This was an increase of $35.23 million, or 44.1% higher than the result of $79.86 million in the previous corresponding period. This result accounts for over 57% of total consolidated profit before tax, reaffirming the franchising operations segment's position as the key contributor to the bottom line of the consolidated entity. Gross revenue for the segment, mainly comprised of franchise fees including rent and interest, increased by $21.78 million or 5.0% compared to previous corresponding period. The improved sales performance of Harvey Norman franchisees has led to a reduction in tactical support by $11.47 million, or 22.4% for the half-year ended 31 December 2014. Notably, tactical support has reduced by no less than 18.0% in each half-year period since the 2nd half of the 2013 financial year.

Franchising Operations Segment	2HY13 HY to Jun-13	1HY14 HY to Dec-13	2HY14 HY to Jun-14	1HY15 HY to Dec-14
Franchising Operations Segment Result ($m)	$42.42m	$79.86m	$63.86m	$115.09m
Increase on PCP (%)	+34.8%	+12.5%	+50.5%	+44.1%
Including:				
Franchising Operations Segment Revenue ($m)	$381.67m	$432.85m	$381.16m	$454.64m
Increase/(decrease) on PCP (%)	-2.6%	-2.6%	-0.1%	+5.0%
Tactical Support Provided to Franchisees ($m)	($64.67m)	($51.17m)	($52.02m)	($39.70m)
Decrease on PCP (%)	-18.0%	-19.8%	-19.6%	-22.4%

The franchising operations margin is calculated as the segment result before tax of the franchising operations segment divided by franchisee aggregate sales revenue. The franchising operations margin was 4.55% for the half-year ended 31 December 2014 compared to 3.22% in the previous corresponding period.

Franchising Operations Margin	HY Dec 2012	HY Dec 2013	HY Dec 2014
No. of franchised outlets in Australia[1]	211	202	195
Franchising operations segment result before tax	$71.01m	$79.86m	$115.09m
Franchisee sales revenue[1]	$2.44bn	$2.48bn	$2.53bn
Franchising operations margin (%)	**2.91%**	**3.22%**	**4.55%**

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

The Property Segments: Retail Property, Property Under Construction for Retail and Property Developments

Harvey Norman's property portfolio provides financial stability that is unrivalled in the Australian retail industry. It strengthens the company's balance sheet, provides opportunities to leverage economies of scale and allows Harvey Norman to capitalise on investment opportunities as they arise.

Property ownership also delivers operational benefits, enhancing the ability of franchisees to respond to market trends with agility, and is supportive of the company's omni channel strategy. It also enhances Harvey Norman's negotiating power in the property sector. The company seeks to attract superior third-party tenants to co-locate with franchisees within its complexes.

The ownership of high-quality complexes with Harvey Norman, Domayne or Joyce Mayne franchisees as anchor tenants, delivers a steady and reliable income stream to the consolidated entity in the form of market rents and outgoings.

Harvey Norman's property portfolio remains fundamentally strong, with high occupancy rates, growing revenue streams and strong potential for capital growth. Operating profits have been robust as the consolidated entity continues to focus on improving revenue streams and curtailing operating costs.

Harvey Norman's consolidated property portfolio was valued at $2.31 billion at 31 December 2014, representing over 50% of the consolidated entity's total asset base.

The result before tax generated by the property segments represents 31.6% of the consolidated profit before tax for the half-year ended 31 December 2014, excluding the impact of net property revaluation adjustments.

The segment result before tax for the property segments was $66.05 million for the half-year ended 31 December 2014, $4.41 million or 7.1% higher than the $61.65 million result in the previous corresponding period. The property segment result for the half year included a net property revaluation increment of $3.86 million compared to a net decrement of $8.61 million for the previous half, a $12.47 million turnaround in property values.

Composition of the Property Portfolio

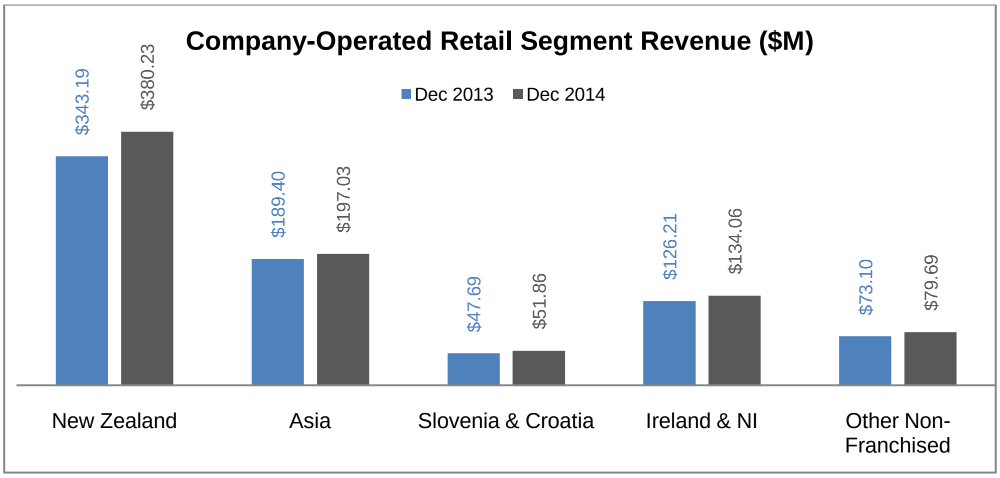
Total Property Segment Assets	HY Dec 2013 $000	HY Dec 2014 $000
Investment properties	1,883,459	1,920,283
Investment properties under construction	3,253	-
Joint venture properties	20,917	27,641
Owned land & buildings in New Zealand, Singapore, Slovenia & Australia	355,124	364,039
Properties held for resale	8,841	2,869
Total Property Segment Assets	**2,271,594**	**2,314,832**

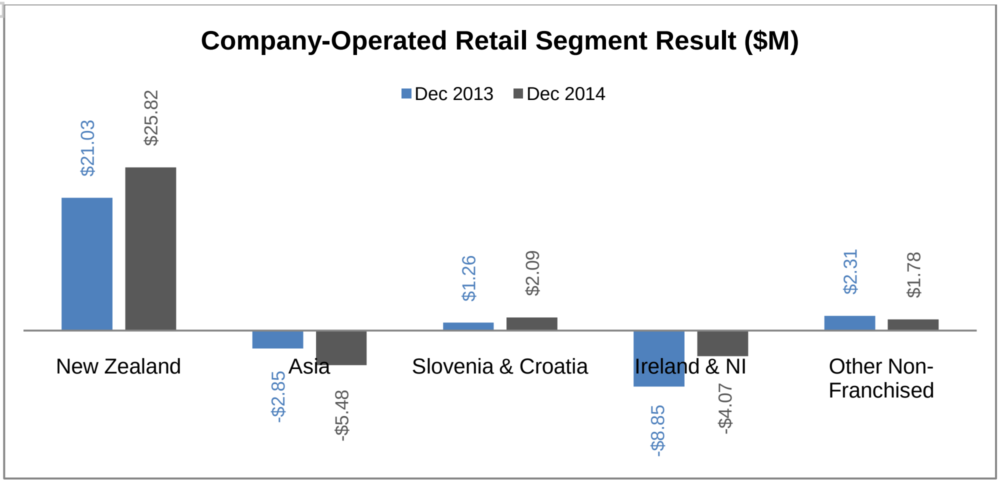
Net Property Revaluation Increment/(Decrement)

Net Property Revaluation Increment/(Decrement)	HY Dec 2013	HY Dec 2014
Total Australian net property revaluation increment/(decrement)	($8.42m)	$2.73m
Plus: Revaluation increment / (decrement) for overseas controlled entities:		
- New Zealand	(0.19m)	-
- Slovenia	-	$1.13m
Total net property revaluation increment/(decrement) in the income statement	**($8.61m)**	**$3.86m**

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 reviewed for fair value by Directors. The whole portfolio is independently valued every three years. During the half-year ended 31 December 2014, 18 properties in Australia were independently valued. The 18 properties that were independently valued represented 15.25% of the total number of investment properties in Australia owned by the consolidated entity and represented 11.04% of the fair value of all investment properties in Australia. The balance of the portfolio was reviewed resulting in the preparation of internal valuations for 5 additional sites. The valuation for the current period resulted in a net increment of $2.73 million in Australia and the reversal of a previous property revaluation decrement in Slovenia of $1.13 million.

Company-Operated Retail Segments





New Zealand
FX rate: NZD vs AUD up 3.57%
Sales revenue for company-operated stores in New Zealand was $NZ410.62 million for the current half-year, an increase of $NZ26.42million (+6.9%) on $NZ384.20 million in the previous corresponding period. This was partly due to the opening of the store at Napier (Sep-14) and a full 6-months contribution from the stores in Hornby & Tauranga, which opened in Nov-13. Like-for-like sales increased by 1.9% in local currency. In Australian dollars, the rise in sales revenue was $36.17 million (+10.7%) on the previous corresponding period due to a 3.57% appreciation of the NZD relative to the Australian dollar during the period.

The company-operated stores in New Zealand continue to perform strongly. The continued rollout of the omni channel strategy contributed to the result, driving revenue growth both in-store and online. All product categories experienced sales growth during the period and are well-placed to build on this performance for the remainder of the 2015 financial year.

The retail segment result in New Zealand was $25.82 million for the half-year ended 31 December 2014, an increase of 22.8% on the $21.03 million recorded in the previous corresponding period. Gross profit increased by 12.5% while the ongoing focus on cost control contained operating costs.

Asia
FX rate: SGD vs AUD up 2.45%
Sales revenue from the controlled entity Pertama Holdings Pte Limited, Singapore trading as "Harvey Norman®", increased by $S3.89 million (+1.8%). In Australian dollars, sales increased by $8.03million (+4.3%) due to a 2.45% appreciation in the Singapore dollar relative to the Australian dollar.

Although positive sales growth was recorded in Singapore, the retail environment remains challenging with sales growth mainly coming from new stores. The Suntec City Mall store re-opened in Aug-14 (previously closed in Jan-14 for redevelopment) and new stores opened at Sportshub (Aug-14) and One KM (Oct-14).

In Malaysia, sales from company-operated stores increased due to strengthening in the Malaysian economy and a full 6-months contribution from stores opened in the prior financial year.

The segment result in Asia was a loss of $5.48 million for the current half compared to a loss of $2.85 million in the previous corresponding period, a deterioration of $2.63 million. The profitability of the Asian segment continues to be negatively impacted by cautious consumer sentiment.

The 100% company-owned Space brand in Singapore remains ideally placed for the growing prestige market in the Asia-Pacific region.

Ireland & Northern Ireland
FX rate: Euro vs AUD down -0.59%
FX rate: GBP vs AUD up 6.47%
Sales revenue for company-operated stores in Ireland increased by €5.88 million (+7.2% to €87.97 million for the current period. In Australian dollars, sales revenue increased by $7.80 million (+6.5%) due to a 0.59% decline in the Euro relative to the Australian dollar.

The Irish business continued the momentum experienced in the 2014 financial year. Year-on-year losses have decreased and sales continue to grow. The Irish housing market continues to strengthen, underpinning increased consumer demand in the Homemaker product categories.

Unemployment has continued to fall and with inflation remaining low and oil prices at a 5-year low, Irish consumer confidence continues to improve. These factors combined with continued efforts to optimise operations and increase brand awareness have led to the maintenance of market share and, in some categories, growth of market share without discounting.

Sales revenue from the two company operated stores in Northern Ireland increased by £0.47 million (+19.0%) to £2.92 million for the current half from £2.45 million in the previous half-year.

The segment result for operations in Ireland and Northern Ireland was a trading loss of $4.07 million for the current half year compared to a loss of $8.85 million for the previous corresponding period, an improvement of $4.78 million (+54.0%).

Slovenia and Croatia
FX rate: Euro vs AUD down -0.59%
Sales revenue for the company-operated stores in Slovenia and Croatia increased by €2.57 million (+7.9%) on the previous corresponding period. In Australian dollars, sales increased by $3.43 million (+7.2%).

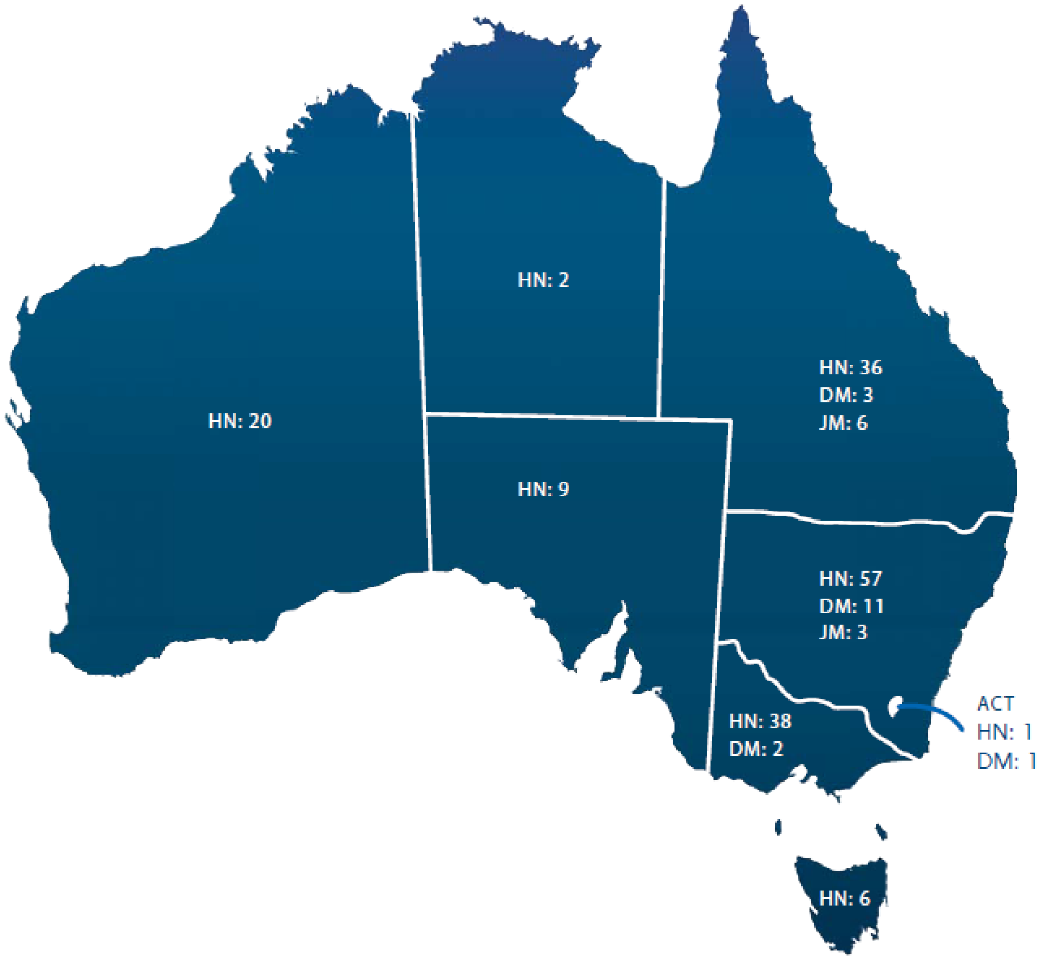
The retail segment result in Slovenia and Croatia was $2.09 million for the half-year ended 31 December 2014 compared to $1.26 million for the previous period, an increase of 66.0%.

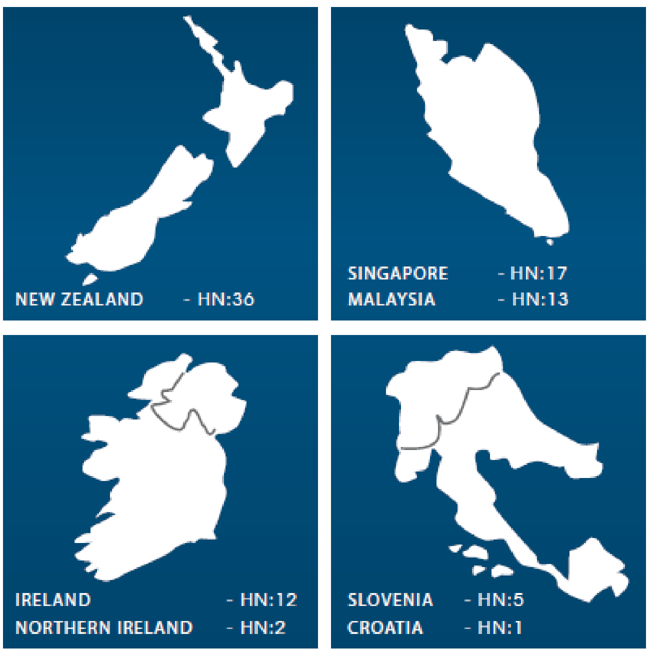
Other Non-Franchised Retail
The non-franchised retail segment primarily consists of the retail trading operations in Australia which are controlled by the consolidated entity and does not include any operations of Harvey Norman franchisees.

Revenue for the other non-franchised retail segment increased by $6.58 million (+9.0%) to $79.69 million while the segment result reduced by $0.53 million (-22.9%) to $1.78 million.

Geographic Spread

This diagram displays the geographical spread of the franchised Harvey Norman ("HN"), Domayne ("DM") and Joyce Mayne ("JM") franchised complexes in the Australian market and the company-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia as at 31 December 2014.





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FRANCHISED COMPLEXES ACROSS AUSTRALIA AND

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COMPANY OPERATED STORES IN OFF-SHORE MARKETS

Review of the Financial Position of the Consolidated Entity

Net Assets	Dec 2012	Dec 2013	Dec 2014
Total Assets	$4.24bn	$4.39bn	$4.36bn
Total Liabilities	$1.93bn	$1.94bn	$1.82bn
Net Assets	$2.32bn	$2.45bn	$2.54bn

Net Debt to Equity %	Dec 2012	Dec 2013	Dec 2014
Total Debt	$835.79m	$778.10m	$616.96m
Less: Cash Reserves	($201.19m)	($161.29m)	($48.40m)
Net Debt	$634.60m	$616.81m	$568.56m
Total Equity (a)	$2.33bn	$2.47bn	$2.56bn
Net Debt to Equity %	**27.24%**	**24.95%**	**22.18%**

(a) excluding acquisition reserve

The net assets of the consolidated entity were $2.54 billion at 31 December 2014, an increase of $91.92 million or 3.8% on the net asset base at 31 December 2013. Included in net assets are property assets with a fair value of $2.31 billion at balance date.

Total assets decreased by $30.80 million, or 0.7%, from $4.39 billion in the previous corresponding period to $4.36 billion at 31 December 2014. This was primarily due to a reduction in cash reserves of $112.89 million as the consolidated entity made a concerted effort to reduce bank debt resulting in a reduction of $161.14 million in total debt and the payment of dividends during the period totalling $233.71 million, including the payment of a special dividend of $148.72 million on 30 December 2014. The special dividend of $148.72 million was funded by the proceeds received from the Renounceable Rights Offer completed in December 2014 of $120.72 million, with the balance of $28.00 million funded by existing cash reserves rather than utilising external debt facilities. The total available facility pursuant to the Syndicated Facility Agreement ("SFA") remains at $610.00 million, with $410.00 million drawn at 31 December 2014 compared to $510.00 million in the previous corresponding period.

Excluding cash, total assets have increased by $82.09 million, or 1.9%, from $4.23 billion in the previous corresponding period to $4.31 billion due to the growth in property, plant and equipment, inventories and investment property assets. This followed new store openings in overseas markets as well as renovations and refurbishments of existing sites in Australia. Receivables remain largely unchanged and are in line with expectations. Harvey Norman continues to focus on and closely monitor working capital assets.

Total liabilities have decreased by $122.71 million, primarily due to a reduction in interest-bearing liabilities ("total debt") of $161.14 million. This reduction has been partially offset by a rise in trade and other payables by $25.56 million relative to the previous corresponding period. Net cash flows from operating activities were $136.21 million for the half-year ended 31 December 2014, down by $47.26 million from the previous half primarily attributable to higher working capital advances to franchisees relative to the previous corresponding period.

The consolidated entity's net debt-to-equity ratio was 22.18% at 31 December 2014, down from 24.95% in the previous corresponding period. The consolidated entity is well-placed to take advantage of emerging opportunities.

Capital Management Policy: Renounceable Rights Offer, December 2014

The objective of the consolidated entity's capital management policy is to create long-term sustainable value for shareholders and avoid adverse short-term decision making, whilst maintaining optimal returns to shareholders and benefits to other stakeholders. The aim is to maintain a capital structure utilising the lowest cost of capital available to the consolidated entity. The capital structure of the consolidated entity consists of debt which includes borrowings disclosed in Notes 18 and 21 Interest-Bearing Loans and Borrowings, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 24, 27 and 25 respectively. Capital management is monitored through the debt-to-equity ratio and the target for the consolidated entity's debt-to-equity ratio is less than 50%. Borrowings for the consolidated entity consist primarily of bank debt with a syndication of four banks trading in Australia (three of which are part of the "Big Four" Australian banks). Concentration risk is minimised by staggering renewal/maturity dates with tenures of 1, 3 and 5 year funding. Interest rate risk is mitigated with the utilisation of interest rate swaps.

Renounceable Rights Offer, December 2014

On 25 November 2014, Harvey Norman Holdings Limited ("the Company") announced a fully underwritten, pro-rata renounceable entitlement offer of new HVN ordinary shares to existing shareholders, pursuant to the terms and conditions of the "Entitlement Offer and Information Booklet".

The entitlement was conducted to assist the Company in achieving its capital management objectives.

The Entitlement Offer consisted of an offer to Eligible Shareholders to subscribe for 1 New Share for every 22 existing HVN ordinary shares held on the Record Date of 7:00 pm (Sydney time) on Tuesday 2 December 2014 at the Offer Price of $2.50

per New Share, being a 32.61% discount to the closing price of $3.71 on 24 November 2014 (the trading day prior to the announcement of the Entitlement Offer).

The Entitlement Offer closed at 5:00pm on 15 December 2014. The Entitlement Offer raised $117.06 million before issue costs, with shareholders subscribing for 46,823,869 fully paid ordinary shares, representing approximately 97.0% of the total New Shares which were offered under the Entitlement Offer. The balance of 1,463,258 New Shares, representing the remaining 3.0% not taken up by shareholders, was allocated to the underwriter, Patersons Securities Limited. The Entitlement Offer was fully sub-underwritten by Evitorn Pty Limited, ATF Harvey 2014 Share Trust, an entity associated with Mr. Gerald Harvey, Executive Chairman of the Company. Settlement of the shortfall, and the receipt of the remaining proceeds of $3.66 million, took place on 19 December 2014. 48,287,127 New Shares in the Company were allotted on 22 December 2014 and commenced trading on the ASX on 23 December 2014. On 30 December 2014, the Company paid a special dividend of $0.14 per share to existing shareholders totalling $148.72 million. The proceeds of the Entitlement Offer were used to pay this dividend, with the shortfall paid from existing cash reserves of the consolidated entity. The payment of the special dividend resulted in the utilisation of $63.74 million franking credits.

Operational Efficiencies

The remuneration practices of the Company are aligned to the execution of the business strategy and the mitigation of risks to the execution of that business strategy. There is a strong linkage between executive remuneration and the performance of the Company. Harvey Norman invests in systems, technology and processes to improve profitability, create operational efficiencies and mitigate risk. During the period, the consolidated entity continued with the phased rollout of two critical, strategic initiatives for franchisees and company-operated stores that were announced at the 2014 financial year result.

One of these projects is a merchandise, inventory and supplier management system which is intended to improve the back-end capabilities of franchisees and company-operated stores. The Inventory Management solution went live in October 2014 in company-operated stores in New Zealand, with good adoption of the new system by users. Integration into the Australian franchised complexes is expected in March 2015. New inventory forecasting and replenishment capabilities are expected to be available to all franchised complexes in Australia and company-operated stores in New Zealand mid-calendar year 2015.

The second project is a workforce productivity technology for franchisees that will initially monitor staff time and attendance, and will eventually provide optimised rostering by leveraging data relating to customer traffic and sales. The technology has been integrated into five franchised complexes since October 2014, providing franchisees with improved tools to forecast and roster staff and to enable franchisees to optimise the productivity of their staff. The rollout to all franchised complexes will commence in March 2015 and is expected to be completed by November 2015. A traffic counting technology will be deployed across a number of larger complexes by April 2015 which will provide franchisees with accurate historical and forecasting information on customer traffic flow and patterns, enhancing their ability to roster staff accurately during peak traffic periods. Optimised rostering, the final phase of the project, is expected to be completed and implemented by mid-calendar year 2016.

Auditor Independence

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

EY
Building a better working world

Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Harvey Norman Holdings Limited

In relation to our review of the financial report of Harvey Norman Holdings Limited for the half-year ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Katrina Zdrilic
Partner, Sydney
27 February 2015

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

G. HARVEY
Chairman
Sydney
27 February 2015

K.L. PAGE
Chief Executive Officer
Sydney
27 February 2015

	NOTE	December 2014 $000	June 2014 $000	December 2013 $000
		CONSOLIDATED		
Current Assets				
Cash and cash equivalents	28(a)	**48,403**	144,957	161,288
Trade and other receivables	7	**1,266,693**	1,119,393	1,259,080
Other financial assets	8	**21,917**	21,596	22,092
Inventories	9	**350,481**	297,670	327,856
Other assets	10	**40,867**	23,010	26,904
Intangible assets	11	**370**	541	456
Total current assets		**1,728,731**	1,607,167	1,797,676
Non-Current Assets				
Trade and other receivables	12	**7,839**	7,417	8,446
Investments accounted for using equity method	29	**27,641**	24,912	20,917
Other financial assets	13	**18,309**	16,176	15,244
Property, plant and equipment	14	**573,416**	569,057	586,853
Investment properties	15	**1,920,283**	1,903,504	1,886,712
Intangible assets	16	**84,747**	77,898	75,916
Total non-current assets		**2,632,235**	2,598,964	2,594,088
Total Assets		**4,360,966**	4,206,131	4,391,764
Current Liabilities				
Trade and other payables	17	**928,212**	740,681	902,654
Interest–bearing loans and borrowings	18	**371,055**	469,872	536,413
Income tax payable		**27,921**	24,142	28,073
Other liabilities	19	**2,085**	2,043	2,095
Provisions	20	**24,564**	25,494	24,136
Total current liabilities		**1,353,837**	1,262,232	1,493,371
Non-Current Liabilities				
Interest-bearing loans and borrowings	21	**245,903**	238,094	241,683
Provisions	22	**10,430**	10,293	9,740
Deferred income tax liabilities		**193,945**	188,980	180,170
Other liabilities	23	**15,029**	15,426	16,893
Total non-current liabilities		**465,307**	452,793	448,486
Total Liabilities		**1,819,144**	1,715,025	1,941,857
NET ASSETS		**2,541,822**	2,491,106	2,449,907
Equity				
Contributed equity	24	**380,328**	259,610	259,610
Reserves	27	**123,918**	102,735	97,963
Retained profits	25	**2,017,306**	2,109,032	2,072,497
Parent entity interests		**2,521,552**	2,471,377	2,430,070
Non-controlling interests	26	**20,270**	19,729	19,837
TOTAL EQUITY		**2,541,822**	2,491,106	2,449,907

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

	NOTE	CONSOLIDATED December 2014 $000	December 2013 $000
Sales revenue	3	**839,327**	776,963
Cost of sales		**(593,194)**	(554,598)
Gross profit		**246,133**	222,365
Revenues and other income items	3	**565,162**	540,620
Distribution expenses		**(9,430)**	(7,135)
Marketing expenses		**(196,483)**	(191,426)
Occupancy expenses	4	**(115,140)**	(119,933)
Administrative expenses	4	**(218,907)**	(208,287)
Other expenses from ordinary activities		**(60,114)**	(67,817)
Finance costs	4	**(17,419)**	(18,614)
Share of net profit of joint venture entities	29	**6,986**	9,863
Profit before income tax		**200,788**	159,636
Income tax expense	5	**(58,681)**	(48,911)
Profit after tax		**142,107**	110,725
Attributable to:			
Owners of the parent		**141,984**	111,421
Non-controlling interests		**123**	(696)
		142,107	110,725
Earnings Per Share:			
Basic earnings per share (cents per share)	6	**13.19 cents**	10.36 cents
Diluted earnings per share (cents per share)	6	**13.17 cents**	10.36 cents
Dividend per share (cents per share, fully-franked)	25	**9.0 cents**	6.0 cents
Special dividend per share (cents per share, fully-franked)	25	**14.0 cents**	-

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

	CONSOLIDATED	
	December 2014 $000	December 2013 $000
Profit for the period	**142,107**	110,725
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**17,214**	31,210
Net fair value gains/(losses) on available-for-sale investments	**1,757**	(241)
Net movement on cash flow hedges	**2,182**	2,214
Income tax effect on net movement on cash flow hedges	**(655)**	(650)
Items that will not be reclassified subsequently to profit or loss:		
Fair value revaluation of land and buildings	**2,559**	21,291
Income tax effect on fair value revaluation of land and buildings	**(700)**	(5,488)
Other comprehensive income for the period (net of tax)	**22,357**	48,336
Total comprehensive income for the period (net of tax)	**164,464**	159,061
Total comprehensive income attributable to:		
- Owners of the parent	**163,028**	154,901
- Non-controlling interests	**1,436**	4,160
	164,464	159,061

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

	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 2014	259,610	2,109,032	91,184	23,846	7,279	(6,110)	8,587	(22,051)	19,729	**2,491,106**
Other comprehensive income:										
Revaluation of land and buildings	-	-	1,859	-	-	-	-	-	-	**1,859**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	13	-	-	-	**13**
Currency translation differences	-	-	-	15,901	-	-	-	-	1,313	**17,214**
Fair value of interest rate swaps	-	-	-	-	-	1,506	-	-	-	**1,506**
Fair value of forward foreign exchange contracts	-	-	-	-	-	8	-	-	-	**8**
Fair value of available for sale financial assets	-	-	-	-	1,757	-	-	-	-	**1,757**
Other comprehensive income	-	-	1,859	15,901	1,757	1,527	-	-	1,313	**22,357**
Profit for the period	-	141,984	-	-	-	-	-	-	123	**142,107**
Total comprehensive income for the period	**-**	**141,984**	**1,859**	**15,901**	**1,757**	**1,527**	**-**	**-**	**1,436**	**164,464**
Cost of share based payments	-	-	-	-	-	-	139	-	-	**139**
Shares issued pursuant to Renounceable Rights Offer	120,718	-	-	-	-	-	-	-	-	**120,718**
Dividends paid	-	(233,710)	-	-	-	-	-	-	(29)	**(233,739)**
Distribution to members	-	-	-	-	-	-	-	-	(866)	**(866)**
At 31 December 2014	**380,328**	**2,017,306**	**93,043**	**39,747**	**9,036**	**(4,583)**	**8,726**	**(22,051)**	**20,270**	**2,541,822**

	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 2013	259,610	2,008,880	74,545	(3,801)	6,450	(8,824)	8,167	(14,738)	33,566	**2,363,855**
Other comprehensive income:										
Revaluation of land and buildings	-	-	12,992	-	-	-	-	-	2,811	**15,803**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	46	-	-	-	**46**
Currency translation differences	-	-	-	29,165	-	-	-	-	2,045	**31,210**
Fair value of interest rate swaps	-	-	-	-	-	1,453	-	-	-	**1,453**
Fair value of forward foreign exchange contracts	-	-	-	-	-	65	-	-	-	**65**
Fair value of available for sale financial assets	-	-	-	-	(241)	-	-	-	-	**(241)**
Other comprehensive income	-	-	12,992	29,165	(241)	1,564	-	-	4,856	**48,336**
Profit for the period	-	111,421	-	-	-	-	-	-	(696)	**110,725**
Total comprehensive income for the period	**-**	**111,421**	**12,992**	**29,165**	**(241)**	**1,564**	**-**	**-**	**4,160**	**159,061**
Cost of share based payments	-	-	-	-	-	-	306	-	-	**306**
Reversal of share based payments	-	-	-	-	-	-	(25)	-	-	**(25)**
Acquisition of non-controlling interest	-	-	-	-	-	-	-	(7,597)	(17,155)	**(24,752)**
Dividends paid	-	(47,804)	-	-	-	-	-	-	(234)	**(48,038)**
Distribution to members	-	-	-	-	-	-	-	-	(500)	**(500)**
At 31 December 2013	**259,610**	**2,072,497**	**87,537**	**25,364**	**6,209**	**(7,260)**	**8,448**	**(22,335)**	**19,837**	**2,449,907**

	NOTE	CONSOLIDATED **December 2014 $000**	 December 2013 $000
Cash Flows from Operating Activities		Inflows/(Outflows)	
Net receipts from franchisees		**406,596**	445,526
Receipts from customers		**869,276**	804,754
Payments to suppliers and employees		**(1,061,647)**	(1,005,521)
Distributions received from joint ventures		**6,767**	6,035
GST paid		**(19,385)**	(17,066)
Interest received		**4,329**	4,339
Interest and other costs of finance paid		**(17,851)**	(18,584)
Income taxes paid		**(52,733)**	(36,800)
Dividends received		**862**	792
Net Cash Flows From Operating Activities	28(b)	**136,214**	183,475
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment and intangible assets		**(32,760)**	(43,137)
Payments for purchase of investment properties		**(8,666)**	(31,310)
Proceeds from sale of property, plant and equipment and properties held for resale		**6,588**	8,675
Payments for purchase of units in unit trusts and other investments		**(362)**	(74)
Payments for purchase of equity accounted investments		**(1)**	(2,007)
Proceeds from sale of listed securities		**-**	18
Payments for purchase of listed securities		**(80)**	-
Proceeds from insurance claim		**10,515**	-
Loans granted to other entities		**(6,121)**	(4,657)
Net Cash Flows Used In Investing Activities		**(30,887)**	(72,492)
Cash Flows from Financing Activities			
Proceeds from Renounceable Rights Offer		**120,718**	-
Payments for purchase of shares in controlled entities		**-**	(23,497)
Repayments of the Syndicated Facility and Syndicated Working Capital Facility		**(102,000)**	(40,000)
Dividend paid		**(84,986)**	(47,804)
Special dividend paid		**(148,724)**	-
Loans repaid from related parties		**12,343**	2,218
Proceeds from other borrowings		**5,494**	7,393
Net Cash Flows Used In Financing Activities		**(197,155)**	(101,690)
Net (Decrease)/Increase in Cash and Cash Equivalents		**(91,828)**	9,293
Cash and Cash Equivalents at Beginning of the Period		**115,172**	124,567
Cash and Cash Equivalents at End of the Period	28(a)	**23,344**	133,860

1. Statement of Significant Accounting Policies

(a) Corporate Information
The financial report of Harvey Norman Holdings Limited for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 27 February 2015. Harvey Norman Holdings Limited (the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

(b) Basis of Preparation
The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of Harvey Norman Holdings Limited as at 30 June 2014.

It is also recommended that the half-year financial report be considered together with any public announcements made by Harvey Norman Holdings Limited and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134 "Interim Financial Reporting". The financial report has been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments, listed shares held for trading and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to the consolidated entity under ASIC Class Order 98/0100. The consolidated entity is an entity to which the class order applies.

(c) Summary of Significant Accounting Policies
These consolidated financial statements have been prepared using the same accounting policies as used in the Annual Financial Report for the year ended 30 June 2014, except for the adoption of new and amended standards mandatory for annual periods beginning on or after 1 July 2014. The adoption of the amending standards did not have a significant impact on the consolidated entity.

During the half-year ended 31 December 2014, certain comparatives have been restated in the Statement of Financial Position for consistency with policies adopted in the current period, which are not material for disclosure purposes.

2. Operating Segments

Operating Segment Revenue: December 2014	December 2014 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	1,662	452,973	**454,635**
Retail – New Zealand	374,516	5,714	**380,230**
Retail – Asia	195,524	1,509	**197,033**
Retail – Slovenia & Croatia	51,134	730	**51,864**
Retail – Ireland & Northern Ireland	132,572	1,485	**134,057**
Other Non-Franchised Retail	78,288	1,398	**79,686**
TOTAL RETAIL	832,034	10,836	**842,870**
Retail Property	58	113,481	**113,539**
Property Developments for Resale	5,573	123	**5,696**
TOTAL PROPERTY	5,631	113,604	**119,235**
Equity Investments	-	862	**862**
Other	-	7,590	**7,590**
Inter-company eliminations	-	(20,703)	**(20,703)**
Total Segment Revenue	**839,327**	**565,162**	**1,404,489**

Operating Segment Revenue: December 2013	December 2013 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	1,985	430,868	**432,853**
Retail – New Zealand	338,351	4,843	**343,194**
Retail – Asia	187,494	1,906	**189,400**
Retail – Slovenia & Croatia	47,704	(17)	**47,687**
Retail – Ireland & Northern Ireland	123,650	2,559	**126,209**
Other Non-Franchised Retail	72,195	908	**73,103**
TOTAL RETAIL	769,394	10,199	**779,593**
Retail Property	61	105,575	**105,636**
Property Developments for Resale	5,523	184	**5,707**
TOTAL PROPERTY	5,584	105,759	**111,343**
Equity Investments	-	3,843	**3,843**
Other	-	6,741	**6,741**
Inter-company eliminations	-	(16,790)	**(16,790)**
Total Segment Revenue	**776,963**	**540,620**	**1,317,583**

2. Operating Segments (continued)

Operating Segment Result: December 2014	December 2014 $000 Segment Result Before Interest, Tax, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	**Segment Result Before Tax**
FRANCHISING OPERATIONS	140,517	(4,526)	(16,050)	(4,855)	**115,086**
Retail – New Zealand	29,967	-	(4,090)	(54)	**25,823**
Retail – Asia	(2,414)	(94)	(2,555)	(418)	**(5,481)**
Retail – Slovenia & Croatia	3,292	(258)	(882)	(66)	**2,086**
Retail – Ireland & Northern Ireland	(1,290)	(1,370)	(1,409)	-	**(4,069)**
Other Non-Franchised Retail	3,500	(953)	(720)	(49)	**1,778**
TOTAL RETAIL	33,055	(2,675)	(9,656)	(587)	**20,137**
Retail Property	80,967	(9,857)	(4,344)	(152)	**66,614**
Property Developments for Resale	(522)	(40)	-	-	**(562)**
TOTAL PROPERTY	80,445	(9,897)	(4,344)	(152)	**66,052**
Equity Investments	684	(103)	-	-	**581**
Other	1,842	(550)	(2,362)	2	**(1,068)**
Inter-company eliminations	(332)	332	-	-	**-**
Total Segment Result Before Tax	**256,211**	**(17,419)**	**(32,412)**	**(5,592)**	**200,788**

Operating Segment Result: December 2013	December 2013 $000 Segment Result Before Interest, Tax, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	**Segment Result Before Tax**
FRANCHISING OPERATIONS	107,854	(5,614)	(18,709)	(3,675)	**79,856**
Retail – New Zealand	25,381	-	(4,332)	(24)	**21,025**
Retail – Asia	485	(18)	(3,173)	(141)	**(2,847)**
Retail – Slovenia & Croatia	2,829	(579)	(933)	(60)	**1,257**
Retail – Ireland & Northern Ireland	(6,171)	(1,358)	(1,320)	-	**(8,849)**
Other Non-Franchised Retail	3,943	(860)	(745)	(31)	**2,307**
TOTAL RETAIL	26,467	(2,815)	(10,503)	(256)	**12,893**
Retail Property	76,057	(9,653)	(3,998)	(77)	**62,329**
Property Under Construction for Retail	(2)	(16)	-	-	**(18)**
Property Developments for Resale	(601)	(64)	-	-	**(665)**
TOTAL PROPERTY	75,454	(9,733)	(3,998)	(77)	**61,646**
Equity Investments	3,843	(114)	-	-	**3,729**
Other	4,489	(698)	(2,279)	-	**1,512**
Inter-company eliminations	(360)	360	-	-	**-**
Total Segment Result Before Tax	**217,747**	**(18,614)**	**(35,489)**	**(4,008)**	**159,636**

2. Operating Segments (continued)

The consolidated entity operates predominantly in eleven (11) 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 the retail trading operations in New Zealand under the Harvey Norman brand.
Retail – Asia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman brand and the Space brand in Singapore.
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.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Ireland and Northern Ireland under the Harvey Norman brand.
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, Domayne and Joyce Mayne franchisees. This segment includes the Space brand in Malaysia.
Retail Property	Consists of land and buildings for each retail site and mining accommodation operation 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 site that is owned by the consolidated entity which is fully operational (or ready for operations) as at balance date.
Property Under Construction for Retail	Consists of sites that are currently undergoing construction at balance date intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income 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 unrelated parties and other unallocated income and expense items.

	CONSOLIDATED	
	December 2014 $000	December 2013 $000
3. Revenues		
Sales revenue:		
Revenue from the sale of products	**839,327**	776,963
Revenues and other income items:		
Gross revenue from franchisees:		
- Franchise fees	**374,775**	357,420
- Rent	**115,345**	115,947
- Interest	**10,819**	12,604
Total revenue received from franchisees	**500,939**	485,971
Gross revenue from other unrelated parties:		
- Rent received from external tenants	**35,583**	30,159
- Interest received from financial institutions and other parties	**4,330**	4,339
- Dividends received	**862**	792
Total revenue from other unrelated parties	**40,775**	35,290
Other Income Items:		
- Net property revaluation increment on Australian investment properties	**2,732**	-
- Reversal of previous revaluation decrement for overseas entity	**1,131**	-
- Net profit on the revaluation of equity investments to fair value	**-**	3,052
- Net foreign exchange gains	**29**	142
- Other revenue	**19,556**	16,165
Total other income items	**23,448**	19,359
Total revenues and other income items	**565,162**	540,620
4. Expenses and Losses		
Tactical support:		
Tactical support provided to franchisees	**39,699**	51,172
Depreciation, amortisation and impairment: (included in administrative expenses)		
- Depreciation expense: buildings	**3,990**	3,646
- Depreciation expense: plant and equipment	**28,422**	31,843
- Amortisation expense: computer software	**5,431**	3,931
- Amortisation expense: licences	**150**	77
- Impairment expense: goodwill	**11**	-
Total depreciation, amortisation and impairment	**38,004**	39,497
Finance costs:		
Interest paid or payable:		
- Loans from directors and director-related entities	**1,121**	592
- Bank interest paid to financial institutions	**15,677**	17,314
- Other	**621**	708
Total finance costs	**17,419**	18,614

	CONSOLIDATED	
	December 2014 $000	December 2013 $000
4. Expenses and Losses (continued)		
Employee benefits expense (included in administrative expenses):		
- Wages and salaries	**111,480**	102,411
- Workers' compensation costs	**605**	442
- Superannuation contributions expense	**5,923**	5,692
- Payroll tax expense	**4,530**	4,318
- Share-based payments expense	**140**	280
- Other employee benefits expense	**3,499**	3,341
Total employee benefits expense	**126,177**	116,484
Property revaluation decrements (included in occupancy expenses):		
- Net revaluation decrement for Australian investment properties	**-**	8,417
- Net revaluation adjustment for overseas controlled entities	**-**	194
Total property revaluation decrements	**-**	8,611
Other expense items (included in occupancy expenses):		
- Minimum lease payments	**79,427**	78,816
5. Income Tax		
Income tax recognised in the Income Statement:		
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	**56,840**	45,670
Adjustments in respect of current income tax of previous years	**(794)**	145
Adjustment of income tax on exempt foreign transactions in prior years	**-**	(229)
Support payments provided to Harvey Norman Holdings (Ireland) Limited during the period as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012	**(791)**	(1,187)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	**3,426**	4,512
Total income tax expense reported in the Income Statement	**58,681**	48,911

	CONSOLIDATED	
	December 2014	December 2013
6. Earnings Per Share		
Basic earnings per share (cents per share)	**13.19 cents**	10.36 cents
Diluted earnings per share (cents per share)	**13.17 cents**	10.36 cents

	December 2014 $000	December 2013 $000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax	**142,107**	110,725
(Profit)/loss after tax attributable to non-controlling interests	**(123)**	696
Profit after tax attributable to owners of the parent	**141,984**	111,421

	December 2014 Number	December 2013 Number
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	**1,076,740,903**	1,074,989,368
Effect of dilutive securities (b):		
- Share Options	**1,224,630**	907,466
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,077,965,533**	1,075,896,834

(a) Weighted average number of ordinary shares

The weighted average number of ordinary shares used in calculating basic earnings per share is inclusive of the new shares totalling 48,287,127 ordinary shares in the Company issued on 22 December 2014 pursuant to the Renounceable Rights Offer, weighted on a pro-rata basis from issue date to 31 December 2014.

(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 at $0.87 each utilising the assumptions underlying the Black-Scholes methodology. 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 14 November 2013, the consolidated entity announced that a total of 900,000 options over 900,000 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 at $0.51 each utilising the assumptions underlying the Black-Scholes methodology. On 29 November 2012, the consolidated entity announced that a total of 2,250,000 options over 2,250,000 shares in respect of the Second Tranche had lapsed and will never be exercisable by the participants.

On 29 November 2012, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the "Third Tranche"). These options are capable of exercise from 1 January 2016 to 30 June 2018 at an exercise price of $1.83 per option. The options were valued at grant date at $0.282 each utilising the assumptions underlying the Black-Scholes methodology. On 14 November 2013, the consolidated entity announced that a total of 1,299,000 options over 1,299,000 shares in respect of the Third Tranche had lapsed and will never be exercisable by the participants.

Options issued pursuant to the First, Second Tranche and Third Tranches have been included in the calculation of diluted earnings per share as their exercise prices were less than the average market price of an ordinary share for the half-year ended 31 December 2014. The unexercised options of the First, Second and Third Tranche are considered to be dilutive as their conversion to ordinary shares would decrease the net profit per share.

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

	Consolidated December 2014 $000	June 2014 $000	December 2013 $000
7. Trade and Other Receivables (Current)			
Trade debtors	**1,176,169**	1,049,897	1,176,397
Provision for doubtful debts	**(976)**	(779)	(832)
Trade debtors, net	**1,175,193**	1,049,118	1,175,565
Consumer finance loans	**2,027**	2,073	1,967
Amounts receivable in respect of finance leases	**11,099**	12,198	12,485
Provision for doubtful debts	**(5,897)**	(5,897)	(5,897)
Finance leases, net	**5,202**	6,301	6,588
Non-trade debts receivable from:			
- Related parties (joint ventures and joint venture partners)	**83,907**	57,109	61,654
- Unrelated parties	**6,284**	5,757	14,306
- Provision for doubtful debts	**(5,920)**	(965)	(1,000)
Non-trade debts receivable, net	**84,271**	61,901	74,960
Total trade and other receivables (current)	**1,266,693**	1,119,393	1,259,080
8. Other Financial Assets (Current)			
Listed shares held for trading at fair value	**20,546**	20,546	20,672
Derivatives receivable	**21**	-	370
Other investments	**1,350**	1,050	1,050
Total other financial assets (current)	**21,917**	21,596	22,092
9. Inventories (Current)			
Finished goods at cost	**353,817**	293,122	324,885
Provision for obsolescence	**(6,205)**	(4,305)	(5,870)
Finished goods at cost, net	**347,612**	288,817	319,015
Finished goods at net realisable value	**2,869**	8,853	8,841
Total current inventories at the lower of cost and net realisable value	**350,481**	297,670	327,856
10. Other Assets (Current)			
Prepayments	**29,161**	12,212	17,759
Other current assets	**11,706**	10,798	9,145
Total other assets (current)	**40,867**	23,010	26,904
11. Intangible Assets (Current)			
Net licence property	**370**	541	456

	CONSOLIDATED		
	December 2014 $000	June 2014 $000	December 2013 $000
12. Trade and Other Receivables (Non-Current)			
Trade debtors	**317**	310	674
Consumer finance loans	**424**	453	749
Provision for doubtful debts	**(4)**	(4)	(7)
Trade debtors and consumer finance loans, net	**737**	759	1,416
Amounts receivable in respect of finance leases	**1,460**	2,036	2,702
Non-trade debts receivable from:			
- Unrelated parties	**5,642**	4,622	4,328
Total trade and other receivables (non-current)	**7,839**	7,417	8,446
13. Other Financial Assets (Non-Current)			
Listed shares held for trading at fair value	**2,700**	2,750	3,050
Listed shares held as available for sale	**14,904**	12,782	11,582
Units in unit trusts	**206**	206	210
Other non-current financial assets	**499**	438	402
Total other financial assets (non-current)	**18,309**	16,176	15,244
14. Property, Plant and Equipment (Non-Current)			
Land at fair value	**139,219**	129,609	127,998
Buildings at fair value	**224,820**	221,047	227,126
Net land and buildings	**364,039**	350,656	355,124
Plant and equipment:			
At cost	**774,481**	769,366	790,657
Accumulated depreciation	**(567,006)**	(552,806)	(559,982)
Net plant and equipment	**207,475**	216,560	230,675
Lease make good asset:			
At cost	**5,646**	4,850	4,112
Accumulated depreciation	**(3,744)**	(3,009)	(3,058)
Net lease make good asset	**1,902**	1,841	1,054
Total plant and equipment	**209,377**	218,401	231,729
Total property, plant and equipment:			
Land and buildings at fair value	**364,039**	350,656	355,124
Plant and equipment at cost	**780,127**	774,216	794,769
Total property, plant and equipment	**1,144,166**	1,124,872	1,149,893
Accumulated depreciation and amortisation	**(570,750)**	(555,815)	(563,040)
Total written down amount	**573,416**	569,057	586,853

	CONSOLIDATED		
	December 2014 $000	June 2014 $000	December 2013 $000
15. Investment Properties			
Opening balance at beginning of the period, at fair value	**1,903,504**	1,853,540	1,853,540
Net additions, disposals and transfers	**14,047**	59,691	41,783
Net increase/(decrease) from fair value adjustments	**2,732**	(9,727)	(8,611)
Closing balance at end of the period, at fair value	**1,920,283**	1,903,504	1,886,712

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 Harvey Norman, Domayne and Joyce Mayne franchisees ("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 market 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
- current market rental value, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction
- tenure of 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

The investment property portfolio in Australia and properties held in joint venture entities are subject to a bi-annual review to fair market value at each reporting period. At each reporting period, one-sixth of the portfolio is independently valued with the remaining five-sixths reviewed for fair value by Directors. The whole portfolio is independently valued every three years.

The consolidated entity obtained independent valuations in respect of eighteen (18) properties during the half-year ended 31 December 2014. Based on the results of the independent valuations, a further five (5) properties were identified by management for further review by management. The five properties had been similarly affected by the same factors or characteristics of the properties which had been independently valued, particularly in relation to yields and market rentals.

The capitalisation method of valuation was used for all valuations. A discounted cash flow valuation was undertaken in respect of all properties for means of comparison. There were no material differences between the capitalisation method result and the discounted cash flow method result.

	CONSOLIDATED		
	December 2014 $000	June 2014 $000	December 2013 $000
16. Intangible Assets (Non-Current)			
Goodwill	**-**	10	10
Other intangible assets	**5**	-	-
Net software licences	**4,401**	4,279	4,249
Computer software:			
- At cost	**151,071**	139,048	132,516
- Accumulated amortisation and impairment	**(70,730)**	(65,439)	(60,859)
Net computer software	**80,341**	73,609	71,657
Net intangible assets (non-current)	**84,747**	77,898	75,916
17. Trade and Other Payables (Current)			
Trade creditors	**788,327**	642,301	769,187
Accruals	**58,344**	39,139	55,699
Other creditors	**81,541**	59,241	77,768
Total trade and other payables (current)	**928,212**	740,681	902,654

	CONSOLIDATED		
	December 2014 $000	June 2014 $000	December 2013 $000
18. Interest-Bearing Loans and Borrowings (Current)			
Secured:			
Non trade amounts owing to:			
- Bank overdraft	**25,059**	29,785	27,428
- Commercial bills payable	**9,750**	9,750	9,750
- Syndicated Facility Agreement (a)	**170,000**	370,000	370,000
- Other short-term borrowings (b)	**100,085**	7,368	94,078
- Lease liabilities	**42**	-	-
Unsecured:			
Derivatives payable	**913**	105	-
Non trade amounts owing to:			
- Directors	**55,914**	41,121	29,671
- Other related parties	**9,247**	11,723	4,503
- Other unrelated parties	**45**	20	983
Total interest-bearing loans and borrowings (current)	**371,055**	469,872	536,413

(a) Syndicated Facility Agreement

On 2 December 2009, the Company, a subsidiary of the Company ("Borrower") and certain other subsidiaries of the Company ("Guarantors") entered into a Syndicated Facility Agreement with certain banks ("Financiers" and each a "Financier"). On 28 November 2014, the Amending Deed (No. 2) to the Syndicated Facility Agreement was executed with the effect of extending Tranche A of the Facility totalling $370 million, with a previous expiry date of 22 December 2014, into two sub-tranches of $170 million (expiring 28 November 2015) and $200 million (expiring 28 November 2017).

The aggregate value of the Syndicated Facility Agreement remained at $610 million. The utilised amount of the Syndicated Facility Agreement as at 31 December 2014 was $410 million. This 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 Facility is repayable:

(a) as to $170 million, on 28 November 2015;
(b) as to $200 million, on 28 November 2017;
(c) as to $240 million, on 22 December 2016;
(d) 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.

(b) Other Short-Term Borrowings

Of the total other short-term borrowings of $100.09 million:

- a total of $51.61 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facilities are utilised in Slovenia and Croatia and have a maturity date of 2 December 2015.
- a total of $38.30 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facility is utilised in Singapore and has a maturity date of 30 November 2015.
- a total of $8.95 million relates to a revolving credit facility with ANZ in Singapore. This facility is subject to periodic review and is secured by the securities given pursuant to the Syndicated Facility Agreement.
- a total of $1.22 million relates to a revolving credit facility with AmBank (M) Berhad in Malaysia which is subject to periodic review. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.

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

	Consolidated December 2014 $000	June 2014 $000	December 2013 $000
19. Other Liabilities (Current)			
Lease incentives	**2,073**	2,031	2,083
Unearned revenue	**12**	12	12
Total other liabilities (current)	**2,085**	2,043	2,095
20. Provisions (Current)			
Employee entitlements	**19,184**	18,204	18,059
Lease make good	**3,322**	1,350	633
Deferred lease expenses	**931**	893	799
Onerous lease costs	**499**	1,722	2,987
Other	**628**	3,325	1,658
Total provisions (current)	**24,564**	25,494	24,136
21. Interest-Bearing Loans and Borrowings (Non-Current)			
Secured:			
Non trade amounts owing to:			
- Syndicated Facility Agreement (Refer to Note 18(a))	**240,000**	142,000	140,000
- Other non-current borrowings	**-**	87,383	91,220
- Lease liability	**118**	-	-
Unsecured:			
Derivatives payable	**5,785**	8,711	10,463
Total interest-bearing loans and borrowings (non-current)	**245,903**	238,094	241,683
22. Provisions (Non-Current)			
Employee entitlements	**3,355**	2,066	1,527
Lease make good	**2,349**	3,523	3,505
Deferred lease expenses	**4,726**	4,704	4,708
Total provisions (non-current)	**10,430**	10,293	9,740
23. Other Liabilities (Non-Current)			
Lease incentives	**15,029**	15,426	16,893
Total other liabilities (non-current)	**15,029**	15,426	16,893
24. Contributed Equity			
Ordinary shares	**380,328**	259,610	259,610
Total contributed equity	**380,328**	259,610	259,610
	Number of Shares	Number of Shares	Number of Shares
Number of ordinary shares issued and fully paid	**1,110,603,911**	1,062,316,784	1,062,316,784

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

Movements in ordinary shares on issue	December 2014 Number	December 2014 $000
At 1 July 2014	1,062,316,784	259,610
Issue of shares under executive share option plan	-	-
Issue of new ordinary shares pursuant to Renounceable Rights Offer in December 2014	48,287,127	120,718
At 31 December 2014	1,110,603,911	380,328

	Consolidated December 2014 $000	June 2014 $000	December 2013 $000
25. Retained Profits and Dividends			
Movements in retained earnings were as follows:			
Balance 1 July	**2,109,032**	2,008,880	2,008,880
Profit for the period	**141,984**	211,695	111,421
Dividends paid	**(233,710)**	(111,543)	(47,804)
Balance at end of the period	**2,017,306**	2,109,032	2,072,497
Dividends paid during the period on ordinary shares:			
Final franked dividend for 2014: 8.0 cents (2013: 4.5 cents)	**84,986**	47,804	47,804
Interim franked dividend for 2014: 6.0 cents	**-**	63,739	-
Special dividend pursuant to Renounceable Rights Offer in December 2014: 14.0 cents	**148,724**	-	-
Total dividends paid	**233,710**	111,543	47,804

The final dividend of $84.99 million, fully-franked, for the year ended 30 June 2014 was paid on 1 December 2014.
The special dividend of $148.72 million, fully-franked, pursuant to the Renounceable Rights Offer was paid on 30 December 2014.
The interim dividend of 9.0 cents per share, totalling $99.95 million fully-franked, for the year ended 30 June 2015 will be paid on 4 May 2015.

	December 2014 $000	June 2014 $000	December 2013 $000
Franking credit balance			
The amount of franking credits available for the subsequent financial periods are:			
- franking account balance as at the end of the financial period at 30%	**618,377**	676,514	670,842
- franking credits that will arise from the payment of income tax payable as at the end of the financial period	**25,077**	18,953	25,688
- franking credits that will be utilised in the payment of proposed dividend	**(42,838)**	(36,422)	(27,317)
The amount of franking credits available for future reporting periods	**600,616**	659,045	669,213
26. Non-Controlling Interests			
Interest in:			
- Ordinary shares	**2,591**	2,591	2,210
- Reserves	**12,996**	11,683	12,869
- Retained earnings	**4,683**	5,455	4,758
Total non-controlling interests	**20,270**	19,729	19,837

27. 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 2013	74,545	(3,801)	6,450	(8,824)	8,167	(14,738)	**61,799**
Revaluation of land and buildings	17,754	-	-	-	-	-	**17,754**
Tax effect of revaluation of land and buildings	(4,762)	-	-	-	-	-	**(4,762)**
Unrealised loss on available-for-sale investments	-	-	(241)	-	-	-	**(241)**
Net gain on interest rate swaps	-	-	-	2,076	-	-	**2,076**
Tax effect of net gain on swaps	-	-	-	(623)	-	-	**(623)**
Reverse expired or realised cash flow hedge reserves	-	-	-	46	-	-	**46**
Net gain on forward foreign exchange contracts	-	-	-	92	-	-	**92**
Tax effect of net gain on forward foreign exchange contracts	-	-	-	(27)	-	-	**(27)**
Currency translation differences	-	29,165	-	-	-	-	**29,165**
Acquisition of non-controlling interest	-	-	-	-	-	(7,597)	**(7,597)**
Share based payment	-	-	-	-	306	-	**306**
Reversal of share expenses	-	-	-	-	(25)	-	**(25)**
At 31 December 2013	87,537	25,364	6,209	(7,260)	8,448	(22,335)	**97,963**
At 1 July 2014	91,184	23,846	7,279	(6,110)	8,587	(22,051)	**102,735**
Revaluation of land and buildings	2,559	-	-	-	-	-	**2,559**
Tax effect of revaluation of land and buildings	(700)	-	-	-	-	-	**(700)**
Unrealised gain on available-for-sale investments	-	-	1,757	-	-	-	**1,757**
Net gain on interest rate swaps	-	-	-	2,152	-	-	**2,152**
Tax effect of net gain on swaps	-	-	-	(646)	-	-	**(646)**
Reverse expired or realised cash flow hedge reserves	-	-	-	13	-	-	**13**
Net gain on forward foreign exchange contracts	-	-	-	12	-	-	**12**
Tax effect of net gain on forward foreign exchange contracts	-	-	-	(4)	-	-	**(4)**
Currency translation differences	-	15,901	-	-	-	-	**15,901**
Share based payment	-	-	-	-	139	-	**139**
At 31 December 2014	93,043	39,747	9,036	(4,583)	8,726	(22,051)	**123,918**

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 of 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 is used to record fair value changes on available-for-sale investments.

(d) Cash flow hedge reserve
This reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

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

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

	CONSOLIDATED		
	December 2014 $000	June 2014 $000	December 2013 $000
28. Cash and Cash Equivalents			
(a) Reconciliation to Cash Flow Statement			
Cash and cash equivalents comprise the following at the end of the period:			
Cash at bank and on hand	**44,271**	119,092	150,220
Short term money market deposits	**4,132**	25,865	11,068
	48,403	144,957	161,288
Bank overdraft (Note 18)	**(25,059)**	(29,785)	(27,428)
Cash and cash equivalents at end of the period	**23,344**	115,172	133,860

	CONSOLIDATED	
	December 2014 $000	December 2013 $000
(b) Reconciliation of profit after income tax to net operating cash flows:		
Profit after tax	**142,107**	110,725
Adjustments for:		
Net foreign exchange gains	**(29)**	(142)
Bad and doubtful debts	**693**	662
Provision for inventory obsolescence	**1,900**	1,373
Share of net profit from joint venture entities	**(6,986)**	(9,863)
Depreciation of property, plant and equipment	**32,412**	35,489
Amortisation and impairment	**5,592**	4,008
Revaluation of investment properties	**(2,732)**	8,417
Property revaluation adjustment for overseas controlled entity	**(1,131)**	194
Deferred lease expenses	**(26)**	140
Provision for onerous leases	**20**	650
Executive remuneration expenses	**2,232**	978
Profit on disposal and revaluation of:		
- Property, plant and equipment, and listed securities	**2,307**	(1,649)
(Increase)/decrease in assets:		
Receivables	**(154,736)**	(195,828)
Inventory	**(54,711)**	(60,448)
Other current assets	**(17,857)**	751
Increase/(decrease) in liabilities:		
Payables and other current liabilities	**181,111**	282,610
Employee entitlement provisions	**2,269**	1,152
Income tax payable	**3,779**	4,256
Net cash from operating activities	**136,214**	183,475

29. Investments Accounted for Using Equity Method

	Consolidated Investment		Consolidated Share of pre tax profit	
	December 2014	June 2014	**December 2014**	December 2013
	$000	$000	**$000**	$000
Total joint venture entities accounted for using equity method	**27,641**	24,912	**6,986**	9,863

Name and Principal Activities	Ownership Interest		Contribution to Pre Tax Profit / (Loss)	
	December 2014 %	December 2013 %	**December 2014 $000**	December 2013 $000
Noarlunga (Shopping complex)	**50%**	50%	**717**	516
Perth City West (Shopping complex)	**50%**	50%	**2,412**	2,158
Tweed Heads Expo Park (c) (Shopping complex)	**100%**	100%	**-**	400
Warrawong King St (a)(Shopping complex)	**62.5%**	62.5%	**714**	499
Tweed Heads Traders Way (c)(Shopping complex)	**100%**	100%	**-**	22
Byron Bay (Residential/convention development)	**50%**	50%	**(362)**	(361)
Byron Bay – 2 (Resort operations)	**50%**	50%	**627**	471
Dubbo (Shopping complex)	**50%**	50%	**359**	308
Bundaberg (c) (Warehouse)	**100%**	100%	**-**	(2)
Bundaberg – 2 (Land held for investment)	**50%**	50%	**(2)**	(2)
Gepps Cross (Shopping complex)	**50%**	50%	**1,346**	1,427
QCV (b) (Miners residential complex)	**50%**	50%	**1,175**	5,549
KEH Partnership (Retailer)	**50%**	50%	**-**	(1,122)
			6,986	9,863

(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 number of wholly-owned subsidiaries of Harvey Norman Holdings Limited ("HNHL") have entered into joint ventures with an unrelated party to provide mining camp accommodation. The respective joint ventures have been granted finance facilities as follows:

- (i) a finance facility from ANZ for the amount of $11.30 million plus interest and costs, with a maturity date of 15 December 2015. HNHL has granted a joint and several guarantee to ANZ in respect of this facility.
- (ii) finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $31.15 million plus interest and costs, with maturity dates ranging from 30 June 2015 to 31 December 2015.

(c) The consolidated entity acquired the remaining 50% interest in these joint ventures during the prior period. The contribution to pre-tax profit/(loss) as disclosed in the above table represents the consolidated entity's share of results in these joint ventures prior to the acquisition.

30. Financial Instruments

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the consolidated entity as at 31 December 2014:

	Loans and receivables	Available-for-sale	Fair value profit or loss	Fair value other comprehensive income
	$000	$000	$000	$000
Current Financial Assets:				
Trade and other receivables (Note 7)	1,266,693	-	-	-
Other financial assets (Note 8)	-	-	21,905	12
Total current financial assets	1,266,693	-	21,905	12
Non-Current Financial Assets:				
Trade and other receivables (Note 12)	7,839	-	-	-
Other financial assets (Note 13)	-	14,904	3,405	-
Total non-current financial assets	7,839	14,904	3,405	-
Total Financial Assets	1,274,532	14,904	25,310	12
Current Financial Liabilities:				
Trade and other payables (Note 17)	928,212	-	-	-
Interest-bearing loans and borrowings (Note 18)	370,142	-	140	773
Total current financial liabilities	1,298,354	-	140	773
Non-Current Financial Liabilities:				
Interest-bearing loans and borrowings (Note 21)	240,118	-	-	5,785
Total non-current financial liabilities	240,118	-	-	5,785
Total Financial Liabilities	1,538,472	-	140	6,558

(a) *Fair Value of Financial Instruments*

Fair value hierarchy

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

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

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

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

30. Financial Instruments (continued)

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

As at 31 December 2014, the consolidated entity held the following classes of financial instruments measured at fair value:

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	**$000**
Financial Assets				
Listed investments	38,150	-	-	**38,150**
Foreign exchange contracts	-	21	-	**21**
Total Financial Assets	38,150	21	-	**38,171**
Financial Liabilities				
Interest rate swaps	-	6,558	-	**6,558**
Foreign exchange contracts	-	140	-	**140**
Total Financial Liabilities	-	6,698	-	**6,698**

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	
	December 2014	December 2013
Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	**2.37**	2.39
Business Combinations Having Material Effect		
Name of business combination	N/A	N/A
Consolidated profit/(loss) after tax of the business combination since the date in the current period on which control was acquired	N/A	N/A
Date from which such profit has been calculated	N/A	N/A
Profit/(loss) after tax of the controlled business combination for the whole of the previous corresponding period	N/A	N/A
Loss of Control of Entities Having Material Effect		
Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A	N/A
Date from which such profit/(loss) has been calculated	N/A	N/A
Profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A	N/A

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

In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the Directors' Report of the consolidated entity are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
  (ii) complying with Accounting Standards and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the half-year ended 31 December 2014.

On behalf of the Board.

G. HARVEY
Chairman
Sydney
27 February 2015

K.L. PAGE
Director / Chief Executive Officer
Sydney
27 February 2015

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To the members of Harvey Norman Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Harvey Norman Holdings Limited which comprises the statement of financial position as at 31 December 2014, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Harvey Norman Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Building a better working world

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Harvey Norman Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Katrina Zdrilic
Partner
Sydney
27 February 2015