DEC 2016

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 193 Harvey Norman®, Domayne® and Joyce Mayne® branded franchised complexes in Australia and 87 company-operated stores across 7 overseas countries.

KEY DATES:

28 February 2017	Announcement of Half Year Profit to 31 December 2016 Announcement of Interim 2017 Dividend
7 April 2017	Record Date for Determining Entitlement to Interim 2017 Dividend
2 May 2017	Payment of Interim 2017 Dividend
31 August 2017	Announcement of Full Year Profit to 30 June 2017 Announcement of Final 2017 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 12, 225 George Street, Sydney NSW 2000
Ph: 02 9290 9600

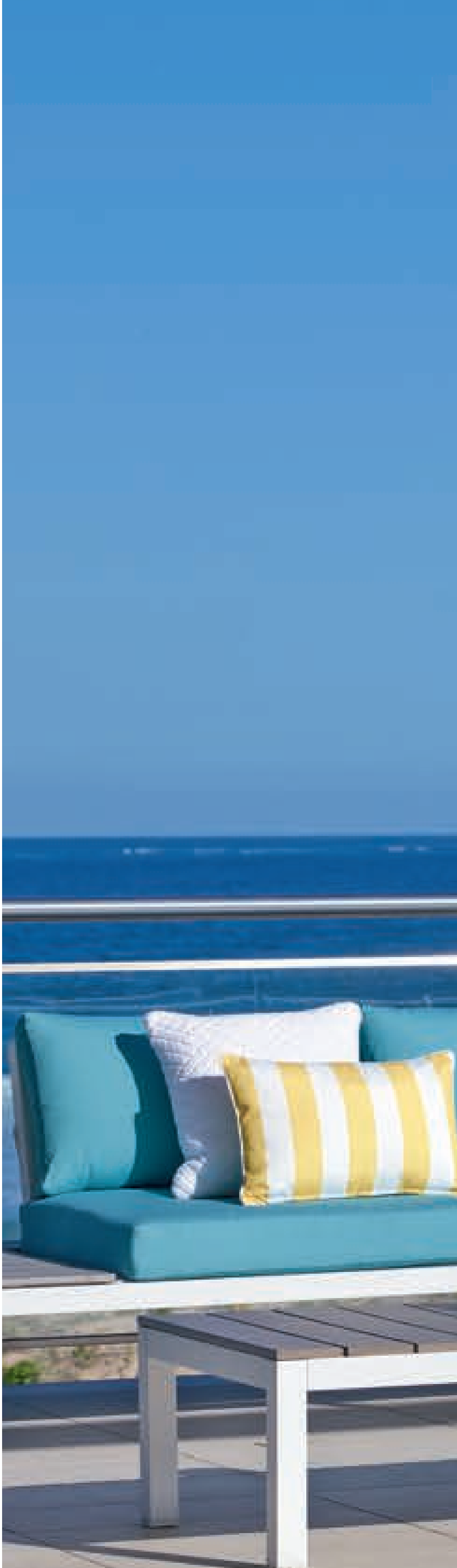
Auditors:
Ernst & Young

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 AGGREGATED SALES REVENUE

$2.86bn
up 5.2% on PCP*

COMPANY-OPERATED SALES REVENUE

$976.28m
up 7.0% on PCP*

PROFIT BEFORE TAX

$366.23m
up 39.8% on PCP*

PROFIT AFTER TAX & NON-CONTROLLING INTERESTS

$257.29m
up 38.7% on PCP*

PROFIT AFTER TAX & NON-CONTROLLING INTERESTS (excluding net property revaluation adjustments)

$204.27m
up 19.7% 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 viable format to effectively compete in an evolving market. The digital and physical stores and distribution channels provide a significant competitive advantage for Harvey Norman franchisees."

The information contained in the half year report is to be read in conjunction with the last annual report and any announcements to the market by Harvey Norman Holdings Limited during the period.

RESULTS FOR ANNOUNCEMENT TO THE MARKET

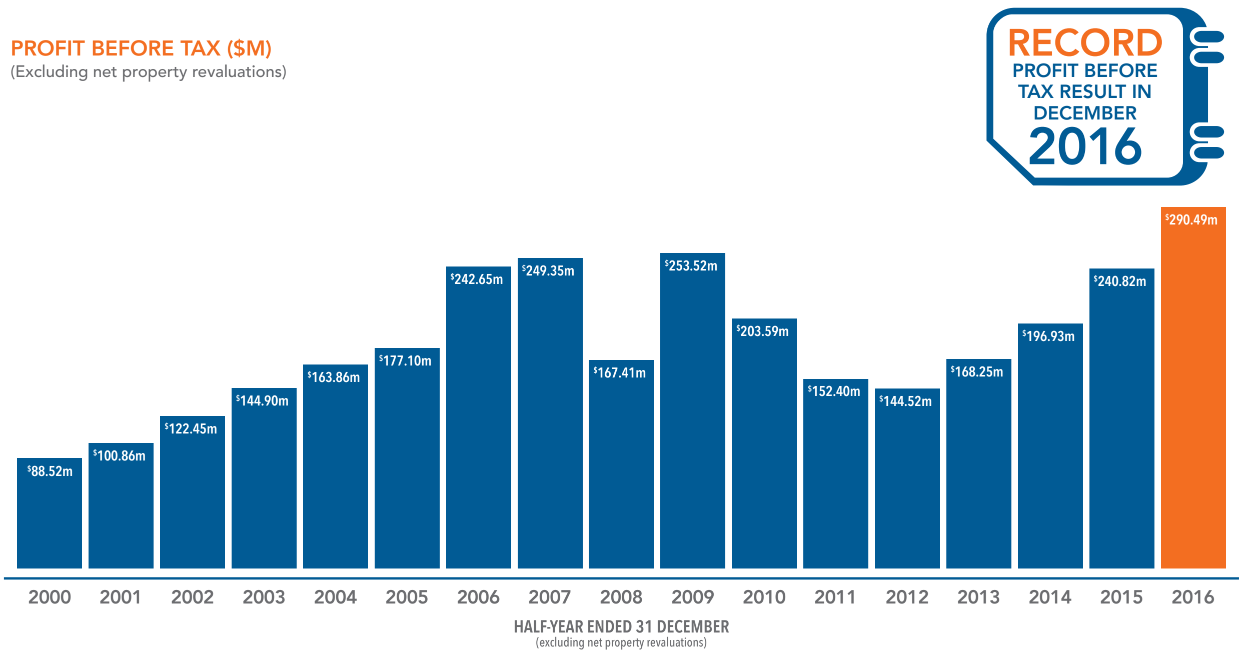
	Half Year Ended 31 December		Movement	
	2015	2016	$	%
No. of franchised complexes in Australia[1]	191	193		
No. of company-operated stores[2]	86	87		
Franchisee aggregated headline sales revenue[1]	$2.72bn	$2.86bn	+$142.61m	+5.2%
Company-operated sales revenue[2]	$911.98m	$976.28m	+$64.29m	+7.0%
Revenues and other income items	$635.25m	$716.02m	+$80.78m	+12.7%
Earnings before interest, tax, depreciation, impairment and amortisation (EBITDIA)	$333.39m	$430.11m	+$96.71m	+29.0%
Earnings before interest and tax (EBIT)	$276.65m	$375.84m	+$99.18m	+35.9%
Net property revaluation increment/ (decrement)	$21.19m	$75.74m	+$54.55m	+257.4%
Profit before tax	$262.01m	$366.23m	+$104.22m	+39.8%
Profit before tax excluding impairment losses	$279.52m	$381.90m	+$102.38m	+36.6%
Profit before tax excluding net property revaluation adjustments	$240.82m	$290.49m	+$49.67m	+20.6%
Profit before tax excluding impairment losses and net property revaluation adjustments	$258.33m	$306.16m	+$47.83m	+18.5%
Profit after tax and non-controlling interests (NCI)	$185.51m	$257.29m	+$71.79m	+38.7%
Profit after tax and NCI excluding impairment losses	$197.76m	$268.26m	+$70.50m	+35.6%
Profit after tax and NCI excluding net property revaluation adjustments	$170.66m	$204.27m	+$33.61m	+19.7%
Profit after tax and NCI excluding impairment losses and net property revaluations	$182.92m	$215.24m	+$32.33m	+17.7%
Net cash flows from operating activities	$141.77m	$279.50m	+$137.73m	+97.2%
Basic earnings per share	16.70c	23.13c	+6.43c	+38.5%
Dividends per share (fully-franked)	13.0c	14.0c	+1.0c	+7.7%
Net debt to equity ratio (%)	22.29%	19.91%		

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

2 Includes the "Harvey Norman®" branded company-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia & Croatia.

PROFIT BEFORE TAX ($M)

(Excluding net property revaluations)



The directors of Harvey Norman Holdings Limited (the "Company") submit their report for the half-year ended 31 December 2016. 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 and CEO
- Chris Mentis
  B.Bus., FCA, FGIA,
  Grad Dip App Fin
  Executive Director, CFO & Company Secretary
- John Evyn Slack-Smith
  Executive Director and COO
- David Matthew Ackery
  Executive Director
- Michael John Harvey
  B.Com.
  Non-Executive Director
- Christopher Herbert Brown
  OAM, LL.M., FAICD, CTA
  Non-Executive Director
- Kenneth William Gunderson-Briggs
  B.Bus., FCA, MAICD
  Non-Executive Director
  (Independent)
- Graham Charles Paton AM
  B.Ec., FCPA, MAICD
  Non-Executive Director
  (Independent)

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 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 Company or consolidated entity in future financial years.

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, consumer electrical products and lifestyle products in, New Zealand, Singapore, Malaysia, Slovenia, Croatia, Ireland and Northern Ireland;
- Property investment;
- Lessor of premises to Harvey Norman®, Domayne® and Joyce Mayne® franchisees and other third parties;
- Media placement; and
- Provision of consumer finance and other commercial advances.

Capital Management Policy

The consolidated entity's capital management policy objectives are to: create long-term sustainable value for shareholders; maintain optimal returns to shareholders and benefits to other stakeholders; source the lowest cost available capital; and, prevent the adverse outcomes that can result from short-term decision making.

The Capital Management Policy stipulates a net debt to equity target for the consolidated entity of less than 50%.

The capital structure of the consolidated entity consists of: debt, which includes interest-bearing loans and borrowings as disclosed in Notes 18 and 21 of this report; cash and cash equivalents; and, equity attributable to equity holders of the parent, comprising issued capital, retained earnings and reserves as disclosed in Notes 24, 25 and 27 respectively.

The consolidated entity's borrowings consist primarily of bank debt provided by a syndicate of four banks (three of which are members of the "Big 4" Australian Banks) trading in Australia. Concentration risk is minimised by staggering facility renewals and utilising a range of maturities over 1, 3 and 5 years.

Dividends

The directors recommend a fully franked interim dividend of 14.0 cents per share. This interim dividend will be paid on 2 May 2017 to shareholders registered at 5:00pm on 7 April 2017. No provision has been made in the Statement of Financial Position for this recommended interim dividend.

The Dividend Policy of the Company is to pay such dividends as do not compromise the capability of the Company to execute strategic objectives.

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 2016.

Operational Efficiencies

During the period, the phased rollout of the merchandise, inventory and supplier management system and the workforce productivity technology system continued on time and within budget.

The number of suppliers being replenished by franchisees via the merchandise, inventory and supplier management system has increased significantly and it is expected that franchisees will be able to replenish inventory using this system for the majority of larger categories by the end of the 2017 financial year.

Each franchisee has successfully deployed on time and within budget, a workforce management system including staff rostering and roster optimisation. Each franchisee now has the tools necessary to efficiently roster staff based on forecast customer traffic, expected sales and staff availability. Each franchisee can now plan to have the right staff on the shop floor to effectively service customer demand, while managing payroll expense.

The workforce productivity technology will be deployed to all company-operated stores in New Zealand towards the end of the 2017 calendar year.

OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review (OFR) in this report provides shareholders with an overview of the consolidated entity's results, financial position, dividends and the progress of key operational efficiency measures for the first half of the 2017 financial year. This OFR is not a full and comprehensive OFR, such as normally forms part of the Directors' Report in the Annual Report.

FINANCIAL ANALYSIS & COMMENTARY: NET PROFIT BEFORE TAX & NET PROFIT AFTER TAX

PROFIT BEFORE TAX: 39.8% INCREASE

The directors are proud to report a record result for the 2017 half-year period with **a 39.8% increase in profit before tax to $366.23 million, up from $262.01 million** in the previous corresponding period. Excluding net property revaluation adjustments, profit before income tax **increased by 20.6% to $290.49 million, up from $240.82 million** in the previous corresponding half, representing the best-ever trading result for a first half-year period in the consolidated entity's 30-year history. This is an outstanding achievement affirming the value of the integrated retail, franchise, property and digital strategy. It clearly demonstrates the ability of the model to quickly evolve and adapt to emerging trends and capitalise on its multi-pronged approach to retail.

The franchising operations segment delivered **an outstanding margin of 6.01%**, the highest return on aggregated franchisee sales revenue since the commencement of the global financial crisis (GFC). Connected technology continues to be a strong trend and the multitude of connected devices offered by Harvey Norman® franchisees is meeting and fuelling consumers' passion for connectivity in their everyday lives. The extensive Home and Lifestyle product range carried by franchisees, coupled with the generous, large-store footprint to showcase its capabilities, has enabled franchisees to capitalise on this technology demand phenomenon. In addition, there was solid growth in the company-operated retail segment, with all offshore operations growing market share in their respective regions, and a significant uplift in the value of the investment property portfolio in Australia.

Net profit before tax **increased by $104.22 million, or 39.8%, from $262.01 million in the previous corresponding half to $366.23 million** for the half-year to December 2016 and was impacted by the following:

- a net property revaluation increment of $75.74 million, an increase of $54.55 million over the net property revaluation increment of $21.19 million recognised in the previous corresponding half;
- a $21.71 million, or 14.4%, increase in the profitability of the franchising operations segment to $172.13 million. This growth was primarily achieved through a $17.09 million increase in franchise fees to $430.20 million resulting from a 5.2% increase in headline aggregated franchisee sales revenue to $2.86 billion. Tactical support remains low, representing 1% of aggregated franchisee sales revenue for the current half year period;
- a $6.37 million, or 18.8%, increase in the retail segment result in New Zealand as the company-operated stores continue to outperform the New Zealand market and grow sales and market share in key categories while reducing operating costs;
- a $6.10 million increase in the contribution from the company-operated stores in Singapore and Malaysia to $11.56 million, which is more than double the profit recorded in the previous corresponding half of $5.46 million;
- a $2.09 million increase in the profitability of the company-operated stores in Ireland and Northern Ireland from $0.82 million in the previous corresponding half to a profit of $2.91 million in the current half. There was a $2.15 million reduction in trading losses in Northern Ireland in the current half over the previous corresponding period. The flagship furniture store in Boucher Road, South Belfast has now traded for a full year, firmly establishing the Harvey Norman® brand in Northern Ireland and significantly growing market share;
- a $4.63 million increase in rental income received;
- a $2.93 million increase in the equity investments segment result during the period, reflecting an increase in the market value of listed securities held by the consolidated entity; and
- an impairment loss of $15.67 million recognised in the December 2016 half compared to an impairment loss of $17.51 million in the previous corresponding period.

OPERATING & FINANCIAL REVIEW (CONTINUED)

NET PROFIT AFTER TAX & NON-CONTROLLING INTERESTS: 38.7% INCREASE

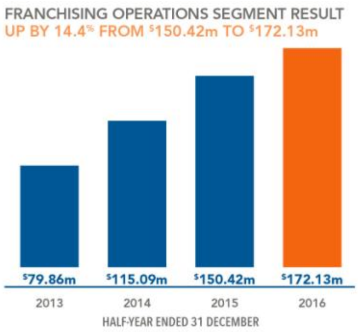
Net profit after tax and non-controlling interests **increased 38.7%, or $71.79 million, to $257.29 million** for the half-year ended 31 December 2016, from $185.51 million in the previous corresponding half year. Net profit after tax excluding impairment losses **increased 35.6%, or $70.50 million, to $268.26 million** for the half-year ended 31 December 2016, from $197.76 million in the half-year ended 31 December 2015. Net profit after tax excluding net property revaluation adjustments for the December 2016 half **increased 19.7%, or $33.61 million, to $204.27 million,** from $170.66 million in the previous corresponding half.

The effective income tax rate for the half-year ended 31 December 2016 was 29.00% compared to an effective income tax rate of 28.60% for the half-year ended 31 December 2015.

REVIEW & RESULTS OF KEY OPERATING SEGMENTS

1. THE FRANCHISING OPERATIONS SEGMENT

The franchising operations segment result **increased $21.71 million, or 14.4%, to $172.13 million** in the first half of the 2017 financial year from $150.42 million in the prior corresponding period. This solid result was primarily due to growth in gross franchise fee revenue of $17.09 million, or 4.1%, to $430.20 million resulting from the robust sales performance of independent Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia. The increase in franchise fee revenue was consistent with the 5.2% increase in aggregated franchisee sales revenue to $2.86 billion for the current period.



Tactical support may be provided by a franchisor to a franchisee, from time to time, to protect and promote the Harvey Norman® brand. Tactical support assists a franchisee to better compete in a market. While the rate of decline in tactical support has moderated, tactical support is at its lowest levels since the height of the GFC and currently represents approximately 1% of aggregated franchisee sales revenue for the December 2016 half.

FRANCHISING OPERATIONS SEGMENT ANALYSIS BY HALF YEAR

	Half Year Ended 31 December			
	2013	2014	2015	2016
No. of franchised complexes in Australia	202	195	191	**193**
Franchising operations segment result	$79.86m	$115.09m	$150.42m	**$172.13m**
Franchisee aggregated headline sales revenue	$2.48bn	$2.53bn	$2.72bn	**$2.86bn**
Franchising Operations Margin (%)	3.22%	4.55%	5.53%	**6.01%**

Key drivers of the Franchising Operations Margin (%) (Included in the franchising operations segment result for each period):

	2013	2014	2015	2016
(i) Franchising operations segment revenue	$430.87m	$452.97m	$488.46m	**$516.45m**
% movement on PCP*	-2.5%	+5.1%	+ 7.8%	**+5.7%**
(ii) Tactical support	$51.17m	$39.70m	$29.16m	**$28.84m**
% movement on PCP*	-19.8%	-22.4%	-26.5%	**-1.1%**

* PCP = previous corresponding period

Higher franchise fee revenue has resulted in a solid franchising operations margin of 6.01% for the December 2016 half-year, up from 5.53% in the previous corresponding period, and the highest return since the start of the GFC.

OPERATING & FINANCIAL REVIEW (CONTINUED)

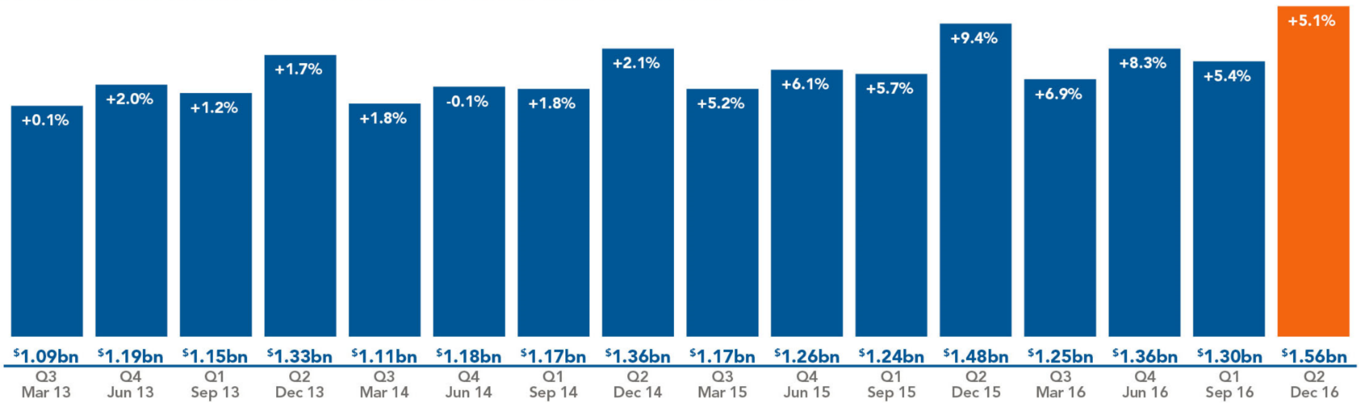
FRANCHISEE SALES REVENUE UNDERPINS THE FRANCHISING OPERATIONS SEGMENT

Each franchisee is independently owned and operated. Each franchisee controls all operations of its franchised business. Aggregate sales by franchisees have grown during the period resulting in increased franchise fees paid to the consolidated entity.

Headline Australian aggregated franchisee sales revenue **increased 5.2%, or $142.61 million, to $2.86 billion** for the half-year ended 31 December 2016 from $2.72 billion in the prior corresponding period. Comparable franchisee sales revenue **increased 4.7% to $2.84 billion** for the December 2016 half year.

AGGREGATED FRANCHISEE SALES REVENUE

AUSTRALIAN FRANCHISEES QUARTERLY AGGREGATED SALES REVENUE



Quarter-on-quarter franchisee sales growth is robust and Harvey Norman®, Domayne®, Joyce Mayne® franchisees continue to be the dominant player in the Home and Lifestyle market in Australia. The residential property market has remained buoyant, with strong property values and high auction clearance rates fuelling consumer demand for the extensive Homemaker product range offered by franchisees. Dominance in the Home and Lifestyle market in Australia has allowed franchisees to capitalise on the rapidly-growing market of The Internet of Things. Strong performance by the franchisees in the home appliances category and associated sub-categories continued during the December 2016 half year.

OPERATING & FINANCIAL REVIEW (CONTINUED)

2. PROPERTY SEGMENT: RETAIL PROPERTY & PROPERTY DEVELOPMENTS FOR RESALE

The consolidated entity's substantial property portfolio is integral to the success of the Omni Channel strategy. Properties within the portfolio range from multi-tenanted large-format centres to stand-alone showrooms and warehouses that are primarily occupied by Harvey Norman®, Domayne® and Joyce Mayne® franchisee tenants, as well as a diverse mix of other quality third-party tenants. The investment in property delivers strong returns through rental income from franchisees and complementary third-party tenants and also delivers long-term capital appreciation.

The property portfolio was **valued at $2.60 billion at 31 December 2016**. For the 2017 first half, this represents 54% of the consolidated entity's total asset base as at 31 December 2016. The result before tax generated by the property segments represents 40% of consolidated profit before tax for the half-year ended 31 December 2016.

There was a significant increase in the total property segment result by **$69.88 million, to $146.68 million** for the half-year ended 31 December 2016, up 91.0% from $76.80 million in the prior corresponding half year. This was largely due to **a $54.55 million increase in the net property revaluation adjustment to $75.74 million** recognised in the Income Statement during the period, from $21.19 million in the previous corresponding period, reflecting an increase in the fair value of the Australian investment property portfolio. Other property segment revenue, comprising rent and outgoings, increased by approximately $4 million during the period, in line with market rental rates.

There were no write-downs of equity-accounted investments recognised during the current period. In the December 2015 half year, a write-down of $7.24 million was incurred to reduce the value of the equity-accounted investments in mining camp accommodation joint ventures.

TOTAL PROPERTY SEGMENT ASSETS

	As At 31 December		
	2014	2015	2016
Investment properties	$1.920bn	$1.986bn	$2.203bn
Joint venture assets	$27.64m	$2.59m	$2.71m
Owned land & buildings in New Zealand, Ireland, Singapore, Slovenia & Australia	$364.04m	$380.52m	$396.43m
Properties held for resale	$2.87m	-	-
Total Property Segment Assets	$2.31bn	$2.37bn	$2.60bn

BREAKDOWN OF OWNED AND LEASED SITES

	As At 31 December 2016		
	# of owned sites	# of leased sites	Total
Australia: Franchised complexes	93	100	193
New Zealand	18	21	39
Slovenia	5	-	5
Croatia	-	1	1
Ireland	-	12	12
Northern Ireland	-	2	2
Singapore	-	13	13
Malaysia	-	15	15
Total	116	164	280

NET PROPERTY REVALUATION ADJUSTMENTS

	As At 31 December		
	2014	2015	2016
Recorded in the Income Statement:			
Total Australian net property revaluation increment	$2.73m	$20.63m	$75.74m
Plus: Overseas controlled entities:			
- New Zealand	-	$0.56m	-
- Slovenia	$1.13m	-	-
Total net property revaluation increment in the Income Statement	$3.86m	$21.19m	$75.74m
Recorded in Equity (Asset Revaluation Reserve):			
- New Zealand	$1.61m	$2.24m	$8.11m
- Slovenia	$0.25m	-	($0.22m)
- Singapore	-	$1.26m	-
Total net property revaluation increments recorded in Equity (ARR)	$1.86m	$3.50m	$7.89m

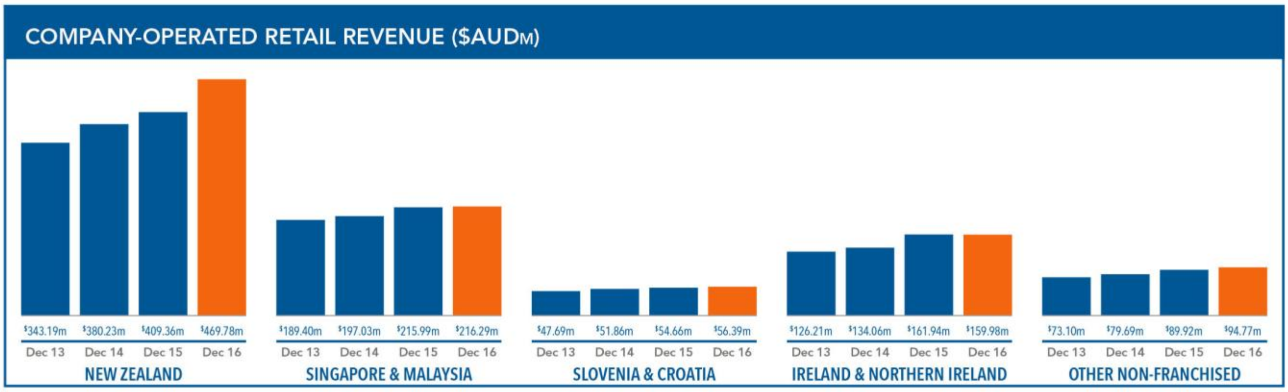
The investment property portfolio in Australia and properties held in joint venture entities are subject to a review to fair market value at each reporting period. At each reporting period, one-sixth of the investment property portfolio is independently valued with the remaining five-sixths reviewed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

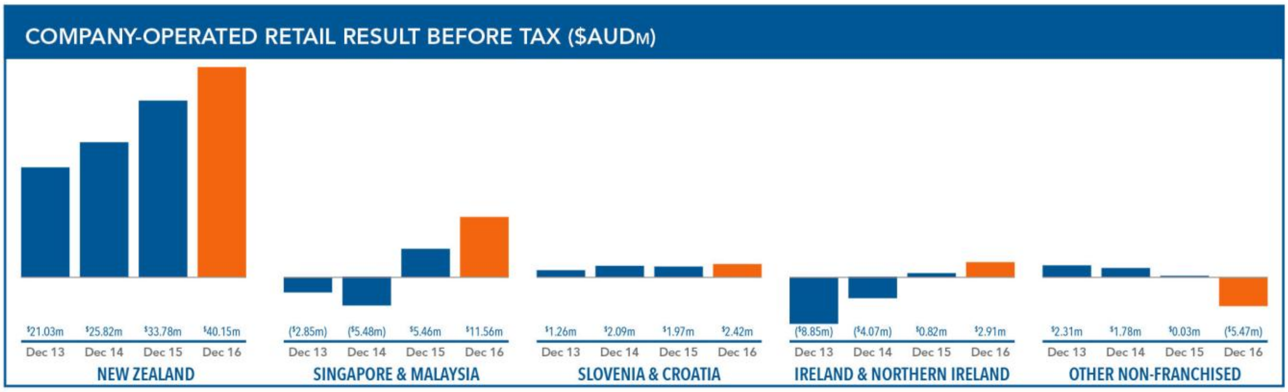
During the half-year ended 31 December 2016, twenty-three (23) properties in Australia were independently valued, representing 18% of the total number of investment properties owned by the consolidated entity and 18% of the fair value of all investment properties. The balance of the portfolio was reviewed for comparability resulting in the preparation of internal valuations for sixteen (16) additional sites.

The valuation of investment properties for the December 2016 half year resulted in a net increase of $75.74 million in Australia which was recognised in the Income Statement.

OPERATING & FINANCIAL REVIEW (CONTINUED)

3. THE COMPANY-OPERATED RETAIL SEGMENTS





The result before tax of the company-operated retail segment **increased 22.6% to $51.56 million in the December 2016 half year**, from $42.06 million in the prior corresponding half year. With the exception of Northern Ireland, which reduced its losses by $2.15 million during the current period, each offshore company-operated retail business recorded a profit, with Croatia closing the period in a profitable position for the first time.

New Zealand

FX rate: NZD vs AUD up by 4.37%

Sales revenue from the New Zealand company-operated stores **increased by 10.6%, or $NZ46.40 million, to $NZ483.29 million** in the December 2016 half year, from $NZ436.90 million in the December 2015 half year. Translated into Australian dollars, sales revenue **increased 15.5%, or $61.51 million, to $459.45 million**. Contributing to the result was the opening of the Westgate store in April 2016 and the Queenstown store in October 2016. Comparable sales growth remained strong, increasing by 6.5% in NZD for the period. Sales of all key categories grew relative to the prior corresponding period, supported by the strong momentum in the New Zealand economy. Population growth from net migration, record low interest rates, improving house prices nationwide and a strengthening labour market is driving consumer confidence which has, in turn, had a positive impact on retail sales.

The retail result in New Zealand **increased 18.8%, or $6.37 million, to $40.15 million** for the first half of the 2017 financial year, from $33.78 million in the prior corresponding half. This is a record half year result for New Zealand and reflects the strong position of the Harvey Norman® brand in the New Zealand market. In a competitive industry, the New Zealand business has increased total gross margin through a continued focus on their core product range as well as improved supplier relationships. In addition, cost control efficiencies resulted in total operating costs remaining consistent with the prior year despite the significant rise in sales revenues.

Singapore & Malaysia

FX rate: SGD vs AUD down 2.88%

This segment comprises thirteen Harvey Norman® stores in Singapore, fifteen Harvey Norman® stores in Malaysia and the prestige furniture offering of Space Furniture in Singapore and Malaysia. Despite the poor retail sentiment in Singapore and Malaysia, and the net reduction of one store relative to the prior corresponding period, sales revenue **increased 3.3%, or $S7.15 million, to $S221.53 million** in the December 2016 half year, from $S214.38 million in the December 2015 half year. Translated into Australian dollars, the **increase was 0.4%, or $0.76 million, to $212.68 million**, from $211.92 million in the prior half year due to a 2.88% depreciation in the Singapore dollar relative to the Australian dollar.

The retail result in Singapore and Malaysia more than doubled, with an **increase of 111.8% or $6.10 million, to $11.56 million** for the first half of the 2017 financial year, from $5.46 million in the prior corresponding half.

OPERATING & FINANCIAL REVIEW (CONTINUED)

In Singapore, the 100,000 sq feet flagship store in Millenia Walk which opened in December 2015, together with existing stores, has gained market share and improved overall headline sales revenue and profits, despite the closure of three company-operated stores within the last 18 months. In Malaysia, the opening of two stores, Ioi City Mall in October 2015 and Sunway Velocity in December 2016, also contributed to the growth in revenue and profits.

Ireland & Northern Ireland

FX rate: EUR vs AUD down 4.64%; FX rate: GBP vs AUD down 20.19%

Sales revenue from the company owned stores in Ireland **increased 1.3%, or €1.32 million, to €100.48 million** in the December 2016 half year, from €99.16 million in the prior half year. Translated into Australian dollars, sales revenue actually decreased by 3.4%, or $5.10 million, to $146.22 million due to a 4.64% decline in the Euro relative to the Australian dollar during the period.

Sales revenue from the company operated stores in Northern Ireland **increased 67.7%, or £2.31 million, to £5.72 million** for the December 2016 half year, from £3.41 million in the prior corresponding half year. Translated into Australian dollars, sales **increased 33.9%, or $2.45 million, to $9.68 million**. The flagship furniture store at Balmoral Plaza, off Boucher Road in South Belfast, has traded for a full year and has gone from strength to strength. Sales of furniture, bedding and interiors categories have grown strongly year-on-year, and similarly gross profit. The Harvey Norman® brand in Northern Ireland is now firmly established and gaining market share. The refurbishment of the second Belfast store in Holywood is now complete, and strong performances from both stores are anticipated.

The Ireland and Northern Ireland segment recorded a **profit of $2.91 million for the December 2016 half year**, up from $0.82 million in the prior half, an increase of $2.09 million. The Irish business has now been in a profitable position for 18 months however the majority of the improvement in this segment is attributable to the $2.15 million reduction in losses for the company-operated stores in Northern Ireland due to the positive contribution of the flagship Boucher Road offering.

Slovenia & Croatia

FX rate: EUR vs AUD down 4.64%

Sales revenue from the five company-operated stores in Slovenia **increased 7.1%, or €1.92 million, to €28.83 million** in the December 2016 half, from €26.91 million in the prior corresponding period. Translated into Australian dollars, sales revenue **increased 2.2%, or $0.88 million, to $41.95 million,** from $41.06 million in the prior corresponding period.

The flagship store at Ljubljana was renovated and relaunched in November 2016 to deliver the best retail customer experience in Slovenia. The store undertook a renovation of all areas except for the bedding area which will be completed by June 2017. The relaunching of the Ljubljana store drove sales throughout November and December 2016.

The retail result in Slovenia was consistent with prior corresponding period **at $2.38 million for the December 2016 half**, compared to $2.45 million in the December 2015 half.

Sales revenue for the Zagreb, Croatia store **increased 13.4%, or €1.11 million, to €9.37 million** in the current half, from €8.27 million in the prior corresponding half. Translated into Australian dollars, sales revenue **increased 8.1%, or $1.02 million, to $13.64 million.** The Croatian business has reported its first profitable half year period since commencing trade in the region. There was a **turnaround of $0.52 million** during the period, resulting in a **profit of $0.05 million** for the December 2016 half, up from a loss of $0.47 million in the previous corresponding half year.

Other Non-Franchised Retail

The other non-franchised retail segment consists primarily of the retail and wholesale trading operations in Australia which are controlled by the consolidated entity and does not include any operations of Harvey Norman®, Domayne® and Joyce Mayne® franchisees. Total revenue for the other non-franchised retail segment **increased 5.4%, or $4.85 million, to $94.77 million** for the December 2016 half year from $89.92 million in the prior corresponding half year.

The result for the other non-franchised retail segment **deteriorated by $5.50 million to a loss of $5.47 million** for the half-year ended 31 December 2016. The result for the current period included an $11.05 million write-down in commercial advances made to a retail joint venture in Australia, compared to an impairment loss of $4.31 million recognised in the previous corresponding period.

OPERATING & FINANCIAL REVIEW (CONTINUED)

4. OTHER SEGMENT

The Other segment primarily comprises credit facilities provided to related and unrelated parties and other unallocated income and expense items and the joint venture investment in Coomboona Holdings Pty Limited.

The Other segment recorded a loss of $8.95 million in the December 2016 half compared to a loss of $9.14 million in the December 2015 half, an improvement of $0.19 million. The current period included an impairment loss of $4.62 million in respect of an estimated shortfall in the repayment of an external finance facility for a mining camp accommodation joint venture. The prior half year period contained a write-down of $5.96 million of commercial advances made to mining camp accommodation joint ventures to reduce the value of the non-trade receivable to the expected recoverable amount.

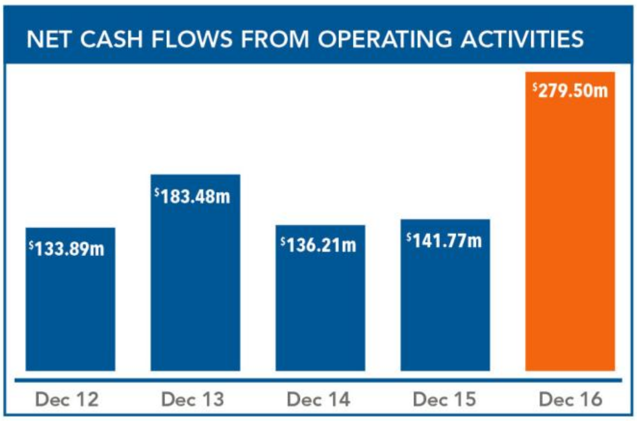
In September 2015, the consolidated entity acquired a 49.9% investment in Coomboona Holdings Pty Limited, comprising dairy farm operations and a pedigree breeding and genetics division in Northern Victoria. The equity-accounted losses attributable to the Coomboona dairy joint venture were $3.26 million for the half-year ended 31 December 2016 compared to equity-accounted losses of $1.79 million in the previous corresponding half year.

REVIEW OF NET CASH FLOWS FROM OPERATING ACTIVITIES

Net cash flows from operating activities increased 97.2%, or $137.73 million, to $279.50 million for the December 2016 half year, from $141.77 million in the prior half year.

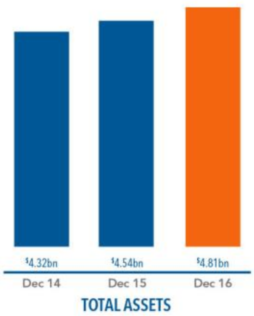
Cash inflows received from higher franchise fee income and higher sales from company-operated stores were significantly stronger than the previous corresponding period offset by only a marginal increase in payments to suppliers and employees.

Receivables from franchisees reduced relative to the previous half indicating a lower net outflow in the provision of financial accommodation to franchisees. This can be attributed to higher aggregated franchisee sales revenue and improved working capital requirements of franchisees.



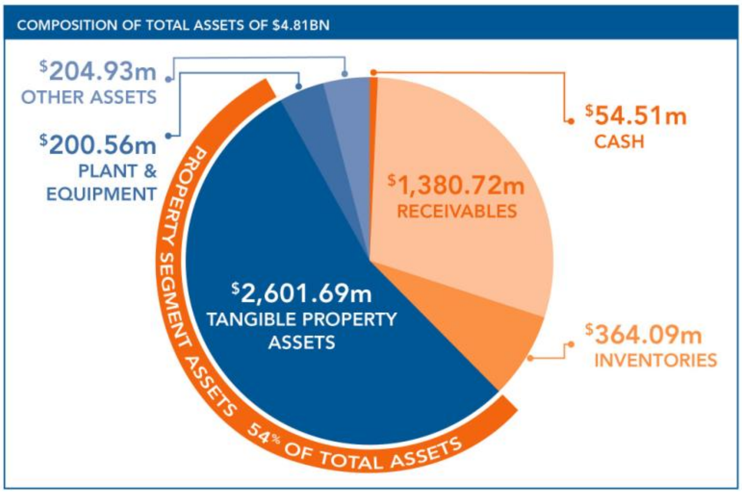
Interest and other costs of finance reduced due to lower average debt levels during the period offset by higher income taxes paid due to higher taxable income generated by the consolidated entity.

REVIEW OF THE FINANCIAL POSITION OF THE CONSOLIDATED ENTITY



The consolidated entity's balance sheet remains strong, anchored by real property assets and a solid working capital position. **Net assets increased 4.5%, or $120.16 million, to $2.77 billion** at 31 December 2016, from $2.65 billion as at 31 December 2015.

OPERATING & FINANCIAL REVIEW (CONTINUED)

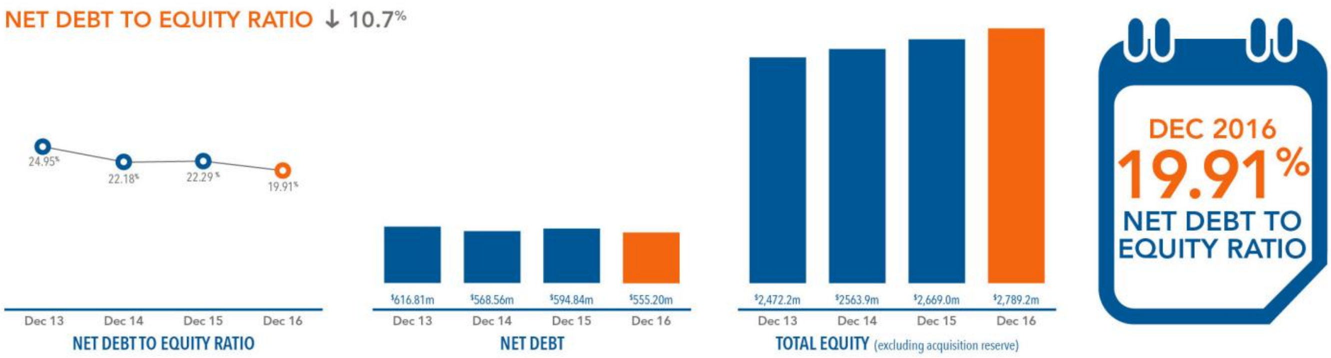


Total assets increased 5.8%, or $264.35 million, to $4.81 billion as at 31 December 2016, from $4.54 billion in the prior corresponding period. This increase was largely due to increases of:

- $216.18 million (+10.9%) in investment properties attributable to fair value adjustments ($102.91 million net property revaluation increments since December 2015) and increased construction, acquisition and refurbishment activity during the period ($113.27 million in net capital additions, disposals and transfers since December 2015);
- $24.10 million (+4.2%) in property, plant and equipment assets due to a new franchised complex opening in Australia and two new company-operated store openings in New Zealand and Malaysia, in addition to the refurbishments of existing franchised complexes in Australia; and
- $18.70 million (+52.2%) in cash and cash equivalents due to strong cash flows from operating activities.

These increases have been offset by a decrease in inventories in company-operated stores of $4.14 million (-1.1%) mainly due to the foreign currency effects of translating offshore inventories into the Australian dollar presentation currency and a decrease in trade and other receivables by $6.91 million (-0.5%).

Total liabilities increased by 7.6%, or $144.19 million, to $2.04 billion as at 31 December 2016. The increase was due to higher trade and other payables, up $100.20 million (+10.8%) as a result of higher purchases during the current period in response to increased sales demand and higher deferred tax liabilities of $37.51 million (+17.5%) attributable to the increase in the net property revaluation increment since December 2015. This was offset by a reduction in interest-bearing loans and borrowings of $20.94 million (-3.3%) during the period.



The overall debt levels of the consolidated entity remain low, resulting in a **low net debt to equity ratio of 19.91%** as at 31 December 2016.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

GEOGRAPHIC SPREAD

This diagram shows the geographic spread of the Harvey Norman® ("HN"), Domayne® ("DM") and Joyce Mayne® ("JM") franchised complexes in the Australian market and the Harvey Norman® company-operated stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia as at 31 December 2016.

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FRANCHISED COMPLEXES ACROSS AUSTRALIA AND

87

COMPANY-OPERATED STORES IN OFF-SHORE MARKETS

AUDITOR INDEPENDENCE

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

200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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EY
Building a better working world

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

As lead auditor for the review of Harvey Norman Holdings Limited for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

R Robinson

Renay C. Robinson
Partner, Sydney
28 February 2017

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

G. HARVEY	K.L. PAGE
Chairman	Chief Executive Officer
Sydney	Sydney
28 February 2017	28 February 2017

	NOTE	CONSOLIDATED December 2016 $000	June 2016 $000	December 2015 $000
Current Assets				
Cash and cash equivalents	28(a)	**54,513**	139,874	35,815
Trade and other receivables	7	**1,296,516**	1,096,572	1,312,602
Other financial assets	8	**29,158**	26,204	26,501
Inventories	9	**364,087**	315,746	368,231
Other assets	10	**44,571**	26,703	37,130
Intangible assets	11	**683**	448	343
Total current assets		**1,789,528**	1,605,547	1,780,622
Non-Current Assets				
Trade and other receivables	12	**84,204**	74,382	75,030
Investments accounted for using equity method	29	**23,632**	24,828	25,801
Other financial assets	13	**30,744**	18,751	17,570
Property, plant and equipment	14	**596,991**	580,805	572,890
Investment properties	15	**2,202,558**	2,046,295	1,986,379
Intangible assets	16	**78,842**	81,192	83,853
Total non-current assets		**3,016,971**	2,826,253	2,761,523
Total Assets		**4,806,499**	4,431,800	4,542,145
Current Liabilities				
Trade and other payables	17	**1,024,884**	713,553	924,687
Interest–bearing loans and borrowings	18	**395,046**	453,035	430,656
Income tax payable		**33,921**	42,711	31,463
Other liabilities	19	**43,348**	41,016	34,855
Provisions	20	**41,930**	28,697	24,161
Total current liabilities		**1,539,129**	1,279,012	1,445,822
Non-Current Liabilities				
Interest-bearing loans and borrowings	21	**214,672**	201,042	200,000
Provisions	22	**12,349**	14,710	13,434
Deferred income tax liabilities		**252,206**	226,254	214,700
Other liabilities	23	**21,008**	22,108	21,216
Total non-current liabilities		**500,235**	464,114	449,350
Total Liabilities		**2,039,364**	1,743,126	1,895,172
NET ASSETS		**2,767,135**	2,688,674	2,646,973
Equity				
Contributed equity	24	**385,296**	385,296	382,611
Reserves	27	**165,474**	155,814	136,682
Retained profits	25	**2,193,344**	2,125,186	2,106,720
Parent entity interests		**2,744,114**	2,666,296	2,626,013
Non-controlling interests	26	**23,021**	22,378	20,960
TOTAL EQUITY		**2,767,135**	2,688,674	2,646,973

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

	NOTE	CONSOLIDATED December 2016 $000	December 2015 $000
Sales revenue	3	976,276	911,984
Cost of sales		(664,232)	(629,569)
Gross profit		312,044	282,415
Revenues and other income items	3	716,023	635,246
Distribution expenses		(18,193)	(17,151)
Marketing expenses		(207,374)	(203,065)
Occupancy expenses	4	(114,395)	(116,107)
Administrative expenses	4	(262,229)	(250,565)
Other expenses	4	(52,021)	(54,458)
Finance costs	4	(9,603)	(14,637)
Share of net profit of joint venture entities	29	1,980	336
Profit before income tax		366,232	262,014
Income tax expense	5	(106,218)	(74,942)
Profit after tax		260,014	187,072
Attributable to:			
Owners of the parent		257,292	185,507
Non-controlling interests		2,722	1,565
		260,014	187,072
Earnings Per Share:			
Basic earnings per share (cents per share)	6	23.13 cents	16.70 cents
Diluted earnings per share (cents per share)	6	23.10 cents	16.67 cents
Dividends per share (cents per share)	25	14.0 cents	13.0 cents

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

	CONSOLIDATED	
	December 2016 $000	December 2015 $000
Profit for the period	**260,014**	187,072
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	**(3,987)**	17,664
Net fair value gains/(losses) on available-for-sale investments	**4,595**	(148)
Net movement on cash flow hedges	**61**	2,692
Income tax effect on net movement on cash flow hedges	**(19)**	(789)
Items that will not be reclassified subsequently to profit or loss:		
Fair value revaluation of land and buildings	**9,465**	5,417
Income tax effect on fair value revaluation of land and buildings	**(1,576)**	(1,530)
Other comprehensive income for the period (net of tax)	**8,539**	23,306
Total comprehensive income for the period (net of tax)	**268,553**	210,378
Total comprehensive income attributable to:		
- Owners of the parent	**266,873**	208,821
- Non-controlling interests	**1,680**	1,557
	268,553	210,378

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

STATEMENT OF CHANGES IN EQUITY

	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 2016	385,296	2,125,186	111,199	48,021	9,682	(32)	8,995	(22,051)	22,378	**2,688,674**
Other comprehensive income:										
Revaluation of land and buildings	-	-	7,889	-	-	-	-	-	-	**7,889**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	32	-	-	-	**32**
Currency translation differences	-	-	-	(2,945)	-	-	-	-	(1,042)	**(3,987)**
Fair value of forward foreign exchange contracts	-	-	-	-	-	10	-	-	-	**10**
Fair value of available for sale financial assets	-	-	-	-	4,595	-	-	-	-	**4,595**
Other comprehensive income	-	-	7,889	(2,945)	4,595	42	-	-	(1,042)	**8,539**
Profit for the period	-	257,292	-	-	-	-	-	-	2,722	**260,014**
Total comprehensive income for the period	**-**	**257,292**	**7,889**	**(2,945)**	**4,595**	**42**	**-**	**-**	**1,680**	**268,553**
Cost of share based payments	-	-	-	-	-	-	79	-	-	**79**
Dividends paid	-	(189,134)	-	-	-	-	-	-	(277)	**(189,411)**
Distribution to members	-	-	-	-	-	-	-	-	(760)	**(760)**
At 31 December 2016	**385,296**	**2,193,344**	**119,088**	**45,076**	**14,277**	**10**	**9,074**	**(22,051)**	**23,021**	**2,767,135**

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

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-Controlling Interests	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	**$000**
At 1 July 2015	380,328	2,043,463	102,244	18,529	8,581	(2,817)	8,804	(22,051)	19,779	**2,556,860**
Other comprehensive income:										
Revaluation of land and buildings	-	-	3,499	-	-	-	-	-	388	**3,887**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	62	-	-	-	**62**
Currency translation differences	-	-	-	18,060	-	-	-	-	(396)	**17,664**
Fair value of interest rate swaps	-	-	-	-	-	1,871	-	-	-	**1,871**
Fair value of forward foreign exchange contracts	-	-	-	-	-	(30)	-	-	-	**(30)**
Fair value of available for sale financial assets	-	-	-	-	(148)	-	-	-	-	**(148)**
Other comprehensive income	-	-	3,499	18,060	(148)	1,903	-	-	(8)	**23,306**
Profit for the period	-	185,507	-	-	-	-	-	-	1,565	**187,072**
Total comprehensive income for the period	**-**	**185,507**	**3,499**	**18,060**	**(148)**	**1,903**	**-**	**-**	**1,557**	**210,378**
Cost of share based payments	-	-	-	-	-	-	78	-	-	**78**
Shares issued	2,283	-	-	-	-	-	-	-	-	**2,283**
Dividends paid	-	(122,250)	-	-	-	-	-	-	(33)	**(122,283)**
Distribution to members	-	-	-	-	-	-	-	-	(343)	**(343)**
At 31 December 2015	**382,611**	**2,106,720**	**105,743**	**36,589**	**8,433**	**(914)**	**8,882**	**(22,051)**	**20,960**	**2,646,973**

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

	NOTE	CONSOLIDATED December 2016 $000	 December 2015 $000
Cash Flows from Operating Activities		Inflows/(Outflows)	
Net receipts from franchisees		579,538	452,834
Receipts from customers		1,020,171	950,245
Payments to suppliers and employees		(1,207,379)	(1,163,973)
Distributions received from joint ventures		6,296	5,055
GST paid		(22,871)	(25,203)
Interest received		3,002	3,854
Interest and other costs of finance paid		(9,572)	(14,766)
Income taxes paid		(90,815)	(67,514)
Dividends received		1,134	1,239
Net Cash Flows From Operating Activities	28(b)	279,504	141,771
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment and intangible assets		(42,361)	(38,830)
Payments for purchase of investment properties		(80,739)	(31,877)
Proceeds from sale of property, plant and equipment and properties held for resale		531	8,305
Payments for purchase of units in unit trusts and other investments		(87)	(56)
Payments for purchase of equity accounted investments		(2,957)	(25,009)
Payments for purchase of listed securities		(6,538)	(146)
Loans repaid from / (granted to) joint venture entities, joint venture partners and unrelated entities		5,023	(19,028)
Net Cash Flows Used In Investing Activities		(127,128)	(106,641)
Cash Flows from Financing Activities			
Proceeds from shares issued		-	2,283
Repayment of Syndicated Facility Agreement		(50,000)	(50,000)
Dividends paid		(189,134)	(122,250)
Loans received from / (repaid to) related parties		15,910	(16,562)
(Repayments of) / proceeds from other borrowings		(11,835)	6,249
Net Cash Flows Used In Financing Activities		(235,059)	(180,280)
Net (Decrease) / Increase in Cash and Cash Equivalents		(82,683)	(145,150)
Cash and Cash Equivalents at Beginning of the Period		103,631	153,220
Cash and Cash Equivalents at End of the Period	28(a)	20,948	8,070

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(A) CORPORATE INFORMATION

The financial report of Harvey Norman Holdings Limited for the half-year ended 31 December 2016 was authorised for issue in accordance with a resolution of the directors on 27 February 2017. 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 the operating, 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 2016.

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 2016 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.

(C) ROUNDING OF AMOUNTS

The Company is of a kind referred to in the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and, accordingly, amounts in this Report and the Financial Report have been rounded off to the nearest thousand dollars ($'000), unless otherwise stated.

(D) STATEMENT OF COMPLIANCE

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 2016, except for the adoption of new and amended standards mandatory for annual periods beginning on or after 1 July 2016. The adoption of the amending standards did not have a significant impact on the consolidated entity.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the half-year reporting period ended 31 December 2016.

During the half-year ended 31 December 2016, certain comparatives have been restated in the Statement of Financial Position and Income Statement for consistency with policies adopted in the current period, which are not material for disclosure purposes.

2. OPERATING SEGMENTS

Operating Segment Revenue: 31 December 2016	December 2016 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	-	516,450	**516,450**
Retail – New Zealand	459,449	10,334	**469,783**
Retail – Singapore & Malaysia	212,682	3,609	**216,291**
Retail – Slovenia & Croatia	55,588	803	**56,391**
Retail – Ireland & Northern Ireland	155,900	4,077	**159,977**
Other Non-Franchised Retail	92,330	2,441	**94,771**
TOTAL RETAIL	975,949	21,264	**997,213**
Retail Property	68	196,176	**196,244**
Property Developments for Resale	-	30	**30**
TOTAL PROPERTY	68	196,206	**196,274**
Equity Investments	-	1,357	**1,357**
Other	259	8,304	**8,563**
Inter-company eliminations	-	(27,558)	**(27,558)**
Total Segment Revenue	**976,276**	**716,023**	**1,692,299**

Operating Segment Revenue: 31 December 2015	December 2015 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	-	488,464	**488,464**
Retail – New Zealand	397,938	11,425	**409,363**
Retail – Singapore & Malaysia	211,921	4,069	**215,990**
Retail – Slovenia & Croatia	53,681	981	**54,662**
Retail – Ireland & Northern Ireland	158,553	3,382	**161,935**
Other Non-Franchised Retail	87,076	2,842	**89,918**
TOTAL RETAIL	909,169	22,699	**931,868**
Retail Property	65	124,411	**124,476**
Property Developments for Resale	2,750	9,900	**12,650**
TOTAL PROPERTY	2,815	134,311	**137,126**
Equity Investments	-	2,005	**2,005**
Other	-	8,672	**8,672**
Inter-company eliminations	-	(20,905)	**(20,905)**
Total Segment Revenue	**911,984**	**635,246**	**1,547,230**

2. OPERATING SEGMENTS (CONTINUED)

Operating Segment Result: 31 December 2016	December 2016 $000				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	**Segment Result Before Tax**
FRANCHISING OPERATIONS	194,442	(1,989)	(12,676)	(7,652)	**172,125**
Retail – New Zealand	44,088	(14)	(3,784)	(145)	**40,145**
Retail – Singapore & Malaysia	14,982	(24)	(2,927)	(474)	**11,557**
Retail – Slovenia & Croatia	3,499	(191)	(808)	(76)	**2,424**
Retail – Ireland & Northern Ireland	5,510	(814)	(1,785)	-	**2,911**
Other Non-Franchised Retail	7,097	(718)	(711)	(11,141)	**(5,473)**
TOTAL RETAIL	75,176	(1,761)	(10,015)	(11,836)	**51,564**
Retail Property	157,474	(5,515)	(4,841)	(152)	**146,966**
Property Under Construction	(10)	(1)	(1)	-	**(12)**
Property Developments for Resale	(206)	(65)	-	-	**(271)**
TOTAL PROPERTY	157,258	(5,581)	(4,842)	(152)	**146,683**
Equity Investments	4,885	(80)	-	-	**4,805**
Other	(1,329)	(519)	(2,479)	(4,618)	**(8,945)**
Inter-company eliminations	(327)	327	-	-	**-**
Total Segment Result Before Tax	**430,105**	**(9,603)**	**(30,012)**	**(24,258)**	**366,232**

Operating Segment Result: 31 December 2015	December 2015 $000				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Impairment & Amortisation Expense	**Segment Result Before Tax**
FRANCHISING OPERATIONS	175,090	(3,331)	(14,368)	(6,974)	**150,417**
Retail – New Zealand	37,659	(1)	(3,801)	(78)	**33,779**
Retail – Singapore & Malaysia	8,849	(33)	(2,884)	(476)	**5,456**
Retail – Slovenia & Croatia	3,216	(244)	(922)	(77)	**1,973**
Retail – Ireland & Northern Ireland	3,789	(1,203)	(1,763)	-	**823**
Other Non-Franchised Retail	5,887	(849)	(659)	(4,354)	**25**
TOTAL RETAIL	59,400	(2,330)	(10,029)	(4,985)	**42,056**
Retail Property	87,659	(8,231)	(4,585)	(7,389)	**67,454**
Property Developments for Resale	9,460	(112)	-	-	**9,348**
TOTAL PROPERTY	97,119	(8,343)	(4,585)	(7,389)	**76,802**
Equity Investments	1,971	(97)	-	-	**1,874**
Other	76	(799)	(2,447)	(5,965)	**(9,135)**
Inter-company eliminations	(263)	263	-	-	**-**
Total Segment Result Before Tax	**333,393**	**(14,637)**	**(31,429)**	**(25,313)**	**262,014**

2. OPERATING SEGMENTS (CONTINUED)

The consolidated entity operates predominantly in eleven (11) operating segments:

Operating Segment	Description of Segment
Franchising Operations	Consists of the franchisor operations of the consolidated entity, but does not include the results, assets, liabilities or operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisee.
Retail – New Zealand	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in New Zealand under the Harvey Norman® brand name.
Retail – Singapore & Malaysia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman® and Space brand names.
Retail – Slovenia & Croatia	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Slovenia and Croatia under the Harvey Norman® brand name.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Ireland and Northern Ireland under the Harvey Norman® brand name.
Other Non-Franchised Retail	Consists of the retail and wholesale trading operations in Australia which are controlled by the consolidated entity and does not include any operations of Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail Property	Consists of land and buildings for each site that is fully operational or is ready and able to be tenanted. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement for each site that is owned by the consolidated entity which is fully operational (or ready for operations) as at balance date. This segment includes the mining camp accommodation joint ventures.
Retail Property Under Construction	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 related and unrelated entities, other unallocated income and expense items and the joint venture investment in Coomboona Holdings Pty Limited.

	CONSOLIDATED	
	December 2016 $000	December 2015 $000
3. REVENUES		
Sales revenue:		
Revenue from the sale of products	976,276	911,984
Revenues and other income items:		
Gross revenue from franchisees:		
- Franchise fees	430,201	413,113
- Rent	116,805	114,950
- Interest	14,152	11,100
Total revenue received from franchisees	561,158	539,163
Gross revenue from other unrelated parties:		
- Rent received from external tenants	40,412	37,639
- Interest received from financial institutions and other parties	3,002	3,854
- Dividends received	1,357	1,434
Total revenue from other unrelated parties	44,771	42,927
Other Income Items:		
- Net property revaluation increment on Australian investment properties	75,743	20,627
- Property revaluation adjustment for overseas controlled entity	-	565
- Net revaluation increment of listed shares held for trading at fair value	3,571	571
- Net foreign exchange gains	263	922
- Other revenue	30,517	30,471
Total other income items	110,094	53,156
Total revenues and other income items	716,023	635,246
4. EXPENSES AND LOSSES		
Tactical support:		
Tactical support (included in other expenses line in the Income Statement)	28,840	29,162
Employee benefits expense:		
- Wages and salaries	130,493	117,854
- Workers' compensation	624	521
- Superannuation contributions	6,635	6,477
- Payroll tax	4,888	4,876
- Share-based payments	96	79
- Other employee benefits	5,791	3,945
Total employee benefits expense	148,527	133,752

	Consolidated December 2016 $000	Consolidated December 2015 $000
4. EXPENSES AND LOSSES (CONTINUED)		
Minimum lease payments	80,606	83,336
Finance costs:		
Interest paid or payable:		
- Loans from directors and director-related entities	454	1,120
- Bank interest paid to financial institutions	8,506	12,950
- Other	643	567
Total finance costs	9,603	14,637
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	4,524	4,230
- Plant and equipment	25,488	27,199
Amortisation of:		
- Computer software	8,395	7,652
- Net licence property and other intangible assets	191	152
Impairment of non-trade debts receivable from related parties (a) (included in administrative expenses line in the Income Statement)	11,054	10,274
Impairment loss on repayment of external finance facility (b) (included in administrative expenses line in the Income Statement)	4,618	-
Impairment of equity-accounted investments (c) (included in administrative expenses line in the Income Statement)	-	7,235
Total depreciation, amortisation and impairment	54,270	56,742

(a) As at 31 December 2016, non-trade debts receivable with a carrying value of $101.12 million (Dec 2015: $83.08 million) was assessed for impairment and the consolidated entity recognised an impairment loss of $11.05 million in the Income Statement (Dec 2015: $10.27 million). The non-trade debts receivable relate to several mining camp accommodation joint ventures and a retail joint venture in Australia.

(b) During the half-year ended 31 December 2016, an impairment loss of $4.62 million was recognised in respect of an estimated shortfall in the repayment of an external finance facility for a mining camp accommodation joint venture.

(c) The impairment loss incurred in the December 2015 half included a write-down of the equity-accounted investments in mining camp accommodation joint ventures totalling $7.24 million. No further impairment write-down was required for the current period.

5. INCOME TAX

	December 2016 $000	December 2015 $000
Income tax recognised in the Income Statement:		
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	79,487	64,773
Adjustments in respect of current income tax of previous years	(668)	38
Deferred income tax:		
Relating to the origination and reversal of temporary differences	27,399	10,131
Total income tax expense reported in the Income Statement	106,218	74,942

	CONSOLIDATED	
	December 2016 $000	December 2015 $000
6. EARNINGS PER SHARE		
Basic earnings per share (cents per share)	23.13 cents	16.70 cents
Diluted earnings per share (cents per share)	23.10 cents	16.67 cents
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax	260,014	187,072
Profit after tax attributable to non-controlling interests	(2,722)	(1,565)
Profit after tax attributable to owners of the parent	257,292	185,507

	NUMBER OF SHARES	
	December 2016	December 2015
Weighted average number of ordinary shares used in calculating basic earnings per share:	1,112,554,911	1,111,103,780
Effect of dilutive securities (a):	1,483,210	1,440,212
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,114,038,121	1,112,543,992

(a) 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 and a fair value of $0.87 per option at grant date. On 1 September 2015, a total of 756,000 options over 756,000 shares in respect of the First Tranche were exercised reducing the unexercised portion to 378,000 options. On 1 April 2016, the remaining 378,000 options over 378,000 shares were exercised.

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 and a fair value of $0.51 per option at grant date. 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 14 March 2016, a total of 250,000 options over 250,000 shares in respect of the Second Tranche were exercised reducing the unexercised portion to 500,000 options.

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 and a fair value of $0.282 per option at grant date. 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. On 14 March 2016, a total of 567,000 options over 567,000 shares in respect of the Third Tranche were exercised reducing the unexercised portion to 1,134,000 options.

On 30 November 2015, the consolidated entity issued a total of 400,000 performance rights under Tranche 1 of the 2016 LTI Plan to the executive directors. A performance right is the right to acquire one ordinary share in the Company at nil exercise price. If exercised, each performance right will be converted into one ordinary share in the Company. These performance rights are capable of exercise from 1 January 2019 to 30 June 2021. The performance rights were valued at grant date at $3.52 per entitlement share using a discounted cash flow technique. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of Tranche 1 performance rights amounted to $1,408,000 in aggregate.

On 28 November 2016, the consolidated entity issued a total of 400,000 performance rights under Tranche 2 of the 2016 LTI Plan to the executive directors. These performance rights are capable of exercise from 1 January 2020 to 30 June 2022. The performance rights were valued at grant date at $4.73 per entitlement share using a discounted cash flow technique. Subject to the satisfaction of the financial performance condition (calculated exclusively based on RONA) and service conditions of the 2016 LTI Plan, the total fair value of Tranche 2 performance rights amounted to $1,892,000 in aggregate.

Options issued pursuant to the Second and Third Tranches and the performance rights issued under Tranche 1 and Tranche 2 of the 2016 LTI Plan have been included in the calculation of diluted earnings per share. They 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 2016 $000	June 2016 $000	December 2015 $000
7. TRADE AND OTHER RECEIVABLES (CURRENT)			
Receivables from franchisees	**1,145,418**	942,934	1,153,523
Trade receivables	**126,720**	106,435	129,923
Consumer finance loans	**2,120**	2,215	2,085
Provision for doubtful debts	**(1,088)**	(862)	(1,004)
Receivables from franchisees and trade receivables, net	**1,273,170**	1,050,722	1,284,527
Amounts receivable in respect of finance leases	**5,508**	9,223	9,469
Provision for doubtful debts	**(2,458)**	(5,897)	(5,897)
Finance leases, net	**3,050**	3,326	3,572
Non-trade debts receivable from:			
- Related entities (including joint ventures and joint venture partners)	**16,303**	28,391	18,627
- Unrelated entities	**4,143**	15,120	6,992
Provision for doubtful debts	**(150)**	(987)	(1,116)
Non-trade debts receivable, net	**20,296**	42,524	24,503
Total trade and other receivables (current)	**1,296,516**	1,096,572	1,312,602
8. OTHER FINANCIAL ASSETS (CURRENT)			
Listed shares held for trading at fair value	**27,447**	24,512	25,151
Derivatives receivable	**19**	-	-
Other current financial assets	**1,692**	1,692	1,350
Total other financial assets (current)	**29,158**	26,204	26,501
9. INVENTORIES (CURRENT)			
Finished goods at cost	**369,835**	321,307	372,900
Provision for obsolescence	**(5,748)**	(5,561)	(4,669)
Total inventories (current)	**364,087**	315,746	368,231
10. OTHER ASSETS (CURRENT)			
Prepayments	**30,096**	15,578	30,291
Other current assets	**14,475**	11,125	6,839
Total other assets (current)	**44,571**	26,703	37,130
11. INTANGIBLE ASSETS (CURRENT)			
Net licence property	**683**	448	343

	CONSOLIDATED December 2016 $000	June 2016 $000	December 2015 $000
12. TRADE AND OTHER RECEIVABLES (NON-CURRENT)			
Trade receivables	**483**	800	313
Consumer finance loans	**444**	464	436
Provision for doubtful debts	**(4)**	(4)	(4)
Trade receivables, net	**923**	1,260	745
Amounts receivable in respect of finance leases	**1,194**	1,207	1,261
Non-trade debts receivable from:			
- Related entities (including joint ventures)	**110,115**	93,179	82,110
- Unrelated entities	**8,957**	8,049	7,057
Provision for doubtful debts	**(36,985)**	(29,313)	(16,143)
Non-trade debts receivable, net	**82,087**	71,915	73,024
Total trade and other receivables (non-current)	**84,204**	74,382	75,030
13. OTHER FINANCIAL ASSETS (NON-CURRENT)			
Listed shares held for trading at fair value	**9,372**	2,200	2,650
Listed shares held as available for sale	**20,350**	15,616	14,125
Units in unit trusts	**225**	221	215
Other non-current financial assets	**797**	714	580
Total other financial assets (non-current)	**30,744**	18,751	17,570
14. PROPERTY, PLANT AND EQUIPMENT (NON-CURRENT)			
Land at fair value	**180,128**	166,399	159,184
Buildings at fair value	**216,301**	223,401	221,335
Net land and buildings at fair value	**396,429**	389,800	380,519
Plant and equipment:			
At cost	**783,212**	772,179	767,354
Accumulated depreciation	**(585,131)**	(583,817)	(577,505)
Net plant and equipment	**198,081**	188,362	189,849
Lease make good asset:			
At cost	**5,440**	5,526	5,469
Accumulated depreciation	**(2,959)**	(2,883)	(2,947)
Net lease make good asset	**2,481**	2,643	2,522
Total plant and equipment	**200,562**	191,005	192,371
Total property, plant and equipment:			
Land and buildings at fair value	**396,429**	389,800	380,519
Plant and equipment at cost	**788,652**	777,705	772,823
Total property, plant and equipment	**1,185,081**	1,167,505	1,153,342
Accumulated depreciation and amortisation	**(588,090)**	(586,700)	(580,452)
Total written down amount	**596,991**	580,805	572,890

	CONSOLIDATED December 2016 $000	June 2016 $000	December 2015 $000
15. INVESTMENT PROPERTIES			
Opening balance, at fair value	**2,046,295**	1,935,936	1,935,936
Net additions, disposals and transfers	**80,520**	62,001	29,251
Net increase from fair value adjustments	**75,743**	48,358	21,192
Closing balance, at fair value	**2,202,558**	2,046,295	1,986,379

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"). The fair value in respect of each investment property has been calculated predominantly using the income capitalisation method of valuation, using the current market rental value, and having regard to, in respect of each property:

- the highest and best use
- 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 is subject to a semi-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 twenty-three (23) properties during the half-year ended 31 December 2016. Based on the results of the independent valuations, a further sixteen (16) properties were identified by management for further review by management. The sixteen (16) 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 2016 $000	June 2016 $000	December 2015 $000
16. INTANGIBLE ASSETS (NON-CURRENT)			
Other intangible assets	**281**	272	264
Net licence property	**3,872**	4,108	4,338
Computer software:			
- At cost	**176,364**	170,560	164,857
- Accumulated amortisation and impairment	**(101,675)**	(93,748)	(85,606)
Net computer software	**74,689**	76,812	79,251
Net intangible assets (non-current)	**78,842**	81,192	83,853

	Consolidated December 2016 $000	June 2016 $000	December 2015 $000
17. TRADE AND OTHER PAYABLES (CURRENT)			
Trade and other creditors	**964,331**	666,276	862,234
Accruals	**60,553**	47,277	62,453
Total trade and other payables (current)	**1,024,884**	713,553	924,687
18. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT)			
Secured:			
Non trade amounts owing to:			
- Bank overdraft	**33,565**	36,243	27,745
- Commercial bills payable	**9,750**	9,750	9,750
- Syndicated Facility Agreement (a)	**200,000**	260,000	210,000
- Other short-term borrowings (b)	**90,261**	102,110	108,060
- Lease liabilities	**1,278**	364	118
Unsecured:			
Derivatives payable	**3**	325	1,513
Non trade amounts owing to:			
- Directors	**52,360**	38,134	64,527
- Other related parties	**7,616**	5,932	8,838
- Unrelated parties	**213**	177	105
Total interest-bearing loans and borrowings (current)	**395,046**	453,035	430,656

(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 30 November 2016, the Amending Deed (No. 4) to the Syndicated Facility Agreement was executed with the effect of extending the repayment date of Tranche A1 of the Facility totalling $170 million to 4 December 2019 and the repayment date of Tranche B of the Facility totalling $240 million to 4 December 2018.

The aggregate available facility of the Syndicated Facility Agreement remained at $610 million. The utilised amount of the Syndicated Facility Agreement as at 31 December 2016 was $410 million, repayable as set out below, $200 million of which was classified as current interest-bearing loans and borrowings and $210 million classified as non-current interest-bearing loans and borrowings. This Facility is secured by:

- fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers; and
- real estate mortgages granted by certain Guarantors in favour of the security trustee for the Financiers over various real properties owned by those Guarantors.

Under the terms of the Syndicated Facility Agreement, the Facility is repayable:

- as to $170 million, on 4 December 2019 (not utilised at 31 December 2016);
- as to $200 million, on 4 December 2017 ($200 million utilised at 31 December 2016);
- as to $240 million, on 4 December 2018 ($210 million utilised at 31 December 2016);
- 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.

18. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT) (CONTINUED)

(b) OTHER SHORT-TERM BORROWINGS

Of the total other short-term borrowings of $90.26 million:

- a total of $47.80 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 2017.
- a total of $35.83 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 2017.
- a total of $5.26 million relates to a revolving credit facility with ANZ in Singapore. This facility is subject to periodic review and otherwise repayable on demand. The revolving credit facility is secured by the securities given pursuant to the Syndicated Facility Agreement.
- a total of $0.92 million relates to a revolving credit facility with AmBank (M) Berhad in Malaysia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to AmBank (M) Berhad in Malaysia in respect of the obligations of Space Furniture Collection Sdn Bhd.
- a total of $0.45 million relates to a revolving credit facility with ANZ in Australia which is subject to periodic review and otherwise repayable on demand. The Company has granted a guarantee to ANZ in respect of the obligations of the Lighting Partners Australia partnership.

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

During the current and prior half years, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note and in Note 21 Interest-Bearing Loans and Borrowings (Non-Current).

	CONSOLIDATED		
	December 2016 $000	June 2016 $000	December 2015 $000
19. OTHER LIABILITIES (CURRENT)			
Lease incentives	**3,172**	3,164	2,556
Unearned revenue	**40,176**	37,852	32,299
Total other liabilities (current)	**43,348**	41,016	34,855
20. PROVISIONS (CURRENT)			
Employee entitlements	**30,548**	25,174	20,496
Lease make good	**1,255**	1,684	1,961
Deferred lease expenses	**1,292**	1,243	1,086
Onerous lease costs	**835**	596	618
Other	**8,000**	-	-
Total provisions (current)	**41,930**	28,697	24,161
21. INTEREST-BEARING LOANS AND BORROWINGS (NON-CURRENT)			
Secured:			
Non trade amounts owing to:			
- Syndicated Facility Agreement (Refer to Note 18(a))	**210,000**	200,000	200,000
- Lease liabilities	**4,672**	1,042	-
Total interest-bearing loans and borrowings (non-current)	**214,672**	201,042	200,000
22. PROVISIONS (NON-CURRENT)			
Employee entitlements	**4,089**	6,134	5,168
Lease make good	**4,202**	3,859	3,525
Deferred lease expenses	**4,058**	4,717	4,741
Total provisions (non-current)	**12,349**	14,710	13,434

	CONSOLIDATED December 2016 $000	June 2016 $000	December 2015 $000
23. OTHER LIABILITIES (NON-CURRENT)			
Lease incentives	**17,119**	17,553	15,944
Unearned revenue	**3,889**	4,555	5,272
Total other liabilities (non-current)	**21,008**	22,108	21,216
24. CONTRIBUTED EQUITY			
Ordinary shares	**385,296**	385,296	382,611
Total contributed equity	**385,296**	385,296	382,611

The number of ordinary shares issued and fully paid as at 31 December 2016 was 1,112,554,911 shares (December 2015: 1,111,359,911 shares). Fully paid ordinary shares carry one vote per share and carry the right to dividends. There were no movements in ordinary shares on issue from 1 July 2016 to 31 December 2016.

	CONSOLIDATED December 2016 $000	June 2016 $000	December 2015 $000
25. RETAINED PROFITS AND DIVIDENDS			
Movements in retained earnings were as follows:			
Opening balance	**2,125,186**	2,043,463	2,043,463
Profit for the period	**257,292**	348,605	185,507
Dividends paid	**(189,134)**	(266,882)	(122,250)
Closing balance	**2,193,344**	2,125,186	2,106,720
Dividends declared and paid:			
Dividends on ordinary shares:			
Final fully-franked dividend for 2016: 17.0 cents (2015: 11.0 cents)	**189,134**	122,250	122,250
Interim fully-franked dividend for 2016: 13.0 cents (2015: 9.0 cents)	**-**	144,632	-
Total dividends paid	**189,134**	266,882	122,250

The final dividend of $189.13 million, fully-franked, for the year ended 30 June 2016 was paid on 1 December 2016. The interim dividend of 14.0 cents per share, totalling $155.76 million fully-franked, for the year ended 30 June 2017 will be paid on 2 May 2017.

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%	**580,129**	588,411	611,405
- franking credits that will arise from the payment of income tax payable as at the end of the financial period	**30,682**	34,254	26,924
- franking credits that will be utilised in the payment of proposed dividend	**(66,753)**	(81,058)	(61,919)
The amount of franking credits available for future reporting periods	**544,058**	541,607	576,410
26. NON-CONTROLLING INTERESTS			
Interest in:			
- Ordinary shares	**2,691**	2,691	2,591
- Reserves	**12,969**	14,011	13,432
- Retained earnings	**7,361**	5,676	4,937
Total non-controlling interests	**23,021**	22,378	20,960

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 2015	102,244	18,529	8,581	(2,817)	8,804	(22,051)	**113,290**
Revaluation of land and buildings	5,029	-	-	-	-	-	**5,029**
Tax effect of revaluation of land and buildings	(1,530)	-	-	-	-	-	**(1,530)**
Unrealised loss on available-for-sale investments	-	-	(148)	-	-	-	**(148)**
Net gain on interest rate swap	-	-	-	2,673	-	-	**2,673**
Tax effect of net gain on swap	-	-	-	(802)	-	-	**(802)**
Reverse expired or realised cash flow hedge reserves	-	-	-	62	-	-	**62**
Net loss on forward foreign exchange contracts	-	-	-	(43)	-	-	**(43)**
Tax effect of net loss on forward foreign exchange contracts	-	-	-	13	-	-	**13**
Currency translation differences	-	18,060	-	-	-	-	**18,060**
Share based payment	-	-	-	-	78	-	**78**
At 31 December 2015	105,743	36,589	8,433	(914)	8,882	(22,051)	**136,682**
At 1 July 2016	111,199	48,021	9,682	(32)	8,995	(22,051)	**155,814**
Revaluation of land and buildings	9,465	-	-	-	-	-	**9,465**
Tax effect of revaluation of land and buildings	(1,576)	-	-	-	-	-	**(1,576)**
Unrealised gain on available-for-sale investments	-	-	4,595	-	-	-	**4,595**
Reverse expired or realised cash flow hedge reserves	-	-	-	32	-	-	**32**
Net gain on forward foreign exchange contracts	-	-	-	15	-	-	**15**
Tax effect of net gain on forward foreign exchange contracts	-	-	-	(5)	-	-	**(5)**
Currency translation differences	-	(2,945)	-	-	-	-	**(2,945)**
Share based payment	-	-	-	-	79	-	**79**
At 31 December 2016	119,088	45,076	14,277	10	9,074	(22,051)	**165,474**

NATURE AND PURPOSE OF RESERVES:

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.

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

AVAILABLE FOR SALE RESERVE
This reserve is used to record fair value changes on available-for-sale investments.

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.

EMPLOYEE EQUITY BENEFITS RESERVE
This reserve is used to record the value of equity benefits provided to executive directors as part of their remuneration.

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

28. CASH AND CASH EQUIVALENTS

(a) RECONCILIATION TO CASH FLOW STATEMENT

	CONSOLIDATED December 2016 $000	June 2016 $000	December 2015 $000
Cash and cash equivalents comprise the following at end of the period:			
Cash at bank and on hand	**42,319**	99,909	25,540
Short term money market deposits	**12,194**	39,965	10,275
	54,513	139,874	35,815
Bank overdraft (Note 18)	**(33,565)**	(36,243)	(27,745)
Cash and cash equivalents at end of the period	**20,948**	103,631	8,070

(b) RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET OPERATING CASH FLOWS:

	CONSOLIDATED December 2016 $000	December 2015 $000
Profit after tax	**260,014**	187,072
Adjustments for:		
Net foreign exchange gains	**(263)**	(922)
Bad and doubtful debts	**2,576**	1,118
Share of net profit from joint venture entities	**(1,980)**	(336)
Depreciation of property, plant and equipment	**30,012**	31,429
Amortisation	**8,586**	7,804
Impairment of non-trade debts receivable	**11,054**	10,274
Impairment loss on repayment of external finance facility	**4,618**	-
Impairment of equity-accounted investments	**-**	7,235
Revaluation of investment properties in Australia	**(75,743)**	(20,627)
Property revaluation adjustment for overseas controlled entities	**-**	(565)
Deferred lease expenses	**(698)**	(208)
Provision for onerous leases	**643**	323
Executive remuneration expenses	**2,017**	1,721
Gain on disposal and revaluation of property, plant and equipment, and listed securities	**(3,082)**	(612)
Movements in provisions	**564**	(860)
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	**(218,592)**	(197,232)
Inventory	**(48,527)**	(68,955)
Other current assets	**(17,868)**	(14,058)
Increase/(decrease) in liabilities:		
Payables and other current liabilities	**334,963**	202,515
Income tax payable	**(8,790)**	(3,345)
Net cash from operating activities	**279,504**	141,771

	CONSOLIDATED		
	December 2016 $000	June 2016 $000	December 2015 $000

29. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Total joint venture entities accounted for using equity method	**23,632**	24,828	25,801

Name and Principal Activities	Ownership Interest		Contribution to Pre Tax Profit / (Loss)	
	December 2016 %	December 2015 %	**December 2016 $000**	December 2015 $000
Noarlunga (Shopping complex)	**50%**	50%	**814**	777
Perth City West (Shopping complex)	**50%**	50%	**2,142**	1,968
Warrawong King St (a) (Shopping complex)	**62.5%**	62.5%	**544**	532
Byron Bay (Residential/convention development)	**50%**	50%	**(367)**	(359)
Byron Bay – 2 (Resort operations)	**50%**	50%	**370**	356
Dubbo (Shopping complex)	**50%**	50%	**338**	326
Bundaberg (Land held for investment)	**50%**	50%	**(2)**	(2)
Gepps Cross (Shopping complex)	**50%**	50%	**1,395**	1,529
QCV (b) (Miners residential complex)	**50%**	50%	**8**	(2,998)
KEH Partnership (Retailer)	**50%**	50%	**-**	-
Coomboona Dairy (c) (Dairy farming)	**49.9%**	49.9%	**(3,262)**	(1,793)
			1,980	336

(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 $10.30 million plus interest and costs, with a maturity date of 15 March 2017.

(ii) finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $30.05 million plus interest and costs, subject to bi-annual review.

(c) In September 2015, the consolidated entity acquired, through a wholly-owned subsidiary, 49.9% of Coomboona Holdings Pty Limited comprising dairy farm operations and a pedigree breeding and genetics division in Northern Victoria. The consolidated entity incurred a $3.26 million (Dec 2015: $1.79 million) equity-accounted loss in respect of this joint venture.

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 2016:

	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)	1,296,516	-	-	-
Other financial assets (Note 8)	-	-	29,143	15
Total current financial assets	1,296,516	-	29,143	15
Non-Current Financial Assets:				
Trade and other receivables (Note 12)	84,204	-	-	-
Other financial assets (Note 13)	-	20,350	10,394	-
Total non-current financial assets	84,204	20,350	10,394	-
Total Financial Assets	1,380,720	20,350	39,537	15
Current Financial Liabilities:				
Trade and other payables (Note 17)	1,024,884	-	-	-
Interest-bearing loans and borrowings (Note 18)	395,043	-	3	-
Total current financial liabilities	1,419,927	-	3	-
Non-Current Financial Liabilities:				
Interest-bearing loans and borrowings (Note 21)	214,672	-	-	-
Total non-current financial liabilities	214,672	-	-	-
Total Financial Liabilities	1,634,599	-	3	-

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 2016, 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	57,169	-	-	**57,169**
Other investments	-	-	2,714	**2,714**
Foreign exchange contracts	-	19	-	**19**
Total Financial Assets	57,169	19	2,714	**59,902**
Financial Liabilities				
Foreign exchange contracts	-	3	-	**3**
Total Financial Liabilities	-	3	-	**3**

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 2016	December 2015
NET TANGIBLE ASSETS PER SECURITY		
Net tangible asset backing per ordinary security	**2.62**	2.48

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 for the half-year ended 31 December 2016 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 2016 and of its performance for the half-year ended on that date; and
  (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

(b) there are reasonable 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 2016.

On behalf of the Board.

G. HARVEY
Chairman
Sydney
28 February 2017

K.L. PAGE
Director / Chief Executive Officer
Sydney
28 February 2017

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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 2016, 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 2016 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.

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 2016 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

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
28 February 2017