2015
APPENDIX 4E

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 194 Harvey Norman, Domayne and Joyce Mayne franchised stores in Australia and 86 company-operated stores across 7 overseas countries.

KEY DATES:

28 August 2015	Announcement of Full Year Profit to 30 June 2015 Announcement of Final 2015 Dividend
2 November 2015	Record date for Determining Entitlement to Final 2015 Dividend
24 November 2015	Annual General Meeting of Shareholders The Annual General Meeting of the Shareholders of Harvey Norman Holdings Limited will be held at Tattersalls Club 181 Elizabeth Street, Sydney, at 11:00am
1 December 2015	Payment of Final 2015 Dividend
26 February 2016	Announcement of Half-Year Profit to 31 December 2015 Announcement of Interim 2016 Dividend
8 April 2016	Record date for Determining Entitlement to Interim 2016 Dividend
2 May 2016	Payment of Interim 2016 Dividend

COMPANY INFORMATION

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

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

Auditors:
Ernst & Young

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

Solicitors:
Brown Wright Stein

Company Secretary:
Mr Chris Mentis

HARVEY NORMAN HOLDINGS LIMITED
ABN 54 003 237 545

FRANCHISEE HEADLINE SALES REVENUE

$4.95bn

up 3.7% on prior year

REPORTED PROFIT BEFORE TAX

$378.10m

up 25.6% on prior year

REPORTED PROFIT AFTER TAX & NON-CONTROLLING INTERESTS

$268.10m

up 26.6% on prior year

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

$261.84m

up 19.0% on prior year

CONTENTS

HARVEY NORMAN - SOLUTIONS FOR EVERY ROOM IN THE HOME

Truly the one-stop destination, Harvey Norman offers a range of solutions for every room - superb quality and style in the living room, comfort and support you need in the bedroom, the latest innovative technology for entertainment and food preparation, and everything you need to set up the perfect home office.

Study

Take care of business at home.

Bathroom

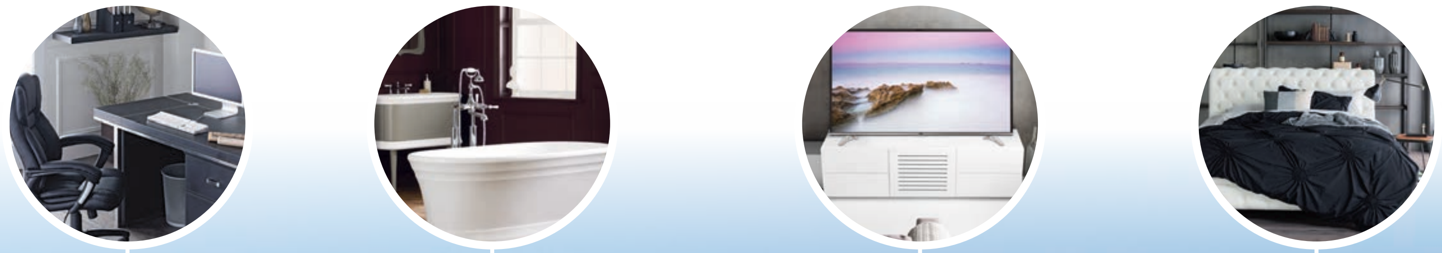
Update with an elegant touch.

Entertainment

For a truly immersive experience.

Bedroom

Quality comfort and support.

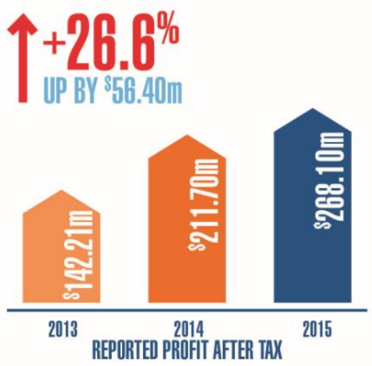


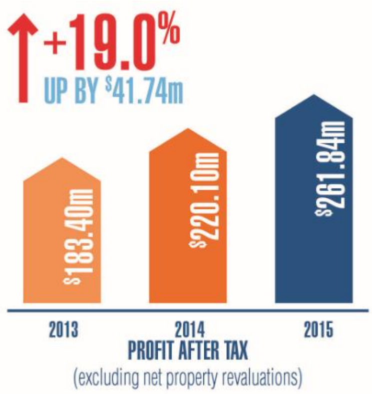
RESULTS FOR ANNOUNCEMENT TO THE MARKET

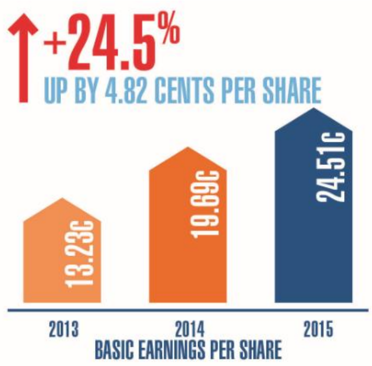
Financial Highlights	FY2013 Jun-13	FY2014 Jun-14	FY2015 Jun-15
No. of franchised complexes in Australia[1]	206	198	194
No. of franchisees in Australia[1]	696	677	678
No. of company-operated stores[2]	77	82	86
Franchisee headline sales revenue[1]	$4.72bn	$4.77bn	$4.95bn
Company-operated sales revenue[2]	$1,323.48m	$1,513.66m	$1,617.15m
Other revenues and other income items	$1,035.55m	$1,033.62m	$1,101.29m
Earnings before interest, tax, depreciation, impairment and amortisation (EBITDIA)	$323.32m	$415.35m	$488.69m
Earnings before interest and tax (EBIT)	$233.72m	$337.50m	$410.97m
Net property revaluation increment/(decrement)	($59.12m)	($11.65m)	$8.73m
Reported profit before tax	$187.95m	$301.06m	$378.10m
Profit before tax excluding net property revaluation adjustments	$247.06m	$312.71m	$369.37m
Profit after tax and non-controlling interests	$142.21m	$211.70m	$268.10m
Net cash flows from operating activities	$239.22m	$338.94m	$340.45m
Basic earnings per share	13.23c	19.69c	24.51c
Dividends per share (fully-franked)	9.0c	14.0c	20.0c
Special dividend per share (fully-franked)	-	-	14.0c
Net debt to equity ratio (%)	27.69%	22.40%	19.88%

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 and Croatia and the "Norman Ross" branded company-operated stores in New Zealand which were rebranded to "Harvey Norman" in February 2013.







Chairman and CEO's Report

Dear Shareholder

Our integrated retail, franchise, property and digital platform delivered another strong full-year financial result for the 2015 financial year.

2015 has been a year of contrasts. Continuing strength in the Australian housing market, both in terms of new stock and robust secondary market clearance, has partially compensated for subdued consumer confidence. Increased market share in a number of categories has provided a counterbalance to sluggish overall demand. Competition in some categories has been somewhat offset by the realisation of efficiencies in the newly introduced merchandise, inventory and supplier management system, and through workforce productivity improvements.

As we look to the future, it is pleasing that 2015 saw Harvey Norman further entrench its position as Australia's leading Homemaker destination of choice.

Overview of Results

Net profit before tax **increased 25.6% to $378.10 million,** from $301.06 million in the prior year. Excluding net property revaluation adjustments, the result was **18.1% higher at $369.37 million,** from $312.71 million in the prior year.

Net profit after tax and non-controlling interests ("NPAT") **increased 26.6% to $268.10 million,** from $211.70 million in the prior year. NPAT excluding the effects of property revaluation **increased 19.0% to $261.84 million**, from $220.10 million in the prior year.

The effective income tax rate for the year ended 30 June 2015 was 28.88% compared to an effective income tax rate of 29.50% in the prior year.

All three key operating segments contributed to the strong result.

The franchising operations segment increased 39.4% to $200.36 million from $143.72 million in the prior year. This was due primarily to a decrease of 21.2%, or $21.84 million, in the level of tactical support provided to franchisees to $81.35 million in 2015, from $103.19 million in the prior year. The fourth quarter of the 2015 financial year marked the 10th consecutive quarter-on-quarter increase in Australian franchisee sales on a like-for-like basis since 2H2013. Headline Australian franchisee sales increased by 3.7% to $4.95 billion.

The property segment increased 9.3% to $135.19 million, from $123.67 million in the prior year. A $20.38 million turnaround in the net property revaluation to an increase of $8.73 million in the 2015 financial year, from a revaluation decrease of $11.65 million in the prior year underpinned the improved result, while rental increases were also a factor.

The company-operated retail segment increased 42.9% to $41.03 million, from $28.72 million in the prior year. Improved operational performances in a number of international markets, primarily New Zealand, Ireland and Northern Ireland drove this result. Improved profitability in New Zealand was aided by the opening of a new store at Napier, and favourable economic conditions boosting business and consumer confidence. In Ireland and Northern Ireland, the consumer market continues to rebound, and the Harvey Norman brand is experiencing increased market share across most categories in a recovering market.

Net cash flows from operating activities increased 0.45% to $340.45 million in the 2015 financial year, from $338.94 million in the prior year.

The overall debt level of the consolidated entity remains commendably low, resulting in an improvement in the net debt to equity ratio from 22.40% in the prior year **to 19.88% at 30 June 2015**.

Evolution of the Omni Channel Strategy

Continuing and rapid change in technology and how it affects the way customers interact with Harvey Norman franchisees, increases the commitment of every Harvey Norman franchisee and their employees to the Omni Channel Strategy. An unwavering commitment to the customer's experience and prudent cost management ensures that investments in new technology and enhancements to the Omni Channel Strategy are both financially responsible and customer focussed.

We continue to embrace varying forms of customer interaction with Harvey Norman franchisees; whether in-store, online, via chat or through social media. The fundamental focus is on delivering a consistently excellent cross-platform experience that conforms to the way in which the customer wishes to shop. The distinctions that would have been made between different channels just a couple of years ago are now increasingly irrelevant as Harvey Norman franchisees deliver an integrated suite of tools to meet the customer's wishes whenever and wherever they are required.

Chairman and CEO's Report (continued)

The decision to operate a geographically dispersed distribution and fulfilment system continues to be validated by industry trends. The Harvey Norman network of complexes, coupled with ever more sophisticated inventory and order management systems, is enabling our franchisees to economically and promptly respond to their customers with the products they want, where and when they want them, independent of how they choose to make their product selection and purchase decisions.

Property: A Solid Foundation

At 30 June 2015, the value of the consolidated entity's company-owned property portfolio was $2.32 billion, **an increase of $28.39 million** from the prior year. This portfolio is the foundation upon which the Harvey Norman integrated model is built and provides the basis of our success.

Among the advantages of direct property ownership is the ability to attract additional customers to Harvey Norman complexes through a mutually beneficial mix of tenants. In the past 12 months there has been significant additional diversification in the mix of tenants in Harvey Norman complexes with the addition of medical centres, national chain pharmacies, day care centres and providers of indoor recreation. These tenants possess a number of highly desirable characteristics: they provide additional non-traditional reasons for customers to visit our complexes; tend not to cannibalise the business of existing tenants; typically have proven retail expertise; and offer both security of rent and tenancy. This trend will continue to benefit both Harvey Norman and our franchisees in the future.

Improving Efficiency

Last year in this report we discussed two initiatives earmarked for implementation by franchisees in the 2015 financial year. These were: a merchandise, inventory and supplier management system; and, a workforce productivity improvement program.

Merchandise, inventory and supplier management:
Deployment of the various modules of the system by franchisees is progressing on time and within budget. The implementation of enhanced real-time analytics to provide franchisees with data to assist in the management of suppliers, orders and inventory, will be completed in November 2015.

A deliberate and judicious approach to this implementation has been adopted by franchisees to ensure no disruption of the customers' shopping experience, and the system has only been rolled-out in those franchise categories where it makes financial and logistic sense. In those franchise categories and geographies where the system has been implemented, the feedback to date – from both franchisees and suppliers – has been positive:

- Over 80% of orders with high-volume suppliers are now processed digitally. Accuracy has increased with a consequent improvement in customer service and order delivery management; and
- Simplified access to a wide range of franchise inventory and order information, coupled with real-time inventory forecasting tools, has seen improvements in a number of metrics in those franchise categories where the system has been deployed.

Over the next 12 months the franchisee's focus will be on expanding the categories and suppliers using the system. The emphasis to date has been on realising the efficiencies of these systems by franchisees. The emphasis in the coming year will be applying the system's capabilities to further improving the shopping experience. Benefits for Harvey Norman customers will include greater control over delivery times; improved order status monitoring; and, access to tools that will provide increased access to product information, stock availability, stock reservations, and Harvey Norman franchisee's great salespeople – whether in store, online or via LiveChat.

Workforce productivity improvements:
The workforce management platform (SAM) seeks to ensure the right number and type of franchisee staff are available to serve customers at the right times. New applications will provide franchisees with the forecasting and rostering tools necessary to achieve this aim while optimising payroll expense.

To date, good progress has been made with 120 franchised complexes live; ahead of the 36 franchised complexes originally scheduled to be live by 30 June 2015. By the end of October 2015 the rollout to all remaining franchised complexes in Australia will be complete.

Complementing SAM, a traffic counting solution was deployed in 68 of the larger complexes. This rollout was completed in April 2015 and the resulting data now provides franchisees with accurate historic and forecast customer traffic flow information to assist in rostering.

Franchisee feedback in locations where the system has been deployed is very positive:

- 97% of franchisees rated SAM as meeting or exceeding their expectations;
- 75% state that the system will help them manage their wage costs more effectively; and
- 51% state that they have made, or plan to make, changes to their employee mix (Full-time/Part-time/Casual/Contract-hours) based on the data that is now available.

CHAIRMAN'S AND CEO'S REPORT (CONTINUED)

In the year ahead, in addition to completing the geographic rollout, a number of enhancements will be implemented to further increase the system's utility by franchisees. These include a mobile app that will provide the franchisees' staff with a range of self-service functions including the updating of personal details, viewing rosters, and requesting leave. Enhanced workforce management analytics will be available to franchisees by November 2015 providing dependable insight to their staff sales productivity, rostering efficiency, and sales performance metrics.

The final phase of the project – Forecasting and Optimised Rostering – is on track to be completed in May 2016. Simultaneously, and based on the positive response from Harvey Norman franchisees in Australia, the deployment will be extended to all company-operated stores in New Zealand.

Outlook

Investment in the realisation of further operational efficiencies, and ongoing enhancement of systems in accordance with the Omni Channel Strategy will see margins improve and enable additional market share gains.

Continuing strength in the Australian housing market, particularly in new home construction and strong secondary market transaction levels, will support Harvey Norman's medium-term performance. This is evident in the 1 July 2015 to 27 August 2015 franchisee sales turnover, where **headline sales increased 5.5% and like-for-like sales increased 6.6% on the corresponding prior year period**.

We recognise, and are grateful for, the professionalism, entrepreneurship and customer focus of our 678 franchisees, who have made this solid result possible.

We would also like to thank you, our shareholders, for your confidence in Harvey Norman over the past 12 months.

G. HARVEY
Chairman
Sydney
28 August 2015

K.L. PAGE
Chief Executive Officer
Sydney
28 August 2015

Directors' Report

Directors

Unless otherwise indicated, all directors (collectively termed "the Board") held their position as a director throughout the entire financial year and up to the date of this report.

Gerald Harvey
Executive Chairman

Mr. G. Harvey was the co-founder of Harvey Norman Holdings Limited in 1982 with Mr. Norman. Mr. G. Harvey has overall executive responsibility for the strategic direction of the consolidated entity, and in particular, property investments.

Christopher Herbert Brown OAM, LL.M., FAICD, CTA
Non-Executive Director

Mr. Brown holds the degree of Master of Laws from the University of Sydney. Mr. Brown is the senior partner in Brown Wright Stein Lawyers. Brown Wright Stein Lawyers has acted as lawyers for the consolidated entity since 1982. Mr. Brown was appointed a director of the Company in 1987, when it became a listed public company. Mr. Brown is Chairman of the Remuneration and Nomination Committees and a member of the Audit Committee.

Mr. Brown is the Chairman of Windgap Foundation Limited. In 2013 he was awarded the Medal of the Order of Australia (OAM) for service to the community, particularly to people with disability.

David Matthew Ackery
Executive Director

Mr. Ackery was appointed a director of Harvey Norman Holdings Limited on 20 December 2005. Mr. Ackery has overall executive responsibility for the relationship between the consolidated entity and Harvey Norman home appliances, home entertainment and technology franchisees and strategic partners.

Mr. Ackery is a director of the public company, St. Joseph's College Foundation Limited.

Michael John Harvey B.Com.
Non-Executive Director

Mr. M. Harvey joined Harvey Norman in 1987, having completed a Bachelor of Commerce degree. Mr. M. Harvey gained extensive experience as a Harvey Norman franchisee from 1989 to 1994. Mr. M. Harvey became a director of the Company in 1993 and was appointed Managing Director in July 1994. Mr. M. Harvey ceased to be an Executive Director and Managing Director on 30 June 1998.

Kay Lesley Page
Executive Director and CEO

Ms. Page joined Harvey Norman in 1983 and was appointed a director of Harvey Norman Holdings Limited in 1987.

Ms. Page became the Chief Executive Officer of the Company in February 1999 and has overall executive responsibility for the consolidated entity. Ms. Page is a member of the NSW Public Service Commission Advisory Board.

Ms. Page is a director of the following other listed/public companies:

- The Retail Council
- Trustee of the Sydney Cricket and Sports Ground Trust

John Evyn Slack-Smith
Executive Director and COO

Mr. Slack-Smith was a Harvey Norman computer franchisee between 1993 and 1999. Mr. Slack-Smith became a director of the Company on 5 February 2001. Mr. Slack-Smith has overall executive responsibility for the operations of the consolidated entity.

Kenneth William Gunderson-Briggs B.Bus., FCA, MAICD
Non-Executive Director (Independent)

Mr. Gunderson-Briggs was appointed a director of Harvey Norman Holdings Limited on 30 June 2003. Mr. Gunderson-Briggs is a chartered accountant and a registered company auditor. Mr. Gunderson-Briggs has been involved in public practice since 1982 and a partner in a chartered accounting firm since 1990. Mr. Gunderson-Briggs' qualifications include a Bachelor of Business from the University of Technology, Sydney and he is a Fellow of the Institute of Chartered Accountants. Mr. Gunderson-Briggs is a member of the Audit, Remuneration and Nomination Committees.

Mr. Gunderson-Briggs is a non-executive director of API Limited, a company listed on the ASX, appointed in May 2014. Mr. Gunderson-Briggs is the Chairman of Glenaeon Rudolph Steiner School Limited.

Chris Mentis B.Bus., FCA, FGIA, Grad Dip App Fin
Executive Director, CFO & Company Secretary

Mr. Mentis was appointed a director of Harvey Norman Holdings Limited on 30 August 2007.

Mr. Mentis joined Harvey Norman as Financial Controller on 15 December 1997. On 20 April 2006, he became Chief Financial Officer and Company Secretary. Mr. Mentis is a Fellow of the Institute of Chartered Accountants and a Fellow of the Governance Institute of Australia, with over 28 years experience in financial accounting. Mr. Mentis has overall executive responsibility for the accounting and financial matters of the consolidated entity.

Graham Charles Paton AM, B.Ec., FCPA, MAICD
Non-Executive Director (Independent)

Mr. Paton holds a Bachelor of Economics degree from the University of Sydney. During his 23 years as a partner of an international chartered accounting practice, he was involved in the provision of professional services to the retail industry. He retired from public practice in July 2001. Mr. Paton is a Fellow and Life Member of CPA Australia and was the National President of that professional accounting body in 1993/1994.

In 2001 he was awarded membership of the General Division of the Order of Australia for his services to the accounting profession and for his services to the deaf community through his chairmanship of the Shepherd Centre for Deaf Children for the decade to 2001.

Mr. Paton was appointed a director of Harvey Norman Holdings Limited on 20 June 2005. Mr. Paton was also appointed as a member of the Audit, Remuneration and Nomination Committees on 30 June 2005 and was appointed Chairman of the Audit Committee on 9 March 2006.

Mr. Paton is an independent non-executive director of Gazal Corporation Limited, a company listed on the ASX.

DIRECTORS' REPORT (CONTINUED)

Company Secretary
Mr. C. Mentis is a chartered accountant and became Company Secretary on 20 April 2006. Mr. Mentis has over 28 years experience in financial accounting and has been with the consolidated entity since 1997. Mr. Mentis is a Fellow of the Governance Institute of Australia.

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

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

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

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

Directors' Meetings
The number of meetings of the Board of directors and of its Board committees during the year were:

Board / Committee	Number of Meetings
Full Board	9
Audit	5
Remuneration	5
Nomination	1

Attendance at Remuneration Committee Meetings:
- C.H. Brown (Chairman): 5 (5)
- K.W. Gunderson-Briggs: 5 (5)
- G.C. Paton AM: 3 (5)

Attendance at Nomination Committee Meeting:
Mr G.C. Paton, Mr C.H. Brown and Mr K.W. Gunderson-Briggs attended the Nomination Committee meeting held during the year.

Directors' Meetings (continued)
The attendance of directors at meetings of the Board and Audit Committee were:

Director	Board of Directors	Audit Committee
G. Harvey	9 (9)	n/a
K.L. Page	9 (9)	n/a
J.E. Slack-Smith	9 (9)	n/a
D.M. Ackery	8 (9)	n/a
M.J. Harvey	9 (9)	n/a
C.H. Brown	8 (9)	4 (5)
K.W. Gunderson-Briggs	9 (9)	5 (5)
G.C. Paton	7 (9)	5 (5)
C. Mentis	9 (9)	n/a

The above table represents the directors' attendance at meetings of the Board and the Audit Committee. The number of meetings for which the director was eligible to attend is shown in brackets.

In addition, the executive directors held regular meetings for the purpose of signing various documentation.

Principal Activities
The principal activities of the consolidated entity are that of an integrated retail, franchise, property and digital system including:
- Franchisor;
  Sale of furniture, bedding, computers, communications and consumer electrical products in, New Zealand, Slovenia, Croatia Ireland and Northern Ireland;
- Property investment;
- Lessor of premises to Harvey Norman franchisees and other third parties;
- Media placement; and
- Provision of consumer finance and other commercial advances.

The consolidated entity holds a controlling interest in Pertama Holdings Pte Limited ("Pertama"). Following the completion of the compulsory acquisition of shares in Pertama by a wholly-owned subsidiary of the Company during January 2014, Pertama was delisted from the Stock Exchange of Singapore. The principal activities of Pertama are retail sales of furniture, bedding, computers, communications and consumer electrical products in Singapore and Malaysia.

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 year ended 30 June 2015.

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

Significant Events After Balance Date
There have been no circumstances arising since balance date which have significantly affected or may significantly affect:
- the operations;
- the results of those operations; or
- the state of affairs of the entity or consolidated entity in future financial years.

Directors' Report (continued)

Directors' Interests

At the date of this report, the relevant direct and indirect interest of each director in the shares, options or other instruments of the Company and related bodies corporate are:

HARVEY NORMAN HOLDINGS LIMITED		
Director	Ordinary Shares	Options
G. Harvey	329,191,281	-
K.L. Page	17,767,642	-
M.J. Harvey	2,974,897	-
C.H. Brown	183,323,726	-
J.E. Slack-Smith	271,818	1,195,000
D.M. Ackery	153,334	1,195,000
K. W. Gunderson- Briggs	3,137	-
G.C. Paton	15,682	-
C. Mentis	19,341	1,195,000
TOTAL	533,720,858	3,585,000

Dividends

The directors recommend a fully franked final dividend of 11.0 cents per share to be paid on 1 December 2015 (total dividend, fully franked - $122,166,430). The following fully franked dividends of the Parent Company have also been paid, declared or recommended since the end of the preceding financial year:

Dividend	Payment Date	$
2014 final fully franked dividend	1 December 2014	84,985,343
Special dividend, Renounceable Rights Offer	30 December 2014	148,724,350
2015 interim fully franked dividend	4 May 2015	99,954,352

The total dividend in respect of the year ended 30 June 2015 of 20.0 cents per share represents 82.85% (2014: 70.25%) of profit after tax and non-controlling interests, as set out on page 26 of the financial statements. Including the special dividend paid on 30 December 2014 of 14.0 cents per share, the total dividends paid in respect of the 2015 financial year represents 138.33% of profit after tax.

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

Share Options

As at the date of this report, there were 3,585,000 unissued ordinary shares under options (30 June 2014: 3,585,000).

Beneficial Interest

Included in the Directors' Interests table are the following shareholdings indirectly held by each of the directors:

Director	Beneficial Interest in Shares
G. Harvey	has a beneficial interest in 6,013,963 shares held by G Harvey Nominees Pty Limited (as trustee for Harvey 1995 No. 2 Trust), 141,007,580 shares held by G Harvey Nominees (as trustee for Harvey Lamino No. 1 Trust), 333,333 shares held by AET Structured Finance Services Pty Limited (previously HVN Share Plan Pty Limited), 4,160,420 shares held by Gerald Harvey (as trustee for Harvey 2003 Option Trust), 85,881,109 shares held by Gerald Harvey (as trustee for Harvey Option Trust) and 1,457,408 shares held by Evitorn Pty Limited (as trustee for Harvey 2014 Share Trust).
K.L. Page	has a beneficial interest in 8,485,277 shares held by K. Page Pty Limited, 332,880 shares held by K. Page Superannuation Fund Pty Limited and 333,333 shares held by AET Structured Finance Services Pty Limited (previously HVN Share Plan Pty Limited).
J.E. Slack-Smith	has a beneficial interest in 59,999 shares held by AET Structured Finance Services Pty Limited (previously HVN Share Plan Pty Limited) and 211,819 shares held by J. E. Slack-Smith as Trustee for Slack-Smith 2003 Option Trust (Shares).
D.M. Ackery	has a beneficial interest in 133,334 shares held by AET Structured Finance Services Pty Limited (previously HVN Share Plan Pty Limited) and 20,000 shares held by D.M. Ackery as Trustee for Ackery 2005 Option Trust (Shares).
M.J. Harvey	has a beneficial interest in 709,587 shares held by M.J. Harvey Option Trust.
C.H. Brown	has a beneficial interest in 43,662 shares held by PWSD Pty Limited, 64,509 shares held by Starmoro Pty Limited and 183,215,555 shares held by Dimbulu Pty Limited.
K.W. Gunderson-Briggs	has a beneficial interest in 3,137 shares held by Nosrednug Superannuation Fund Pty Limited.
G.C. Paton	has a beneficial interest in 15,682 shares held by G.C. Paton and V. Paton as trustee for The St. Georges Superannuation Fund.

Operating and Financial Review (OFR)

The Operating and Financial Review provides shareholders with an overview of the consolidated entity's results, financial position, dividends and key strategies for the 2015 financial year. It also provides a summary of business risks and a trading outlook for the 2016 financial year.

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

Profit Before Income Tax

Net profit before income tax **increased 25.6%, or $77.04 million, to $378.10 million** for the 2015 financial year, from $301.06 million in the prior year. If the effects of the net property revaluation adjustments were excluded from the result, the net profit before tax for the 2015 financial year would have **increased 18.1%, or $56.66 million to $369.37 million,** from $312.71 million in the prior year.

Net profit before tax was impacted by the following:

- a 39.4%, or $56.64 million, increase in the profitability of the franchising operations segment to $200.36 million. This was primarily due to a 7.2% increase in franchise fees and a 21.2%, or $21.84 million, decrease in tactical support to $81.35 million from $103.19 million in the prior year. Tactical support provided to franchisees has declined approximately 20% in each of the past two years;
- a $20.38 million turnaround in the net property revaluation to an increase of $8.73 million for the 2015 financial year, from a revaluation decrease of $11.65 million in the prior year;
- a 40.2%, or $8.90 million, decrease in the trading losses of the company-operated stores in Ireland and Northern Ireland. This was attributable to continuing efforts to optimise the operations, increase brand awareness, and – more broadly – improving consumer sentiment in the region;
- a 3.2%, or $9.26 million, increase in the rent received from franchisees and third party tenants;
- a 6.7%, or $3.36 million, increase in the profitability of the company-operated stores in New Zealand. This was attributable to improvements in the operations of the business, and increased consumer consumption as a result of increased consumer confidence driven by falling petrol prices, stable interest rates and a robust residential property market;
- a $13.34 million decrease in the contribution of the mining camp accommodation joint ventures to an equity-accounted loss of $3.63 million in the current year, from a $9.71 million profit in the prior year; and,
- a $3.01 million decline in the result of the company-operated stores in Asia largely due to an erosion of gross margins in a competitive market.

Net Profit After Tax and Non-Controlling Interests:

Net profit after tax and non-controlling interests **increased 26.6%, or $56.40 million, to $268.10 million** for the 2015 financial year, from $211.70 million in the prior year. If the effects of the net property revaluation adjustments were excluded from the result, the net profit after tax and non-controlling interests for the 2015 financial year would have **increased 19.0%, or $41.74 million, to $261.84 million,** from $220.10 million in the prior year.

The effective income tax rate for the year ended 30 June 2015 was 28.88% compared to an effective income tax rate of 29.50% in the prior year.

Operating and Financial Review (OFR) (continued)

Review and Results of Key Operating Segments

1) The Franchising Operations Segment

The franchising operations segment **increased 39.4%, or $56.64 million, to $200.36 million** in the 2015 financial year from $143.72 million in the prior year. This solid result was primarily due to the strong underlying sales performance of franchisees in Australia, particularly the growth in like-for-like sales.

Franchisee Sales Revenue by Quarter[1]	Q3 Mar-13	Q4 Jun-13	Q1 Sep-13	Q2 Dec-13	Q3 Mar-14	Q4 Jun-14	Q1 Sep-14	Q2 Dec-14	Q3 Mar-15	Q4 Jun-15
Headline Sales ($ bn)	$1.09bn	$1.19bn	$1.15bn	$1.33bn	$1.11bn	$1.18bn	$1.17bn	$1.36bn	$1.17bn	$1.26bn
Increase on PCP (%)	+0.1%	+2.0%	+1.2%	+1.7%	+1.8%	-0.1%	+1.8%	+2.1%	+5.2%	+6.1%
Like-For-Like Sales ($bn)	$1.08bn	$1.17bn	$1.14bn	$1.32bn	$1.11bn	$1.18bn	$1.17bn	$1.35bn	$1.16bn	$1.25bn
Increase on PCP (%)	+1.5%	+2.6%	+2.9%	+3.6%	+3.6%	+2.0%	+2.8%	+2.8%	+5.9%	+6.9%

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

The fourth quarter of the 2015 financial year marked the 10th consecutive quarter-on-quarter increase in Australian franchisee sales on a like-for-like basis since 2H2013. In each quarter of the 2015 financial year, Harvey Norman Australia franchisees outperformed industry averages in the household retailing sector.

Headline Australian franchisee sales revenue **increased 3.7%, or $176.90 million, to $4.95 billion** for the year ended 30 June 2015 from $4.77 billion in the prior year. Like-for-like franchisee sales revenue **increased 4.5%, or $213.86 million, to $4.92 billion** for the 2015 financial year from $4.71 billion in the prior year.

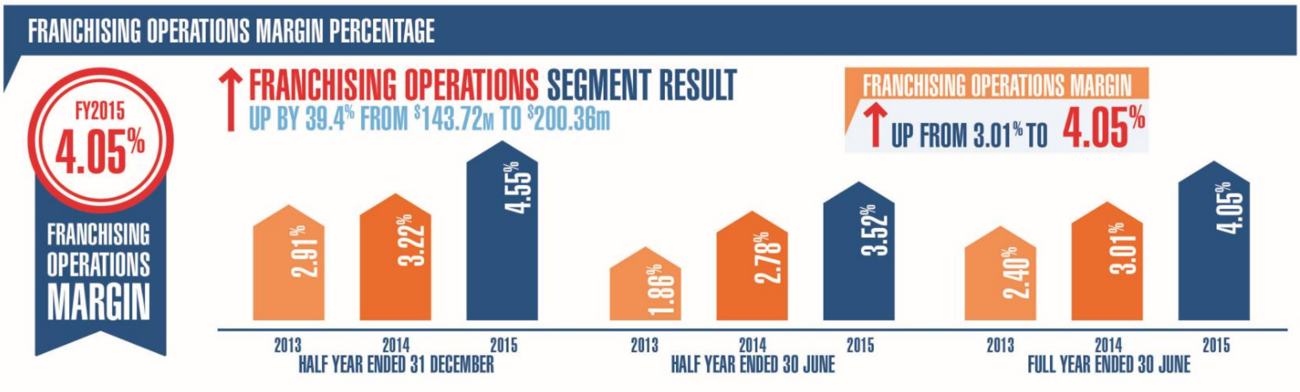
Harvey Norman franchisees remain the Homemaker destination of choice for products including furniture, bedding, whitegoods, small appliances and cooking. Sales growth remains strong in the Homemaker category. The Homemaker category has been bolstered by a resilient residential property market in Australia, particularly in terms of new stock, renovation expenditure, and secondary market clearance. Housing growth is particularly strong in New South Wales (NSW), where more than 35% of Harvey Norman complexes are located, and this trend has underpinned franchisee sales growth in the state.

Harvey Norman is the home of small business. The Federal Government's small business tax initiative, announced in the May 2015 Federal Budget, is advantageous for Harvey Norman franchisees. The small business tax initiative, which is available to qualifying small businesses up to 30 June 2017, had a positive impact on franchisee sales revenue in the last quarter of the 2015 financial year.

The computer category strengthened throughout the year with solid performance from computer hardware, accessories, mobile devices and service related categories.

Connected lifestyle devices, driven by wearable fitness and health products over the last year, continues to expand into other categories and will be a key driver of growth in 2016 and beyond.

OPERATING AND FINANCIAL REVIEW (OFR) (CONTINUED)



FRANCHISING OPERATIONS SEGMENT ANALYSIS BY HALF-YEAR	Half Year Ended 31 December			Half Year Ended 30 June			Full Year Ended 30 June		
	6-Months Dec 2012	6-Months Dec 2013	6-Months Dec 2014	6-Months Jun 2013	6-Months Jun 2014	6-Months Jun 2015	12-Months Jun 2013	12-Months Jun 2014	12-Months Jun 2015
No. of franchised complexes in Australia	211	202	**195**	206	198	**194**	206	198	**194**
Franchising operations segment result	$71.01m	$79.86m	**$115.09m**	$42.42m	$63.86m	**$85.28m**	$113.43m	$143.72m	**$200.36m**
Franchisee headline sales revenue	$2.44bn	$2.48bn	**$2.53bn**	$2.28bn	$2.296bn	**$2.42bn**	$4.72bn	$4.77bn	**$4.95bn**
Franchising Operations Margin (%)	2.91%	3.22%	**4.55%**	1.86%	2.78%	**3.52%**	2.40%	3.01%	**4.05%**
Key drivers of the Franchising Operations Margin (%) (Included in the franchising operations segment result for each period):									
(i) Franchising operations segment revenue	$444.38m	$432.85m	**$454.64m**	$381.67m	$381.16m	**$416.17m**	$826.05m	$814.02m	**$870.80m**
% movement on PCP*	-4.7%	-2.6%	**+5.0%**	-2.6%	-0.1%	**+9.2%**	-3.7%	-1.5%	**+7.0%**
(ii) Tactical support provided to franchisees	$63.80m	$51.17m	**$39.70m**	$64.67m	$52.02m	**$41.65m**	$128.46m	$103.19m	**$81.35m**
% movement on PCP*	+40.8%	-19.8%	**-22.4%**	-18.0%	-19.6%	**-19.9%**	+3.4%	-19.7%	**-21.2%**

* previous corresponding period

The growth in franchisee sales revenue, particularly in the last half of the 2015 financial year, driven by the Homemaker category, has decreased tactical support to franchisees during the 2015 financial year **by 21.2%, or $21.84 million, to $81.35 million** from $103.19 million in the prior year. Tactical support provided to franchisees has decreased by approximately 20% in each of the previous two financial years. The strong result of the franchising operations segments has validated the decision to tactically support the Harvey Norman brand during the periods of volatility and aggressive competition over the past few years.

Revenue from the franchising operations segment **increased 7.0%, or $56.78 million, to $870.80 million** in the 2015 financial year from $814.02 million in the prior year. This was driven primarily by a rise in franchise fee income which **increased 7.2%, or $47.44 million, to $709.30 million** from $661.86 million in the prior year. Over half-year reporting periods, franchising operations segment revenue increased by 5.0%, or $21.78 million, in the first half of the 2015 financial year and by 9.2%, or $35.00 million, in the second half.

The reduction in tactical support and increase in franchise fee income underpinned the franchising operations segment **increase of 39.4%, or $56.64 million, to $200.36 million** in the 2015 financial year, from $143.72 million in the prior year. The franchising operations margin **increased to 4.05%** in the 2015 financial year from 3.01% in the prior year.

Operating and Financial Review (OFR) (continued)

2) Property Segment: Retail Property and Property Developments for Resale

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

The property portfolio remains strong and was **valued at $2.32 billion at 30 June 2015**. This represents over 53% of our total asset base as at the 30 June 2015 balance date. The result before tax generated by the property segments represents 35.8% of consolidated profit before tax for the year ended 30 June 2015.

The property segment result **increased 9.3%, or $11.53 million, to $135.19 million** for the year ended 30 June 2015, from $123.67 million in the prior year. A $20.38 million turnaround in the net property revaluation to an increase of $8.73 million for the 2015 financial year from a net property revaluation decrease of $11.65 million in the prior year underpinned the improved result.

Falling commodity prices and the sharp slowdown in the mining sector over the past year have resulted in a drop in the occupancy rates of our mining residential complexes and the demobilisation of several mining camps pending the possible commencement of new projects which are currently out to tender. This has resulted in a decrease of $13.34 million in the contribution of the mining camp accommodation joint ventures to an equity-accounted loss of $3.63 million in the current year, from a $9.71 million profit in the prior year.

Rising revenue from rents and outgoings in the property segment overall, partially offset the reduction in the profitability of property-related joint ventures.

The tables below show the composition of property segment assets at each balance date and the number of owned and leased sites as at 30 June 2015.

Total Property Segment Assets as at 30 June	2013	2014	2015
Investment properties	$1.854bn	$1.904bn	$1.936bn
Joint venture properties	$16.74m	$27.56m	$21.43m
Owned land & buildings in New Zealand, Singapore, Slovenia & Australia	$311.74m	$350.66m	$358.72m
Properties held for resale	$23.79m	$8.85m	$2.88m
Total Property Segment Assets	**$2.21bn**	**$2.29bn**	**$2.32bn**

Breakdown of Owned and Leased Sites as at 30 June 2015	# of owned sites	# of leased sites	Total
Australia: Franchised complexes	90	104	194
New Zealand	17	19	36
Slovenia	5	-	5
Croatia	-	1	1
Ireland	-	12	12
Northern Ireland	-	2	2
Singapore & Malaysia	-	30	30
Total	**112**	**168**	**280**

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

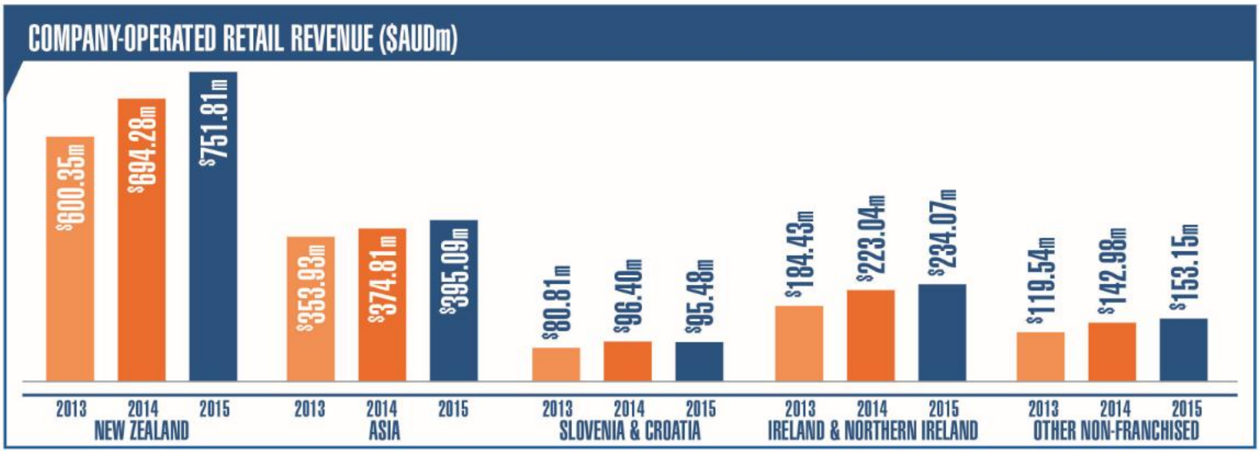
Net Property Revaluation Adjustments	2013	2014	2015
Recorded in the Income Statement:			
Total Australian net property revaluation increment / (decrement)	($60.35m)	($9.53m)	$7.604m
Plus: Overseas controlled entities:			
- New Zealand	$1.23m	($0.20m)	-
- Slovenia	-	($1.92m)	$1.123m
Total net property revaluation increment / (decrement) in the Income Statement	**($59.12m)**	**($11.65m)**	**$8.73m**
Recorded in Equity (Asset Revaluation Reserve):			
- Australia	($2.12m)	$0.58m	-
- New Zealand	$1.69m	$10.98m	$3.65m
- Slovenia	$0.32m	$0.06m	$0.26m
- Singapore	$2.43m	$5.02m	$7.15m
Total net property revaluation adjustments recorded in Equity (ARR)	**$2.32m**	**$16.64m**	**$11.06m**

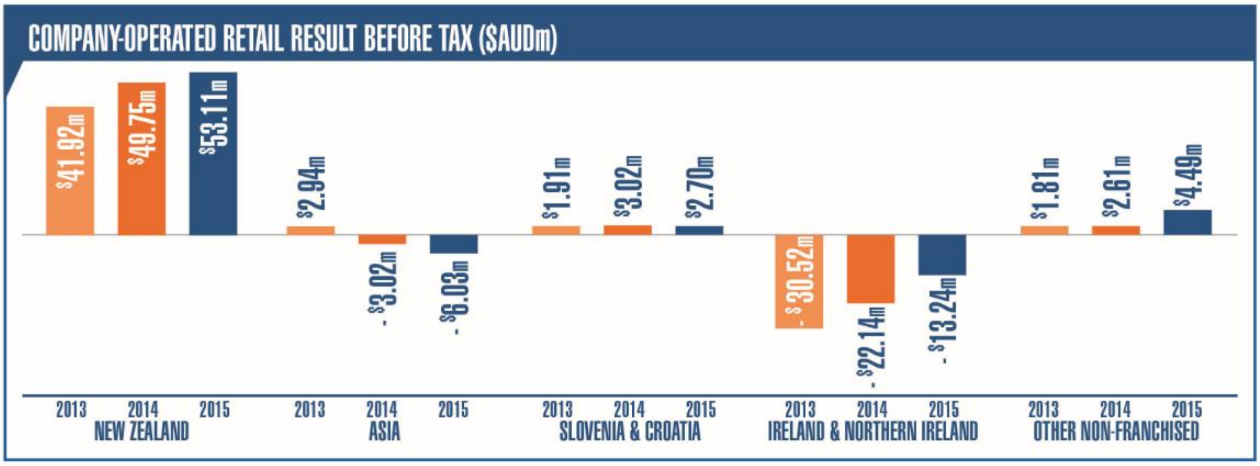
During the year ended 30 June 2015, thirty-four (34) properties in Australia were independently valued, representing 28.81% of the total number of investment properties owned by the consolidated entity and 22.95% of the fair value of all investment properties in Australia.

The balance of the portfolio was reviewed for comparability resulting in the preparation of internal valuations for nine (9) additional sites. The valuation for the 30 June 2015 financial year resulted in a net increase of $7.604 million in Australia and an increase of $1.123 million in Slovenia.

OPERATING AND FINANCIAL REVIEW (OFR) (CONTINUED)

3) The Company-Operated Retail Segment





The result before tax of the company-operated retail segment increased 42.9% to $41.03 million in the 2015 financial year, from $28.72 million in the prior year. Improved operational performances in a number of international markets; primarily New Zealand, Ireland, and Northern Ireland drove this result.

New Zealand

FX rate: NZD vs AUD up 2.86%

Sales revenue from the New Zealand company-operated stores **increased by 6.3%, or $NZ47.44 million, to $NZ797.13 million** in the 2015 financial year, from $NZ749.69 million in the prior year. This was partly due to the opening of a new store at Napier in September 2014 and a full-year's contribution from the stores in Hornby and Tauranga that had opened in November 2013. Sales increased across all key categories in New Zealand, buoyed by favourable economic conditions and elevated business and consumer confidence. The robust housing market, particularly in Auckland and Christchurch, positively impacted sales. Harvey Norman remains the market leader in New Zealand and has grown market share in key product categories, positioning the New Zealand stores to benefit from any further expansion in the market over the coming year. Translated into Australian dollars, sales revenue **increased 9.4%, or $63.45 million, to $740.62 million** due to a 2.86% appreciation of the New Zealand Dollar relative to the Australian dollar over the year.

Other revenue decreased 34.6%, or $5.91 million, to $11.20 million from $17.11 million in the prior year, primarily due to the one-off insurance recoveries received following the finalisation of claims relating to the Christchurch earthquake and the Porirua fire.

The retail result in New Zealand **increased 6.7%, or $3.36 million, to $53.11 million** for the 2015 financial year, from $49.75 million in the prior year. Despite a very competitive and challenging market, total gross margins increased throughout 2015. A continued and disciplined focus on operating efficiencies and cost minimisation curtailed any significant increases in total expenses.

Asia

FX rate: SGD vs AUD up 5.64%

The Asian segment consists of the 30 Harvey Norman stores in Singapore and Malaysia and the flagship, prestige furniture offering of Space Furniture in Singapore. Sales revenue **decreased 0.1%, or $S0.62 million, to $S428.99 million** in the 2015 financial year, from $S429.61 million in the prior year. Translated into Australian dollars, sales actually **increased 5.5%, or $20.37 million, to $391.56 million**, from $371.18 million in the prior year due to a 5.64% appreciation in the Singapore dollar relative to the Australian dollar over the year.

Operating and Financial Review (OFR) (continued)

Harvey Norman store sales in Singapore marginally increased in local currency due to the redevelopment of the Suntec City Mall which reopened in August 2014 and the opening of two new stores at Sportshub (August 2014) and One KM (October 2014). A new 100,000 sq foot flagship store in Millenia Walk will replace the existing 45,000 sq foot store in December 2015, further and significantly increasing the Harvey Norman footprint in Singapore. Harvey Norman sales in Malaysia improved mainly as a result of new store openings in the 2014 financial year and good sales momentum in the months leading up to the implementation of a Goods and Services Tax ("GST") of 6% in April 2015. Following the implementation of the GST, sales plateaued in the last quarter of the 2015 financial year.

The Asian retail result recorded a loss of $6.03 million in the 2015 financial year, representing a $3.01 million widening in the loss of $3.02 million in the prior year. The Asian retail result was negatively impacted by: a decline in margins; higher information technology costs; and, an increase in wages as a result of new store openings in what is a tight labour market. Moving forward, the strategy is to improve the margin through better negotiation with suppliers together with a shift in the sales mix and the implementation of cost containment measures.

Ireland & Northern Ireland

FX rate: EUR vs AUD down 2.70%; FX rate: GBP vs AUD up 6.60%

Sales revenue from the company owned stores in Ireland **increased 7.4%, or €10.54 million, to €153.96 million** in the 2015 financial year, from €143.43 million in the prior year. Translated into Australian dollars, sales revenue **increased 4.5%, or $9.42 million, to $221.12 million** due to improved performances across all product categories, particularly furniture and bedding. The Irish business is now in its 6th consecutive year of loss reduction, and 4th year of sales growth. The Irish consumer landscape continues to strengthen, and the Harvey Norman brand is experiencing increased market share across most categories in this recovering market. Internal factors have also contributed to the rise in sales including an improved product range (particularly in homewares and accessories) and the rollout of a premium stock selection that has lifted average selling prices.

Sales revenue from the two company operated stores in Northern Ireland **increased 15.5%, or £0.75 million, to £5.61 million** for the 2015 financial year, from £4.86 million in the prior year. Translated into Australian dollars, sales **increased 23.1%, or $1.99 million, to $10.57 million**.

The trading losses for Ireland and Northern Ireland almost halved in the 2015 financial year with a 40.2%, or $8.90 million, reduction in the trading loss to $13.24 million from $22.14 million in the prior year. A disciplined and ongoing focus on cost minimisation has resulted in a lower ratio of total expenses to sales. The Irish segment has benefitted from continuing efforts to optimise the operations, enhance the customer experience, and grow sales without engaging in price discounting.

Slovenia and Croatia

FX rate: EUR vs AUD down 2.70%

Sales revenue from the company-operated stores in Slovenia and Croatia increased 1.7%, or €1.08 million, relative to the prior year. Sales in Slovenia increased by €1.15 million while sales in Croatia decreased by €0.07 million. Translated into Australian dollars, sales actually decreased 1.08%, or $1.03 million, due to a 2.70% depreciation of the Euro relative to the Australian dollar.

Generally low consumer confidence in the Euro Zone, further exacerbated by the threat of a Greek sovereign default in the last quarter of 2015, led to subdued sales. Despite extreme discounting by competitors, the business still grew market share in key categories.

The retail result in Slovenia and Croatia decreased by 10.5% to $2.70 million for the year ended 30 June 2015, from $3.02 million for the prior year.

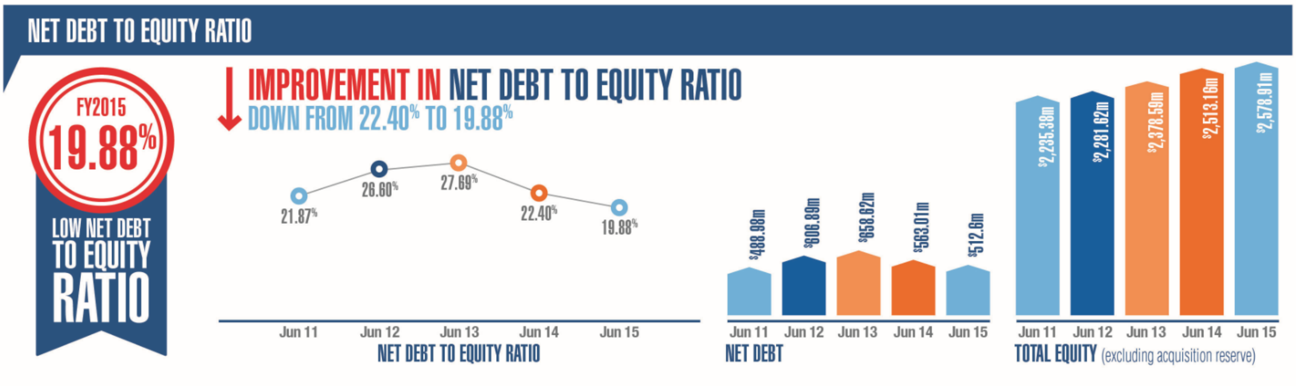
Other Non-Franchised Retail

The non-franchised retail segment consists primarily of the retail trading operations in Australia which are controlled by the consolidated entity and does not include the operations of any Harvey Norman franchisee. Total revenue for the other non-franchised retail segment **increased 7.1%, or $10.17 million, to $153.15 million** for the year ended 30 June 2015, from $142.98 million in the prior year.

The result for the non-franchised retail segment **increased 72.1%, or $1.88 million, to $4.49 million** for the 2015 financial year, from $2.61 million in the prior year.

OPERATING AND FINANCIAL REVIEW (OFR) (CONTINUED)

Review of the Financial Position of the Consolidated Entity



Net Assets	2013	2014	2015
Total Assets	$4.04bn	$4.21bn	$4.36bn
Return on Total Assets %	3.52%	5.03%	6.15%
Total Liabilities	$1.67bn	$1.72bn	$1.80bn
Net Assets	$2.36bn	$2.49bn	$2.56bn
Return on Net Assets % (a)	6.10%	8.57%	10.57%

(a) excludes non-controlling interests

Net Debt to Equity %	2013	2014	2015
Total Debt	$820.28m	$707.97m	$698.44m
Less: Cash Reserves	($161.66m)	($144.96m)	($185.84m)
Net Debt	$658.62m	$563.01m	$512.60m
Total Equity (b)	$2.38bn	$2.51bn	$2.58bn
Net Debt to Equity %	**27.69%**	**22.40%**	**19.88%**

(b) excludes acquisition reserve

Harvey Norman's strong net asset position has been steadily increasing in recent years and has more than doubled from $1.27 billion at 30 June 2005 to $2.56 billion as at 30 June 2015. **Net assets increased 2.6%, or $65.75 million, to $2.56 billion** at 30 June 2015, from $2.49 billion in the prior year.

Total assets increased 3.6%, or $152.41 million, to $4.36 billion in the 2015 financial year, from $4.21 billion in the prior year. This increase was largely due to increases of: 7.8%, or $87.56 million in trade and other receivables; 28.2%, or $40.88 million in cash reserves; and, 1.7%, or $32.43 million in investment property assets.

Trade and other receivable assets increased from the prior year mainly due to a rise in aggregate working capital advances to franchisees consistent with the growth in franchisee sales revenue during the last two quarters of the 2015 financial year, and a rise in non-trade commercial advances during the year.

Tangible property assets, consisting of investment properties, owned land and buildings, joint venture properties and properties for resale comprises 53.2% of the total asset base. Tangible property assets increased 1.2%, or $28.39 million to $2.32 billion as at 30 June 2015 due to increases in the fair market value of Australian investment properties, new store openings in overseas markets as well as renovations and refurbishments of existing sites in Australia.

Total liabilities increased by 5.1%, or $86.66 million, in the 2015 financial year. The increase was largely due to an increase in trade and other payables of $72.79 million over the prior year. This was partially offset by a decrease of 1.3%, or $9.53 million, in interest-bearing liabilities to $698.44 million for the 2015 financial year, from $707.97 million in the prior year.

Net cash flows from operating activities increased 0.45% to $340.45 million for the 2015 financial year, from $338.94 million in the prior year. The rate of increase in operating cash flows was marginal as the stronger cash flows received from higher franchise fee income, lower tactical support payments and higher sales from company-operated stores were offset by increased working capital advances to franchisees. Higher franchisee working capital requirements resulted from an increase of franchisee stock holdings in response to increased demand, particularly in the last quarter of the 2015 financial year and well into July 2015.

The overall debt levels of the consolidated entity remain commendably low, resulting in a **low net debt to equity ratio from 22.40% in the prior year to 19.88%** as at 30 June 2015.

Operating and Financial Review (OFR) (continued)

Capital Management Policy

The consolidated entity's capital management policy's objective is 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 debt-to-equity target for the consolidated entity of less than 50%.

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

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. Interest rate risk is mitigated with interest rate swaps.

Renounceable Rights Offer, December 2014

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

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

The Entitlement Offer consisted of an offer to Eligible Shareholders to subscribe for 1 New Share for every 22 existing HVN ordinary shares held on the Record Date of 7:00 pm (Sydney time) on Tuesday 2 December 2014 at the Offer Price of $2.50 per New Share, being a 32.61% discount to the closing price of $3.71 on 24 November 2014 (the trading day prior to the announcement of the Entitlement Offer).

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

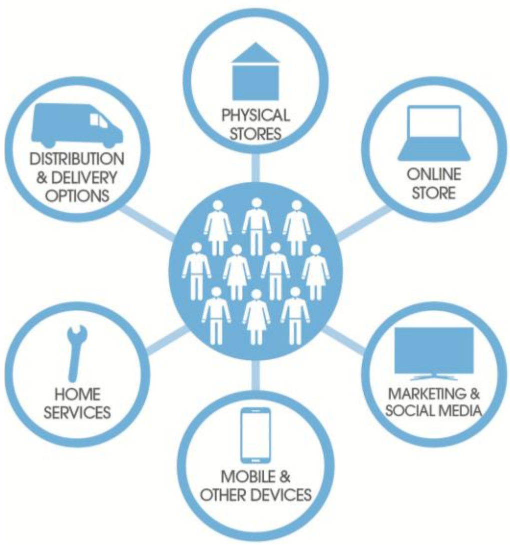
Business Strategies, Future Prospects and Likely Developments

The OFR provides information to enable shareholders to make an informed assessment of the consolidated entity's future business strategies and prospects. The OFR additionally provides information about, and refers to likely developments in the operations of the consolidated entity, and detail on risks that could give rise to likely material detriment to the consolidated entity. The OFR does not include information that is commercially sensitive, confidential, or which could provide a third party with a commercial advantage.

The objective is to deliver attractive returns to shareholders by growing market share and improving profitability. The consolidated entity seeks to achieve this objective through the execution of the following strategies:

Omni Channel

Over a number of years, the consolidated entity has invested in systems, processes and people to create an Omni Channel service offering across the network of Harvey Norman complexes. The strategy provides customers of Harvey Norman franchisees with a seamless and distinctive experience independent of whether the customer chooses to engage with Harvey Norman in its physical complexes, online, or through mobile and/or social media.



The physical complexes are also distribution centres and provide customers of Harvey Norman franchisees with consistently excellent service and products regardless of their location. With an extensive network of complexes, Harvey Norman has established itself as the Homemaker destination of choice in the eight countries in which it operates.

OPERATING AND FINANCIAL REVIEW (OFR) (CONTINUED)

Integrated Retail, Franchise, Property and Digital System
The integrated retail, franchise, property and digital system strengthens the consolidated entity's competitive position by offering financial stability. With a balance sheet underpinned by a $2.32 billion portfolio of property, Harvey Norman, as franchisor, is able to provide tactical support where necessary to preserve its brand and competitive position.

Through effective property management, the consolidated entity attempts to attract more customers into franchised complexes by ensuring a high quality, cross beneficial tenancy mix.

Customer Service and Engagement
Significant resources have been invested to implement and monitor franchisee staff training, customer satisfaction levels and initiatives to improve the level of service provided by franchisees and their salespeople. The objective is for customers of franchisees to associate the Harvey Norman brand with industry-leading product expertise and standards of customer service, implicit in the Harvey Norman "Customer First" program.

Franchisee's have developed online training programs for their sales personnel with key performance indicators relating to training attendance and results.

Franchisee's monitor the quality of their service through an ongoing mystery shopper program and by collecting customer feedback. By leveraging the Omni Channel Strategy, franchisee's have been able to more efficiently collect higher volumes of customer feedback. Over recent years, feedback from both the mystery shopping program and customers has steadily improved.

Operational Efficiencies
The consolidated entity invests in systems, technology and processes to improve profitability and create operational efficiencies. Over the next twelve months, further supply-chain efficiencies to enhance the productivity of the franchisee's businesses will be assessed and the deployment of the workforce productivity system by franchisees will be completed to improve the efficiency of franchisee staff planning, rostering and administration.

Supply Chain Insight
Over many years, Harvey Norman franchisees have developed close relationships with a range of high quality suppliers. Franchisee's benefit from industry-leading insight into emerging products and consumer trends. This assists franchisees to plan for shifts in market trends.

Outlook
As Australia's leading Homemaker destination of choice, it is the Australian residential property market that most directly affects the consolidated entity's performance. More specifically, housing starts, renovation expenditure, and the level of secondary market transaction volume – distinct from secondary market prices – are the measures most relevant to our business.

With continuing strength in the housing market and interest rates remaining at historical lows, we believe that conditions remain conducive to a continued confidence to deliver solid financial performance.

Operating and Financial Review (OFR) (continued)

Summary of Key Business Risks

The Board is optimistic about the consolidated entity's future trading performance but acknowledges that there are several factors that may pose a risk to the achievement of the business strategies and future financial performance as outlined above.

Every business faces risks with the potential to impair its ability to execute its strategy or achieve its financial objectives. There are a number of key risks, both specific to the Harvey Norman integrated retail, franchise, property and digital system and external risks, for example the macroeconomic environment, over which the consolidated entity has no control. Harvey Norman acknowledges the existence of these risks, and in the first instance seeks to identify and understand individual risks, and then – to the extent possible – manage and/or minimise risks.

(i) Deterioration in macroeconomic conditions resulting in a fall in consumer sentiment:

Harvey Norman has a significant exposure to the broader macro-economy in each of the countries in which it is present. There are a number of general economic conditions, including interest and exchange rate movements, overall levels of demand, housing market dynamics, economic and political instability and government fiscal, monetary and regulatory policies, that can impact the level of consumer confidence and discretionary retail spending, thereby affecting revenue from sales to customers and franchise fees. The consolidated entity seeks to reduce its exposure to these risks by monitoring closely both internal and external sources of information that provide insights to any changes in demand within the economies in which it operates.

(ii) Competition resulting in a loss of market share for franchisees in Australia

The integrated retail, franchise, property and digital platforms, and diverse category mix aid in maintaining the consolidated entity's competitive position. Franchisees operate across diverse categories including the strongly performing Homemaker categories. Diversity mitigates the risk from existing and potential single-category competitors.

(iii) Emergence of competitors in new channels:

The Harvey Norman Omni Channel Strategy provides customers of franchisees with a diverse, consistent and distinctive Harvey Norman customer experience. The Harvey Norman Omni Channel Strategy integrates retail, online, mobile, or social channels. The online operations of franchisees in Australia and the company in New Zealand have grown substantially. The digital platform creates new opportunities for growth and new ways to embrace and engage with customers. Data analytics are an important element of the Harvey Norman Omni Channel Strategy, and are utilised to improve customer experience.

The Harvey Norman Omni Channel Strategy sets the Harvey Norman brand apart from other online and digital competitors as the digital, physical complex and distribution channels are fully integrated, providing consumers of franchisees with a multitude of options to meet their needs. The Harvey Norman Omni Channel Strategy, underpinned by direct retail property, makes the Harvey Norman brand a formidable competitor in the market.

(iv) Economic downturn in the property sector leading to softening property asset values, falling market rentals and reduction of future capital returns on property assets:

With a property portfolio of $2.32 billion, the consolidated entity is exposed to potential reductions in property values within the bulky goods sector. The consolidated entity continues to adopt a selective and prudent acquisition and development strategy and maintains high-quality complexes and a solid, dynamic, complementary tenancy mix in order to maximise the profitability of the property segment.

(v) Counterparty risks of service providers:

This risk relates to the inability of service providers to meet their obligations. The consolidated entity intensively monitors and evaluates the performance of external service providers to mitigate counterparty risk.

(vi) Counterparty risk associated with the mining camp accommodation joint ventures:

Commodity prices are inherently volatile. The provision of services to the mining industry is inherently risky. The consolidated entity has entered into joint ventures with counterparties to provide mining camp accommodation services. The risk in respect of mining camp accommodation joint ventures includes the ability of counterparties to meet financial and other obligations under mining camp accommodation joint venture agreements.

The consolidated entity intensively monitors and evaluates the performance of counterparties of the mining camp accommodation joint ventures by monitoring compliance with joint venture agreements; adopting a prudent and conservative approach to the review of mining camp accommodation cash flows, including future cash flow projections; and ensuring that an adequate level of security is maintained for any funds advanced to mining camp accommodation joint ventures.

OPERATING AND FINANCIAL REVIEW (OFR) (CONTINUED)

(vii) Compliance by franchisees with franchise agreements:

This risk relates to franchisees not operating their assigned franchise in accordance with the terms and conditions of their respective franchise agreements. The consequences of non-compliance may include damage to the brand, fines or other sanctions from regulators, and/or a reduction in franchise fees received from franchisees.

The franchisor continually monitors and evaluates the financial and operating performance of each franchisee to actively assess compliance with executed franchise agreements. Instances of non-compliance are promptly addressed to protect the Harvey Norman brand and/or intellectual property of the franchisor.

(viii) Information Technology ("IT") security and data security breaches:

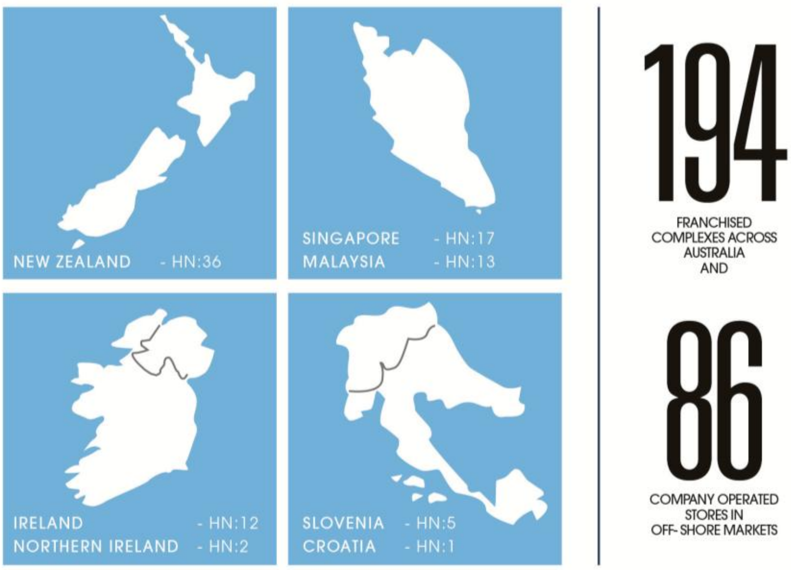
This risk relates to potential failure in the IT security measures resulting in the loss, destruction or theft of customer, supplier, financial or other commercially-sensitive information including intellectual property. This has the potential to adversely affect our operating results which would lead to lawsuits, damage the reputation of the Harvey Norman brand, and/or create other liabilities for the consolidated entity.

There are a number of key controls either planned or already in place including an ongoing program of investment in cyber security software; the implementation, maintenance and supervision of operational policies intended to preserve the integrity of the physical IT infrastructure; regular independent audit and review of IT security; and the ongoing review, practise and updating of a disaster/crisis management plan relating to IT systems.

Operating and Financial Review (OFR) (continued)

Geographic Spread

This diagram displays 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 30 June 2015.



STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	NOTE	CONSOLIDATED June 2015 $000	June 2014 $000
Current Assets			
Cash and cash equivalents	28(a)	185,840	144,957
Trade and other receivables	7	1,142,551	1,062,284
Other financial assets	8	26,148	21,596
Inventories	9	298,381	297,670
Other assets	10	23,072	23,010
Intangible assets	11	476	541
Total current assets		1,676,468	1,550,058
Non-Current Assets			
Trade and other receivables	12	71,815	64,526
Investments accounted for using equity method	29	21,425	24,912
Other financial assets	13	16,570	16,176
Property, plant and equipment	14	552,603	569,057
Investment properties	15	1,935,936	1,903,504
Intangible assets	16	83,727	77,898
Total non-current assets		2,682,076	2,656,073
Total Assets		4,358,544	4,206,131
Current Liabilities			
Trade and other payables	17	813,474	740,681
Interest–bearing loans and borrowings	18	408,438	469,872
Income tax payable		34,807	24,142
Other liabilities	19	2,870	2,043
Provisions	20	23,490	25,494
Total current liabilities		1,283,079	1,262,232
Non-Current Liabilities			
Interest-bearing loans and borrowings	21	290,000	238,094
Provisions	22	12,249	10,293
Deferred income tax liabilities		198,728	188,980
Other liabilities	23	17,628	15,426
Total non-current liabilities		518,605	452,793
Total Liabilities		1,801,684	1,715,025
NET ASSETS		2,556,860	2,491,106
Equity			
Contributed equity	24	380,328	259,610
Reserves	27	113,290	102,735
Retained profits	25	2,043,463	2,109,032
Parent entity interests		2,537,081	2,471,377
Non-controlling interests	26	19,779	19,729
TOTAL EQUITY		2,556,860	2,491,106

INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	CONSOLIDATED June 2015 $000	 June 2014 $000
Sales revenue	3	1,617,151	1,513,662
Cost of sales		(1,126,894)	(1,064,892)
Gross profit		490,257	448,770
Revenues and other income items	3	1,101,286	1,033,624
Distribution expenses		(18,744)	(15,114)
Marketing expenses		(370,124)	(348,952)
Occupancy expenses	4	(229,081)	(233,881)
Administrative expenses	4	(447,198)	(427,604)
Other expenses from ordinary activities		(124,082)	(136,846)
Finance costs	4	(32,872)	(36,437)
Share of net profit of joint venture entities	29	8,658	17,501
Profit before income tax		378,100	301,061
Income tax expense	5	(109,186)	(88,823)
Profit after tax		268,914	212,238
Attributable to:			
Owners of the parent		268,095	211,695
Non-controlling interests		819	543
		268,914	212,238
Earnings Per Share:			
Basic earnings per share (cents per share)	6	24.51 cents	19.69 cents*
Diluted earnings per share (cents per share)	6	24.48 cents	19.68 cents*
Dividends per share (cents per share)	25	20.0 cents	14.0 cents
Special dividend per share (cents per share)		14.0 cents	-

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

* Basic and diluted earnings per share for the 2014 financial year was restated pursuant to the shares issued under the Renounceable Rights Offer in December 2014.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	CONSOLIDATED	
	June 2015 $000	June 2014 $000
Profit for the year	**268,914**	212,238
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(3,560)	28,529
Net fair value gains on available-for-sale investments	1,302	829
Net movement on cash flow hedges	4,699	3,857
Income tax effect on net movement on cash flow hedges	(1,406)	(1,143)
Items that will not be reclassified subsequently to profit or loss:		
Fair value revaluation of land and buildings	13,115	27,969
Income tax effect on fair value revaluation of land and buildings	(2,055)	(8,624)
Other comprehensive income for the year (net of tax)	**12,095**	51,417
Total comprehensive income for the year (net of tax)	**281,009**	263,655
Total comprehensive income attributable to:		
- Owners of the parent	278,433	259,524
- Non-controlling interests	2,576	4,131
	281,009	263,655

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

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-controlling Interests	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	**$000**
At 1 July 2014	259,610	2,109,032	91,184	23,846	7,279	(6,110)	8,587	(22,051)	19,729	**2,491,106**
Other comprehensive income:										
Revaluation of land and buildings	-	-	11,060	-	-	-	-	-	-	**11,060**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	12	-	-	-	**12**
Currency translation differences	-	-	-	(5,317)	-	-	-	-	1,757	**(3,560)**
Fair value of interest rate swaps	-	-	-	-	-	3,255	-	-	-	**3,255**
Fair value of forward foreign exchange contracts	-	-	-	-	-	26	-	-	-	**26**
Fair value of available for sale financial assets	-	-	-	-	1,302	-	-	-	-	**1,302**
Other comprehensive income	-	-	11,060	(5,317)	1,302	3,293	-	-	1,757	**12,095**
Profit for the year		268,095	-	-	-	-	-	-	819	**268,914**
Total comprehensive income for the year	**-**	**268,095**	**11,060**	**(5,317)**	**1,302**	**3,293**	**-**	**-**	**2,576**	**281,009**
Cost of share based payments	-	-	-	-	-	-	217	-	-	**217**
Shares issued pursuant to Renounceable Rights Offer	120,718	-	-	-	-	-	-	-	-	**120,718**
Dividends paid	-	(333,664)	-	-	-	-	-	-	(60)	**(333,724)**
Distribution to members	-	-	-	-	-	-	-	-	(2,466)	**(2,466)**
At 30 June 2015	**380,328**	**2,043,463**	**102,244**	**18,529**	**8,581**	**(2,817)**	**8,804**	**(22,051)**	**19,779**	**2,556,860**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Translation Reserve	Available for Sale Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-controlling Interests	TOTAL EQUITY
	$000	$000	$000	$000	$000	$000	$000	$000	$000	**$000**
At 1 July 2013	259,610	2,008,880	74,545	(3,801)	6,450	(8,824)	8,167	(14,738)	33,566	**2,363,855**
Other comprehensive income:										
Revaluation of land and buildings	-	-	16,639	-	-	-	-	-	2,706	**19,345**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	47	-	-	-	**47**
Currency translation differences	-	-	-	27,647	-	-	-	-	882	**28,529**
Fair value of interest rate swaps	-	-	-	-	-	2,680	-	-	-	**2,680**
Fair value of forward foreign exchange contracts	-	-	-	-	-	(13)	-	-	-	**(13)**
Fair value of available for sale financial assets	-	-	-	-	829	-	-	-	-	**829**
Other comprehensive income	-	-	16,639	27,647	829	2,714	-	-	3,588	**51,417**
Profit for the year	-	211,695	-	-	-	-	-	-	543	**212,238**
Total comprehensive income for the year	**-**	**211,695**	**16,639**	**27,647**	**829**	**2,714**	**-**	**-**	**4,131**	**263,655**
Cost of share based payments	-	-	-	-	-	-	447	-	-	**447**
Reversal of share based payments	-	-	-	-	-	-	(27)	-	-	**(27)**
Acquisition of non-controlling Interest	-	-	-	-	-	-	-	(7,313)	(16,513)	**(23,826)**
Dividends paid	-	(111,543)	-	-	-	-	-	-	(405)	**(111,948)**
Distribution to members	-	-	-	-	-	-	-	-	(1,050)	**(1,050)**
At 30 June 2014	**259,610**	**2,109,032**	**91,184**	**23,846**	**7,279**	**(6,110)**	**8,587**	**(22,051)**	**19,729**	**2,491,106**

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	NOTE	CONSOLIDATED June 2015 $000	June 2014 $000
Cash Flows from Operating Activities		Inflows/(Outflows)	
Net receipts from franchisees		830,844	871,251
Receipts from customers		1,707,259	1,590,489
Payments to suppliers and employees		(2,056,114)	(1,994,315)
Distributions received from joint ventures		13,905	15,512
GST paid		(43,258)	(39,087)
Interest received		8,657	8,874
Interest and other costs of finance paid		(33,059)	(36,583)
Income taxes paid		(89,284)	(78,626)
Dividends received		1,498	1,420
Net Cash Flows From Operating Activities	28(b)	340,448	338,935
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment and intangible assets		(55,012)	(64,970)
Payments for purchase of investment properties		(15,828)	(54,665)
Proceeds from sale of property, plant and equipment and properties held for resale		7,152	10,459
Payments for purchase of units in unit trusts		(395)	(106)
Payments for purchase of equity accounted investments		(4)	(2,608)
Proceeds from sale of listed securities		1,477	134
Payments for purchase of listed securities		(4,048)	-
Loans granted to other entities		(15,145)	(1,361)
Net Cash Flows Used In Investing Activities		(81,803)	(113,117)
Cash Flows from Financing Activities			
Proceeds from Renounceable Rights Offer		120,718	-
Payments for purchase of shares in controlled entities		-	(22,618)
Repayments of Syndicated Facility and Syndicated Working Capital Facility		(52,000)	(122,855)
Dividends paid		(333,664)	(111,543)
Loans repaid from related parties		37,153	19,925
Proceeds from other borrowings		7,196	1,878
Net Cash Flows Used In Financing Activities		(220,597)	(235,213)
Net Increase/(Decrease) in Cash and Cash Equivalents		38,048	(9,395)
Cash and Cash Equivalents at Beginning of the Year		115,172	124,567
Cash and Cash Equivalents at End of the Year	28(a)	153,220	115,172

NOTES TO THE FINANCIAL STATEMENTS

1. Statement of Significant Accounting Policies

These consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2014, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2014. The adoption of the amending standards did not have a significant impact on the consolidated entity.

During the year, certain comparatives have been restated for consistency with policies adopted in the current year, which are not material for disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Operating Segments

Operating Segment Revenue: 30 June 2015	June 2015 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	2,869	867,932	870,801
Retail – New Zealand	740,618	11,196	751,814
Retail – Asia	391,555	3,532	395,087
Retail – Slovenia & Croatia	94,519	957	95,476
Retail – Ireland & Northern Ireland	231,690	2,384	234,074
Other Non-Franchised Retail	150,208	2,940	153,148
TOTAL RETAIL	1,608,590	21,009	1,629,599
Retail Property	119	230,268	230,387
Property Developments for Resale	5,573	173	5,746
TOTAL PROPERTY	5,692	230,441	236,133
Equity Investments	-	3,102	3,102
Other	-	17,532	17,532
Inter-company eliminations		(38,730)	(38,730)
Total Segment Revenue	**1,617,151**	**1,101,286**	**2,718,437**

Operating Segment Revenue: 30 June 2014	June 2014 $000 Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Segment Revenue
FRANCHISING OPERATIONS	3,479	810,538	814,017
Retail – New Zealand	677,167	17,109	694,276
Retail – Asia	371,183	3,622	374,805
Retail – Slovenia & Croatia	95,547	854	96,401
Retail – Ireland & Northern Ireland	220,288	2,753	223,041
Other Non-Franchised Retail	140,354	2,626	142,980
TOTAL RETAIL	1,504,539	26,964	1,531,503
Retail Property	121	213,454	213,575
Property Developments for Resale	5,523	320	5,843
TOTAL PROPERTY	5,644	213,774	219,418
Equity Investments	-	4,491	4,491
Other	-	13,040	13,040
Inter-company eliminations	-	(35,183)	(35,183)
Total Segment Revenue	**1,513,662**	**1,033,624**	**2,547,286**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Operating Segments (continued)

Operating Segment Result: 30 June 2015	June 2015 $000 Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	251,207	(8,511)	(30,800)	(11,535)	**200,361**
Retail – New Zealand	61,401	(30)	(8,141)	(123)	**53,107**
Retail – Asia	765	(67)	(5,869)	(854)	**(6,025)**
Retail – Slovenia & Croatia	5,070	(483)	(1,752)	(135)	**2,700**
Retail – Ireland & Northern Ireland	(8,349)	(1,960)	(2,929)	-	**(13,238)**
Other Non-Franchised Retail	7,812	(1,855)	(1,376)	(94)	**4,487**
TOTAL RETAIL	66,699	(4,395)	(20,067)	(1,206)	**41,031**
Retail Property	162,181	(18,491)	(8,835)	(580)	**134,275**
Property Developments for Resale	989	(74)	-	-	**915**
TOTAL PROPERTY	163,170	(18,565)	(8,835)	(580)	**135,190**
Equity Investments	3,040	(223)	-	-	**2,817**
Other	5,190	(1,792)	(4,697)	-	**(1,299)**
Inter-company eliminations	(614)	614	-	-	**-**
Total Segment Result Before Tax	**488,692**	**(32,872)**	**(64,399)**	**(13,321)**	**378,100**

Operating Segment Result: 30 June 2014	June 2014 $000 Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	198,689	(9,240)	(37,495)	(8,236)	**143,718**
Retail – New Zealand	58,389	(5)	(8,590)	(42)	**49,752**
Retail – Asia	2,266	(37)	(4,712)	(537)	**(3,020)**
Retail – Slovenia & Croatia	5,544	(523)	(1,881)	(124)	**3,016**
Retail – Ireland & Northern Ireland	(16,570)	(2,847)	(2,723)	-	**(22,140)**
Non-Franchised Retail - Clive Peeters & Rick Hart	(972)	(525)	-	-	**(1,497)**
Other Non-Franchised Retail	5,613	(1,408)	(1,530)	(68)	**2,607**
TOTAL RETAIL	54,270	(5,345)	(19,436)	(771)	**28,718**
Retail Property	152,626	(21,025)	(6,996)	(228)	**124,377**
Property Developments for Resale	(569)	(143)	-	-	**(712)**
TOTAL PROPERTY	152,057	(21,168)	(6,996)	(228)	**123,665**
Equity Investments	4,430	(223)	-	-	**4,207**
Other	6,617	(1,176)	(4,471)	(217)	**753**
Inter-company eliminations	(715)	715	-	-	**-**
Total Segment Result Before Tax	**415,348**	**(36,437)**	**(68,398)**	**(9,452)**	**301,061**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Operating Segments (continued)

Operating Segment Assets and Liabilities: 30 June 2015	June 2015 $000 Segment Assets: Segment Assets	Segment Assets: Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities: Segment Liabilities	Segment Liabilities: Inter-company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,489,665	(2,092,646)	1,397,019	1,117,641	(230,690)	886,951
Retail – New Zealand	201,139	-	201,139	72,321	(3,451)	68,870
Retail – Asia	125,717	(1,135)	124,582	92,527	(37,923)	54,604
Retail – Slovenia & Croatia	42,469	(2,790)	39,679	38,609	(1,185)	37,424
Retail – Ireland & Northern Ireland	157,317	(98,377)	58,940	340,864	(242,265)	98,599
Other Non-Franchised Retail	110,293	(31,849)	78,444	157,889	(106,245)	51,644
TOTAL RETAIL	636,935	(134,151)	502,784	702,210	(391,069)	311,141
Retail Property	2,329,837	(27,117)	2,302,720	1,885,087	(1,555,642)	329,445
Property Developments for Resale	16,239	-	16,239	10,249	(9,098)	1,151
TOTAL PROPERTY	2,346,076	(27,117)	2,318,959	1,895,336	(1,564,740)	330,596
Equity Investments	40,565	-	40,565	3,452	-	3,452
Other	125,374	(26,157)	99,217	129,581	(93,572)	36,009
Total Segment Assets / Liabilities Before Tax Assets / Tax Liabilities	**6,638,615**	**(2,280,071)**	**4,358,544**	**3,848,220**	**(2,280,071)**	**1,568,149**

Operating Segment Assets and Liabilities: 30 June 2014	June 2014 $000 Segment Assets: Segment Assets	Segment Assets: Inter-company Eliminations	Segment Assets After Eliminations	Segment Liabilities: Segment Liabilities	Segment Liabilities: Inter-company Eliminations	Segment Liabilities After Eliminations
FRANCHISING OPERATIONS	3,302,429	(2,020,117)	1,282,312	1,015,187	(215,667)	799,520
Retail – New Zealand	214,490	-	214,490	62,094	(3,407)	58,687
Retail – Asia	125,588	(1,194)	124,394	90,665	(37,901)	52,764
Retail – Slovenia & Croatia	41,699	(1,988)	39,711	37,847	(392)	37,455
Retail – Ireland & Northern Ireland	51,836	-	51,836	328,715	(221,703)	107,012
Non-Franchised Retail – Clive Peeters and Rick Hart	14,459	(14,459)	-	60,415	(52,333)	8,082
Other Non-Franchised Retail	91,002	(17,463)	73,539	99,659	(53,855)	45,804
TOTAL RETAIL	539,074	(35,104)	503,970	679,395	(369,591)	309,804
Retail Property	2,319,832	(42,650)	2,277,187	1,786,509	(1,421,410)	365,099
Property Developments for Resale	13,399	(11)	13,388	17,269	(15,061)	2,208
TOTAL PROPERTY	2,333,231	(42,661)	2,290,570	1,803,778	(1,436,471)	367,307
Equity Investments	36,078	-	36,078	3,428	-	3,428
Other	123,234	(30,033)	93,201	128,030	(106,186)	21,844
Total Segment Assets / Liabilities Before Tax Assets / Tax Liabilities	**6,334,046**	**(2,127,915)**	**4,206,131**	**3,629,818**	**(2,127,915)**	**1,501,903**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. Operating Segments (continued)

The consolidated entity operates predominantly in ten (10) operating segments:

Operating Segment	Description of Segment
Franchising Operations	Consists of the franchising operations of the consolidated entity (other than retailing, property and financial services).
Retail – New Zealand	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in New Zealand under the Harvey Norman brand name.
Retail – Asia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman and Space brand names.
Retail – Slovenia & Croatia	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Slovenia and Croatia under the Harvey Norman brand name.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Ireland and Northern Ireland under the Harvey Norman brand name.
Non-Franchised Retail	Consists of the retail trading operations in Australia which are controlled by the consolidated entity and do not include any operations of Harvey Norman, Domayne and Joyce Mayne franchisees. This segment includes the Space brand in Malaysia.
Retail Property	Consists of land and buildings for each retail site and mining accommodation operation that is fully operational or is ready and able to be tenanted. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement for each site that is owned by the consolidated entity which is fully operational (or ready for operations) as at balance date.
Property 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 parties and other unallocated income and expense items.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED June 2015 $000	June 2014 $000
3. Revenues		
Sales revenue:		
Revenue from the sale of products	1,617,151	1,513,662
Revenues and other income items:		
Gross revenue from franchisees:		
- Franchise fees	709,299	661,864
- Rent	229,868	225,858
- Interest	24,643	26,982
Total revenue received from franchisees	963,810	914,704
Gross revenue from other unrelated parties:		
- Rent received from external tenants	73,081	67,828
- Interest received from financial institutions and other parties	8,657	8,874
- Dividends received	1,884	1,749
Total revenue from other unrelated parties	83,622	78,451
Other Income Items:		
- Net property revaluation increment on Australian investment properties	7,604	-
- Property revaluation adjustment for overseas controlled entity	1,123	-
- Net profit on the revaluation of equity investments to fair value	1,218	2,742
- Net foreign exchange gains	220	588
- Other revenue	43,689	37,139
Total other income items	53,854	40,469
Total revenues and other income items	1,101,286	1,033,624
4. Expenses and Losses		
Tactical support:		
Tactical support provided to franchisees	81,353	103,191
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	8,154	7,656
- Plant and equipment	56,245	60,742
Amortisation of:		
- Computer software	12,742	9,007
- Software licences	305	228
Impairment of: (included in administrative expenses line in the Income Statement)		
- Capitalised IT Projects	-	195
- Other assets	274	22
Total depreciation, amortisation and impairment	77,720	77,850

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED June 2015 $000	June 2014 $000
4. Expenses and Losses (continued)		
Minimum lease payments	159,802	157,103
Finance costs:		
Interest paid or payable:		
- Loans from directors and director-related entities	2,519	1,394
- Bank interest paid to financial institutions	29,100	33,725
- Other	1,253	1,318
Total finance costs	32,872	36,437
Employee benefits expense:		
- Wages and salaries	223,896	210,382
- Workers' compensation costs	1,017	603
- Superannuation contributions expense	12,216	11,610
- Payroll tax expense	8,730	8,653
- Share-based payments expense	218	419
- Other employee benefits expense	9,308	7,068
Total employee benefits expense	255,385	238,735
Property revaluation decrements (included in occupancy expenses):		
- Net revaluation decrement for Australian investment properties	-	9,529
- Net revaluation decrement for overseas controlled entities	-	2,123
Total net property revaluation decrements	-	11,652
5. Income Tax		
Income tax recognised in the Income Statement:		
The major components of income tax expense are:		
Current income tax:		
Current income tax charge	102,932	82,574
Adjustments in respect of current income tax of previous years	(632)	51
Adjustment of income tax on exempt foreign transactions in prior years	-	(299)
Support payments provided to Harvey Norman Holdings (Ireland) Limited as agreed under the terms of an Advance Pricing Arrangement with the Australian Taxation Office dated 6 February 2012	(2,160)	(3,545)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	9,046	10,042
Total income tax expense reported in the Income Statement	109,186	88,823

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated June 2015 $000	Consolidated June 2014 $000

6. Earnings Per Share

	June 2015	June 2014
Basic earnings per share (cents per share)	**24.51c**	19.69c
Diluted earnings per share (cents per share)	**24.48c**	19.68c

	June 2015 $000	June 2014 $000
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax	**268,914**	212,238
Profit after tax attributable to non-controlling interests	**(819)**	(543)
Profit after tax attributable to owners of the parent	**268,095**	211,695

	Number of Shares June 2015	Number of Shares June 2014
Weighted average number of ordinary shares used in calculating basic earnings per share (a):	**1,093,626,019**	1,074,989,368
Effect of dilutive securities (b):		
- Share Options	**1,490,785**	974,568
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,095,116,804**	1,075,963,936

(a) Weighted Average number of Ordinary Shares

The weighted average number of ordinary shares used in calculating basic earnings per share is inclusive of the new shares totalling 48,287,127 ordinary shares in the company issued on 22 December 2014 pursuant to the Renounceable Rights Offer, weighted on a pro-rata basis from issue date to 30 June 2015.

b) Effect of Dilutive Securities

On 29 November 2010, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the "First Tranche"). These options are capable of exercise from 1 January 2014 to 30 June 2016 at an exercise price of $3.02 per option. The options were valued at grant date at $0.87 each utilising the assumptions underlying the Black-Scholes methodology. On 13 June 2012, the consolidated entity announced that a total of 966,000 options over 966,000 shares in respect of the First Tranche had lapsed and will never be exercisable by the participants. On 14 November 2013, the consolidated entity announced that a total of 900,000 options over 900,000 shares in respect of the First Tranche had lapsed and will never be exercisable by the participants.

On 29 November 2011, the consolidated entity issued 3,000,000 unlisted options to certain executive directors (the "Second Tranche"). These options are capable of exercise from 1 January 2015 to 30 June 2017 at an exercise price of $2.03 per option. The options were valued at grant date at $0.51 each utilising the assumptions underlying the Black-Scholes methodology. On 29 November 2012, the consolidated entity announced that a total of 2,250,000 options over 2,250,000 shares in respect of the Second Tranche had lapsed and will never be exercisable by the participants.

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

Options issued pursuant to the First, Second and Third Tranches have been included in the calculation of diluted earnings per share as their exercise prices were less than the average market price of an ordinary share for the year ended 30 June 2015. The unexercised options of the First, Second and Third Tranches 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.

Notes to the financial Statements (continued)

	Consolidated June 2015 $000	June 2014 $000
7. Trade and Other Receivables (Current)		
Trade debtors	1,107,653	1,049,897
Consumer finance loans	2,049	2,073
Provision for doubtful debts	(875)	(779)
Trade debtors and consumer finance loans, net	1,108,827	1,051,191
Amounts receivable in respect of finance leases	10,797	12,198
Provision for doubtful debts	(5,897)	(5,897)
Finance leases, net	4,900	6,301
Non-trade debts receivable from:		
- Related parties (including joint ventures and joint venture partners)	23,673	-
- Unrelated parties	6,479	5,757
- Provision for doubtful debts	(1,328)	(965)
Non-trade debts receivable, net	28,824	4,792
Total trade and other receivables (current)	1,142,551	1,062,284
8. Other Financial Assets (Current)		
Listed shares held for trading at fair value	24,734	20,546
Derivatives receivable	64	-
Other current financial assets	1,350	1,050
Total other financial assets (current)	26,148	21,596
9. Inventories (Current)		
Finished goods at cost	301,062	293,122
Provision for obsolescence	(5,563)	(4,305)
Finished goods at cost, net	295,499	288,817
Finished goods at net realisable value	2,882	8,853
Total current inventories at the lower of cost and net realisable value	298,381	297,670
10. Other Assets (Current)		
Prepayments	13,841	12,212
Other current assets	9,231	10,798
Total other assets (current)	23,072	23,010
11. Intangible Assets (Current)		
Net licence property	476	541

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Consolidated June 2015 $000	June 2014 $000
12. Trade and Other Receivables (Non-Current)		
Trade debtors	304	310
Consumer finance loans	429	453
Provision for doubtful debts	(4)	(4)
Trade debtors and consumer finance loans, net	729	759
Amounts receivable in respect of finance leases	1,348	2,036
Non-trade debts receivable from:		
- Related parties (including joint ventures and joint venture partners)	68,712	57,109
- Provision for doubtful debts	(4,955)	-
- Unrelated parties	5,981	4,622
Non-trade debts receivable, net	69,738	61,731
Total trade and other receivables (non-current)	71,815	64,526
13. Other Financial Assets (Non-Current)		
Listed shares held for trading at fair value	2,350	2,750
Listed shares held as available for sale	13,481	12,782
Units in unit trusts	216	206
Other non-current financial assets	523	438
Total other financial assets (non-current)	16,570	16,176
14. Property, Plant and Equipment (Non-Current)		
Land at fair value	148,734	129,609
Buildings at fair value	209,983	221,047
Net land and buildings at fair value	358,717	350,656
Plant and equipment:		
At cost	751,037	769,366
Accumulated depreciation	(558,486)	(552,806)
Net plant and equipment	192,551	216,560
Lease make good asset:		
At cost	5,093	4,850
Accumulated depreciation	(3,758)	(3,009)
Net lease make good asset	1,335	1,841
Total plant and equipment	193,886	218,401
Total property, plant and equipment:		
Land and buildings at fair value	358,717	350,656
Plant and equipment at cost	756,130	774,216
Total property, plant and equipment	1,114,847	1,124,872
Accumulated depreciation and amortisation	(562,244)	(555,815)
Total written down amount	552,603	569,057

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		June 2015 $000	June 2014 $000
15.	**Investment Properties**		
	Opening balance at beginning of the year, at fair value	1,903,504	1,853,540
	Net additions, disposals and transfers	24,828	59,691
	Net increase/(decrease) from fair value adjustments	7,604	(9,727)
	Closing balance at end of the year, at fair value	1,935,936	1,903,504

Investment Properties

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

- the highest and best use
- quality of construction
- age and condition of improvements
- recent market sales data in respect of comparable properties
- current market rental value, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction
- tenure of franchisees and external tenants
- adaptive reuse of buildings
- the specific circumstances of the property not included in any of the above points
- non-reliance on turnover rent

The investment property portfolio in Australia and properties held in joint venture entities are subject to a 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 thirty-four (34) properties during the year ended 30 June 2015. Based on the results of the independent valuations, a further nine (9) properties were identified by management for further review by management. The nine (9) 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. Either a discounted cash flow valuation or a direct sale comparison valuation was undertaken in respect of all properties for means of comparison. There were no material differences between the capitalisation method result, the discounted cash flow method result and the direct sale comparison method result.

		CONSOLIDATED	
		June 2015 $000	June 2014 $000
16.	**Intangible Assets (Non-Current)**		
	Goodwill	-	10
	Net software licences	4,120	4,279
	Computer software:		
	- At cost	157,600	139,048
	- Accumulated amortisation and impairment	(77,993)	(65,439)
	Net computer software	79,607	73,609
	Net intangible assets (non-current)	83,727	77,898
17.	**Trade and Other Payables (Current)**		
	Trade creditors	682,666	642,301
	Accruals	43,808	39,139
	Other creditors	87,000	59,241
	Total trade and other payables (current)	813,474	740,681

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED June 2015 $000	June 2014 $000
18. Interest-Bearing Loans and Borrowings (Current)		
Secured:		
Non trade amounts owing to:		
- Bank overdraft	32,620	29,785
- Commercial bills payable	9,750	9,750
- Syndicated Facility Agreement (a)	170,000	370,000
- Other short-term borrowings (b)	101,808	7,368
Lease liabilities	139	-
Unsecured:		
Derivatives payable	4,104	105
Non trade amounts owing to:		
- Directors	78,972	41,121
- Other related parties	10,956	11,723
- Other unrelated parties	89	20
Total interest-bearing loans and borrowings (current)	408,438	469,872

(a) Syndicated Facility Agreement

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

The aggregate value of the Syndicated Facility Agreement remained at $610 million. The utilised amount of the Syndicated Facility Agreement as at 30 June 2015 was $460 million. This Facility is secured by:

(a) a fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers; and

(b) real estate mortgages granted by certain Guarantors in favour of the security trustee for the Financiers over various real properties owned by those Guarantors.

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

(a) as to $170 million, on 28 November 2015;

(b) as to $200 million, on 28 November 2017;

(c) as to $240 million, on 22 December 2016;

(d) otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:

  (i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;

  (ii) if any change in law or other event makes it illegal or impractical for a Financier to perform its obligations under the Syndicated Facility Agreement or fund or maintain the amount committed by that Financier to the provision of the Increased Facility ("Commitment"), the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

(b) Other Short-Term Borrowings

Of the total other short-term borrowings of $101.81 million:

- a total of $50.70 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facilities are utilised in Slovenia and Croatia and have a maturity date of 2 December 2015.
- a total of $40.14 million is secured by the securities given pursuant to the Syndicated Facility Agreement. The facility is utilised in Singapore and has a maturity date of 30 November 2015.
- a total of $9.77 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 $1.20 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.

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

During the 2015 and 2014 financial 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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		CONSOLIDATED	
		June 2015 $000	June 2014 $000
19.	**Other Liabilities (Current)**		
	Lease incentives	2,025	2,031
	Unearned revenue	845	12
	Total other liabilities (current)	2,870	2,043
20.	**Provisions (Current)**		
	Employee entitlements	18,636	18,204
	Lease make good	2,161	1,350
	Deferred lease expenses	983	893
	Onerous lease costs	750	1,722
	Other	960	3,325
	Total provisions (current)	23,490	25,494
21.	**Interest-Bearing Loans and Borrowings (Non-Current)**		
	Secured:		
	Non trade amounts owing to:		
	- Syndicated Facility Agreement (Refer to Note 18(a))	290,000	142,000
	- Other non-current borrowings	-	87,383
	Unsecured:		
	Derivatives payable	-	8,711
	Total interest-bearing loans and borrowings (non-current)	290,000	238,094
22.	**Provisions (Non-Current)**		
	Employee entitlements	4,295	2,066
	Lease make good	2,948	3,523
	Deferred lease expenses	5,006	4,704
	Total provisions (non-current)	12,249	10,293
23.	**Other Liabilities (Non-Current)**		
	Lease incentives	14,238	15,426
	Unearned revenue	3,390	-
	Total other liabilities (non-current)	17,628	15,426
24.	**Contributed Equity**		
	Ordinary shares	380,328	259,610
	Total contributed equity	380,328	259,610
		Number of Shares	Number of Shares
	Number of ordinary shares issued and fully paid	1,110,603,911	1,062,316,784

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

	June 2015 Number	June 2015 $000
Movements in ordinary shares on issue		
At 1 July 2014	1,062,316,784	259,610
Issue of shares under executive share option plan	-	-
Issue of new ordinary shares pursuant to Renounceable Rights Offer in December 2014	48,287,127	120,718
At 30 June 2015	1,110,603,911	380,328

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	CONSOLIDATED June 2015 $000	June 2014 $000
25. Retained Profits and Dividends		
Movements in retained earnings were as follows:		
Balance at beginning of the year	2,109,032	2,008,880
Profit for the year	268,095	211,695
Dividends paid	(333,664)	(111,543)
Balance at end of the year	2,043,463	2,109,032
Dividends declared and paid during the year:		
Dividends on ordinary shares:		
Final fully-franked dividend for 2014: 8.0 cents (2013: 4.5 cents)	84,986	47,804
Special fully-franked dividend pursuant to Renounceable Rights Offer in December 2014: 14.0 cents	148,724	-
Interim fully-franked dividend for 2015: 9.0 cents (2014: 6.0 cents)	99,954	63,739
Total dividends paid	333,664	111,543

The final dividend of $84.99 million, fully-franked, for the year ended 30 June 2014 was paid on 1 December 2014.
The special dividend of $148.72 million, fully-franked, pursuant to the Renounceable Rights Offer was paid on 30 December 2014.
The interim dividend of $99.95 million, fully-franked, for the year ended 30 June 2015 was paid on 4 May 2015.
The final dividend of 11.0 cents per share totalling $122.17 million, fully-franked, for the year ended 30 June 2015 will be paid on 1 December 2015. No provision has been made in the Statement of Financial Position for the payment of this final dividend.

Franking credit balance

	June 2015 $000	June 2014 $000
The amount of franking credits available for the subsequent financial years are:		
- franking account balance as at the end of the financial year at 30%	607,620	676,514
- franking credits that will arise from the payment of income tax payable as at the end of the financial year	29,182	18,953
- franking credits that will be utilised in the payment of proposed final dividend	(52,357)	(36,422)
The amount of franking credits available for future reporting years	584,445	659,045

	June 2015 $000	June 2014 $000
26. Non-Controlling Interests		
Interest in:		
- Ordinary shares	2,591	2,591
- Reserves	13,440	11,683
- Retained earnings	3,748	5,455
Total non-controlling interests	19,779	19,729

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. Reserves

CONSOLIDATED $000	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	Cash flow hedge reserve	Employee equity benefits reserve	Acquisition reserve	Total
At 1 July 2013	74,545	(3,801)	6,450	(8,824)	8,167	(14,738)	**61,799**
Revaluation of land and buildings	24,803	-	-	-	-	-	**24,803**
Tax effect of revaluation of land and buildings	(8,164)	-	-	-	-	-	**(8,164)**
Unrealised gains on available-for-sale investments	-	-	829	-	-	-	**829**
Net gain on interest rate swap	-	-	-	3,828	-	-	**3,828**
Tax effect of net gain on swap	-	-	-	(1,148)	-	-	**(1,148)**
Reverse expired or realised cash flow hedge reserves	-	-	-	47	-	-	**47**
Net loss on forward foreign exchange contracts	-	-	-	(18)	-	-	**(18)**
Tax effect of net loss on forward foreign exchange contracts	-	-	-	5	-	-	**5**
Currency translation differences	-	27,647	-	-	-	-	**27,647**
Acquisition of non-controlling interest	-	-	-	-	-	(7,313)	**(7,313)**
Share based payment	-	-	-	-	447	-	**447**
Reversal of share expenses	-	-	-	-	(27)	-	**(27)**
At 30 June 2014	91,184	23,846	7,279	(6,110)	8,587	(22,051)	**102,735**
At 1 July 2014	91,184	23,846	7,279	(6,110)	8,587	(22,051)	**102,735**
Revaluation of land and buildings	13,115	-	-	-	-	-	**13,115**
Tax effect of revaluation of land and buildings	(2,055)	-	-	-	-	-	**(2,055)**
Unrealised gain on available-for-sale investments	-	-	1,302	-	-	-	**1,302**
Net gain on interest rate swap	-	-	-	4,650	-	-	**4,650**
Tax effect of net gain on swap	-	-	-	(1,395)	-	-	**(1,395)**
Reverse expired or realised cash flow hedge reserves	-	-	-	12	-	-	**12**
Net gain on forward foreign exchange contracts	-	-	-	37	-	-	**37**
Tax effect of net gain on forward foreign exchange contracts	-	-	-	(11)	-	-	**(11)**
Currency translation differences	-	(5,317)	-	-	-	-	**(5,317)**
Share based payment	-	-	-	-	217	-	**217**
At 30 June 2015	102,244	18,529	8,581	(2,817)	8,804	(22,051)	**113,290**

Nature and purpose of reserves:

(a) Asset revaluation reserve
This reserve is used to record increases in the fair value of "owner occupied" land and buildings and decreases to the extent that such decreases relate to an increase of the same asset previously recognised in equity.
(b) Foreign currency translation reserve
This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.
(c) Available for sale reserve
This reserve is used to record fair value changes on available-for-sale investments.
(d) Cash flow hedge reserve
This reserve is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.
(e) Employee equity benefits reserve
This reserve is used to record the value of equity benefits provided to employees and directors as part of their remuneration.
(f) Acquisition reserve
This reserve is used to record the consideration paid in excess of carrying value of non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		Consolidated June 2015 $000	June 2014 $000
28.	Cash and Cash Equivalents		
(a)	Reconciliation to Cash Flow Statement		
	Cash and cash equivalents comprise the following at end of the year:		
	Cash at bank and on hand	169,694	119,092
	Short term money market deposits	16,146	25,865
		185,840	144,957
	Bank overdraft (Note 18)	(32,620)	(29,785)
	Cash and cash equivalents at end of the year	153,220	115,172
(b)	Reconciliation of profit after income tax to net operating cash flows:		
	Profit after tax	268,914	212,238
	Adjustments for:		
	Net foreign exchange gains	(220)	(588)
	Bad and doubtful debts	2,785	129
	Provision for inventory obsolescence	1,258	(192)
	Share of net profit from joint venture entities	(8,657)	(17,501)
	Depreciation of property, plant and equipment	64,399	68,398
	Amortisation	13,047	9,235
	Impairment of fixed assets and IT projects	-	217
	Impairment of investment in joint venture	274	-
	Revaluation of investment properties and properties held under joint ventures	(7,604)	9,529
	Property revaluation adjustment for overseas controlled entities	(1,123)	2,123
	Deferred lease expenses	244	214
	Provision for onerous leases	667	135
	Discount of interest-free long term receivables	-	32
	Accretion of interest-free long term receivables	-	(59)
	Executive remuneration expenses	4,246	2,926
	Transfers to provisions:		
	- Employee entitlements	2,662	2,059
	Loss/(gain) on disposal and revaluation of:		
	- Property, plant and equipment, and listed securities	2,271	(1,331)
	Changes in assets and liabilities net of effects from purchase and sale of controlled entities:		
	(Increase)/decrease in assets:		
	Receivables	(81,322)	(58,618)
	Inventory	(1,970)	(28,697)
	Other current assets	(62)	4,645
	Increase/(decrease) in liabilities:		
	Payables and other current liabilities	69,973	133,716
	Income tax payable	10,666	325
	Net cash from operating activities	340,448	338,935

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. Investments Accounted for Using Equity Method	CONSOLIDATED Investment		CONSOLIDATED Share of pre tax profit	
	June 2015 $000	June 2014 $000	**June 2015 $000**	June 2014 $000
Total joint venture entities accounted for using equity method	**21,425**	24,912	**8,658**	17,501

Name and Principal Activities	Ownership Interest		Contribution to Pre Tax Profit / (Loss)	
	June 2015 %	June 2014 %	**June 2015 $000**	June 2014 $000
Noarlunga (Shopping complex)	**50%**	50%	**1,470**	973
Perth City West (Shopping complex)	**50%**	50%	**4,344**	4,246
Tweed Heads Expo Park (c) (Shopping complex)	**100%**	100%	**-**	392
Warrawong King St (a) (Shopping complex)	**62.5%**	62.5%	**1,246**	1,008
Tweed Heads Traders Way (c) (Shopping complex)	**100%**	100%	**-**	22
Byron Bay (Residential/convention development)	**50%**	50%	**(706)**	(730)
Byron Bay – 2 (Resort operations)	**50%**	50%	**1,004**	830
Dubbo (Shopping complex)	**50%**	50%	**672**	603
Bundaberg (c) (Warehouse)	**100%**	100%	**-**	(2)
Bundaberg – 2 (Land held for investment)	**50%**	50%	**(4)**	(4)
Gepps Cross (Shopping complex)	**50%**	50%	**2,708**	2,855
QCV (b) (Miners residential complex)	**50%**	50%	**(3,630)**	9,712
Lincoln Junction (New Zealand)	**50%**	50%	**1,554**	-
KEH Partnership (Retailer)	**50%**	50%	**-**	(2,404)
			8,658	17,501

(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 December 2015. HNHL has granted a joint and several guarantee to ANZ in respect of this facility.
- (ii) finance facilities from Network Consumer Finance Pty Limited ("NCF"), a wholly-owned subsidiary of HNHL, for the amount of $31.75 million plus interest and costs, with maturity dates up to 28 February 2016.

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

Other Information

Non-Cash Financing and Investing Activities

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

	CONSOLIDATED	
	June 2015	June 2014
Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	**2.39**	2.43
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 year 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 year	N/A	N/A
Loss of Control of Entities Having Material Effect		
Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current year to the date of loss of control	N/A	N/A
Date from which such profit/(loss) has been calculated	N/A	N/A
Profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding year	N/A	N/A

Audit

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