APPENDIX 4D
HALF YEAR REPORT
DEC 2020

Harvey Norman

HOLDINGS LIMITED | ACN 003 237 545

SHOP WITH CONFIDENCE

on Quality, Value & Service

APPENDIX 4D
HALF YEAR REPORT
DEC 2020

Key Dates

26 February 2021
Announcement of Half-Year Profit to 31 December 2020 & Announcement of Interim 2021 Dividend

1 April 2021
Record Date for Determining Entitlement to Interim 2021 Dividend

3 May 2021
Payment of Interim 2021 Dividend

31 August 2021
Announcement of Full-Year Profit to 30 June 2021 Announcement of Final 2021 Dividend

8 October 2021
Record Date Determining Entitlement to Final 2020 Dividend

1 November 2021
Payment of Final 2021 Dividend

Contents

Company Info

Registered Office
A1 Richmond Road,
Homebush West NSW 2140
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Share Registry
Boardroom Pty Limited,
Level 12, 225 George Street,
Sydney NSW 2000
Ph: 02 9290 9600

Auditors
Ernst & Young (EY)

Securities Exchange Listing
Shares in Harvey Norman Holdings Limited (HVN) are quoted on the Australian Securities Exchange Limited (ASX)

Solicitors
Brown Wright Stein

Company Secretary
Mr. Chris Mentis

Hornsby, NSW Franchised Complex

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1H21 RESULTS FOR ANNOUNCEMENT TO THE MARKET

HARVEY NORMAN HOLDINGS LIMITED

REPORTED PBT
$643.91m UP BY 113.8%
FROM $301.15m IN 1H20

PBT
Excluding AASB 16 net impact and net property revaluations
$610.22m UP BY 113.5%
FROM $285.87m IN 1H20

REPORTED PROFIT AFTER TAX & NCI
$462.03m UP BY 116.3%
FROM $213.59m IN 1H20

PROFIT AFTER TAX & NCI
Excluding AASB 16 net impact and net property revaluations
$438.17m UP BY 115.8%
FROM $203.04m IN 1H20

EBITDA
$779.84m UP BY 76.0%
FROM $443.13m IN 1H20

EBITDA
Excluding AASB 16 net impact and net property revaluations
$659.31m UP BY 93.0%
FROM $341.54m IN 1H20

EBIT
$668.95m UP BY 101.3%
FROM $332.39m IN 1H20

EBIT
Excluding AASB 16 net impact and net property revaluations
$614.83m UP BY 107.5%
FROM $296.37m IN 1H20

NET DEBT TO EQUITY: NIL

NET CASH OF **$21.75m** VS NET DEBT OF **$553.23m** IN 1H20
AN IMPROVEMENT OF **$574.98m**

UNUSED, AVAILABLE FINANCING FACILITIES OF
$499m
out of total financing facilities of $755m as at Dec 20

NET ASSETS
$3.74 billion
⬆ 13.9% FROM **$3.28bn** IN DEC 19

BASIC EARNINGS PER SHARE
37.08c
⬆ FROM **17.70c** IN 1H20

INTERIM DIVIDENDS PER SHARE
(FULLY FRANKED)
20.0c

HNHL CONSOLIDATED REVENUES
$2.34 billion UP BY 27%
FROM $1.84 billion IN 1H20

COMPANY-OPERATED SALES REVENUE	$1.47bn
REVENUE RECEIVED FROM FRANCHISEES	$742.07m
REVENUES AND OTHER INCOME ITEMS	$123.70m

539 FRANCHISEES IN AUSTRALIA

194 FRANCHISED COMPLEXES IN AUSTRALIA

107 OFFSHORE COMPANY OPERATED STORES

TOTAL SYSTEM SALES REVENUE
$5.23 billion UP BY 24.8%
FROM $4.19 billion IN 1H20

AGGREGATED HEADLINE FRANCHISEE SALES REVENUE*	$3.76bn
COMPANY-OPERATED SALES REVENUE	$1.47bn

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

FINANCIAL HIGHLIGHTS

RECORD FINANCIAL ACHIEVEMENT

Reported profit before tax (PBT) of $643.91m, up by $342.76m or +113.8% from 1H20.

PBT (excluding net property revaluations & AASB 16) of $610.22m, up by $324.36m or +113.5% from 1H20.

Aggregated headline **franchisee sales revenue totalled $3.76 billion, up by +27.3%** in 1H21 vs 1H20.

Franchising operations segment revenue of $689.27m up by $245.46m or +55.3% from 1H20.

Franchising operations segment result of $383.96m up by $260.10m or +210.0%.

Franchising operations margin of 10.22% for 1H21, up by 603 bps from a margin of 4.19% for 1H20.

1H21 offshore company-operated retail revenue of $1.39bn, up by $242.72m or +21.1%.

1H21 offshore company-operated retail result of $138.15m, up by $56.46m or +69.1%.

SOLID BALANCE SHEET

Robust balance sheet with **total assets of $6.26bn,** including tangible freehold property assets of $3.10bn.

Net assets of $3.74bn up by +13.9% from Dec-19.

Net debt to equity: NIL in Dec-20 vs. 16.57% in Dec-19.

Positive net cash position of $21.75m (cash net of interest-bearing loans and borrowings) at the end of 1H21 vs. a net debt position of $553.23m at the end of 1H20.

Net cash flows from operating activities of $391.95m for 1H21, up $93.18m or +31.2%, from $298.77m for 1H20.

Earnings per share of 37.08 cents, up by +109.5% from 17.70 cents for 1H20.

PROPERTY

194 franchised complexes in Australia and **107** company-operated stores overseas.

$3.10 billion property portfolio, consisting of freehold investment properties, owner-occupied properties in New Zealand, Singapore, Slovenia, Ireland and Australia, joint venture assets and assets held for resale.

$1.16 billion right-of-use assets, consisting of leases of owner-occupied properties of $528.26 million, and leases of properties sub-leased to external parties of $631.35 million.

12 new company-operated stores opened during 1H21 as planned:

- Galway, Ireland (Jul-20)
- Dunedin (outlet), New Zealand (Aug-20)
- Seletar Mall, Singapore (Sep-20)
- The Centrepoint, Singapore (Sep-20)
- Grey Lynn (commercial showroom), New Zealand (Oct-20)
- Glen Innes (outlet), New Zealand (Oct-20)
- Sligo, Ireland (Nov-20)
- Pula, Croatia (Nov-20)
- Westgate, Singapore (Nov-20)
- KL East Mall, Malaysia (Nov-20)
- Menara, Malaysia (Dec-20)
- Quayside Mall, Malaysia (Dec-20)

1 new premium-format Harvey Norman® franchised complex opened at Hornsby, NSW (Oct-20).

Overseas, many countries have seen multiple waves of infection. Our company operated stores in New Zealand, Ireland, Northern Ireland and Slovenia were mandatorily closed by their respective Governments for between 2 to 6 weeks during the current half-year period. Based on the eligibility criteria of the COVID-19 support and assistance offered by the respective governments, some of our offshore subsidiaries applied for, and were eligible to receive, wages support and assistance of $2.25 million in aggregate. All of the support and assistance was passed onto our employees, and we did not terminate the employment of any employee as a result of the pandemic. Our offshore businesses also received property-related support and assistance of $3.21 million in aggregate.

		Government Mandated Temporary Closure Dates			Government Wage Support & Assistance	Property Support & Assistance
		Affected Product Category	Date Closed	Date Re-opened		
New Zealand	43 Retail Stores	All product categories in the 11 retail stores in Auckland.	12/08/20	31/08/20	nil	nil
	Online Trade	Online permitted - all product categories	open			
Malaysia	26 Retail Stores	Retail trading permitted for all product categories, however with inhibited mobility and shortened trading hours due to restrictions placed under Recovery Movement Control Order (RMCO) and Conditional Movement Control Order (CMCO)	open		$0.12m	$0.29m
	Online Trade	Online permitted - all product categories	open			
Singapore	14 Retail Stores	Retail trade permitted - all product categories	open		$2.04m	$0.81m
	Online Trade	Online permitted - all product categories	open			
Republic of Ireland	15 Retail Stores	Closure of furniture & bedding product categories	22/10/20	30/11/20	nil	$1.64m
		Closure of furniture & bedding product categories	31/12/20	under review		
	Online Trade	Online permitted - all product categories	open			
Northern Ireland	2 Retail Stores	Closure of furniture & bedding product categories	26/12/20	under review	$0.01m	$0.47m
	Online Trade	Online permitted - all product categories	open			
Slovenia	5 Retail Stores	Closure of all 5 retail stores across all product categories	24/10/20	06/11/20	$0.08m	nil
		Closure of all 5 retail stores across all product categories	16/11/20	19/12/20		
		Closure of all 5 retail stores across all product categories	24/12/20	15/02/21		
	Online Trade	Online permitted - all product categories	open			
Croatia	2 Retail Stores	Retail trade permitted - all product categories	open		nil	nil
	Online Trade	Online permitted - all product categories	open			
					$2.25m	$3.21m

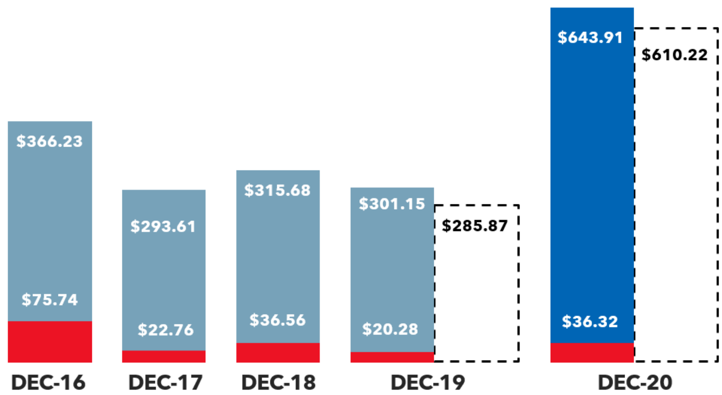
We own or control other non-franchised retail and wholesale operations under various brand names in Australia (outside of the Harvey Norman®, Domayne® and Joyce Mayne® brands). Some of the other non-franchised businesses applied for, and were eligible to receive, $3.63 million of wages support and assistance during 1H21, all of which was passed on directly to their employees in order to retain the employees of those businesses. In addition, they received property-related support and assistance of $0.21 million.

Group Results for 31 December 2020

The directors report a record result for the half-year ended 31 December 2020, with a **113.8% increase in profit before tax to $643.91 million**, up from $301.15 million in the previous corresponding period.

Excluding net property revaluation adjustments and the incremental impact of AASB 16 *Leases* in both periods, profit before tax increased by **113.5% to $610.22 million**, up from $285.87 million in the previous corresponding half.

PROFIT BEFORE TAX AS REPORTED ($M)



REPORTED PBT
$643.91m
UP BY $342.76m ON DEC-19

PBT*
$610.22m
UP BY $324.36m ON DEC-19

HALF YEAR ENDED 31 DECEMBER
(Including property revaluations)

Denotes the contribution of net property revaluations to total PBT

* PBT excluding AASB 16 net impact and net property revaluations.

HALF-YEAR ENDED 31 DECEMBER 2020

REPORTED PROFIT AFTER TAX & NCI	PAT & NCI excluding AASB 16 net impact and net property revaluations
$ 462.03m	**$ 438.17m**
▲ 116.3% ON DEC 2019	▲ 115.8% ON DEC 2019

Reported profit after tax and non-controlling interests increased by **$248.44 million or 116.3% to $462.03 million in 1H21**, up from $213.59 million in 1H20. Excluding the effects of net property revaluations and the net incremental impact of AASB 16 *Leases* in both periods, profit after tax was **$438.17 million for 1H21, a $235.13 million or 115.8% increase** since the previous half.

The effective tax rate for the consolidated entity was 27.89% for 1H21 compared to an effective tax rate of 27.90% for 1H20. The effective tax rate of the consolidated entity is akin to the 30% corporate tax rate in Australia, despite the corporate tax rates of the 7 overseas countries where our company-operated retail stores operate ranging from 17% to 28%.

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Segment Analysis

An Integrated Retail, Franchise, Property and Digital Strategy

The consolidated entity operates an integrated retail, franchise, property and digital strategy, comprising three main pillars: **1. Retail** - **2. Franchise** - **3. Property**, complemented by a robust and sustained investment in technology, digital transformation and IT infrastructure assets.

Franchising Operations Segment

Profit before tax
$383.96m
Representing 60% of PBT

Increase of
$260.10m or +210.0%

- Profitability of the franchising operations segment increased by $260.10 million or +210.0% to $383.96 million for 1H21, compared to $123.86 million for 1H20.
- This increase was achieved by strong growth in franchising operations segment revenues to $689.27 million for 1H21, an increase of $245.46 million, or 55.3%, from $443.81 million in 1H20, primarily due to higher franchise fees received from franchisees in this half underpinned by a 27.3% increase in headline aggregated franchisee sales revenue to $3.76 billion for 1H21, compared to $2.95 billion for 1H20.
- Robust franchising operations margin of 10.22% for 1H21, compared to 4.19% for 1H20.

Offshore Company–Operated Retail Segment

Profit before tax
$138.15m
Representing 21.5% of PBT

Increase of
$56.46m or +69.1%

- Offshore company-operated retail segment delivered strong retail revenue for 1H21 of $1.39 billion, up by $242.72 million or +21.1% from the previous half.
- Profit of the offshore company-operated retail segment increased by $56.46 million or +69.1%, to $138.15 million in 1H21, from $81.69 million in 1H20, our highest ever half-year PBT.
- NZ was the largest contributor to this growth, increasing by $26.81 million or +55.3%, to $75.34 million in 1H21.
- The retail result for Ireland and Northern Ireland combined increased by $22.77 million or +182.9%, to $35.21 million in 1H21.
- The retail result for Singapore and Malaysia increased by $5.60 million, or +37.0%, to $20.76 million in 1H21.
- The retail result for Slovenia and Croatia increased by $1.28 million, or +23.0%, to $6.85 million in 1H21.

Property Segment

Profit before tax
$109.09m
Representing 17% of PBT

Increase of
$16.05m or +17.2%

- The retail property segment delivered a result of $109.09 million in 1H21 compared to a result of $93.05 million in 1H20, an increase of $16.05 million or +17.2%.
- This was primarily achieved by a $16.04 million increase in the net property revaluation increment to $36.32 million for 1H21, up from a net revaluation increment of $20.28 million for 1H20.
- The consolidated entity owns and manages a robust freehold property portfolio valued at $3.10 billion as at 31 December 2020.

THE FRANCHISING OPERATIONS SEGMENT IN AUSTRALIA

The Franchised Operating Model in Australia

Harvey Norman Holdings Limited (HNHL) and subsidiaries of HNHL own valuable intellectual property rights, including the trade marks Harvey Norman®, Domayne® and Joyce Mayne®, software and other confidential information to promote and enhance the brands.

A subsidiary of HNHL (a franchisor) grants separate franchises to independent franchisees to use the Harvey Norman®, Domayne® or Joyce Mayne® trade marks in Australia and to conduct the retail business of the franchisee at or from a store within a particular branded complex, pursuant to the terms of a franchise agreement.

Each franchisee owns and controls the franchisee business of that franchisee. Each franchisee has control over the day-to-day operations of the franchisee business and has the discretion and power to make the decisions necessary to drive sales, control floor margins and contain operating costs to maximise the profitability of the franchisee business.

Each franchisee pays franchise fees to a franchisor pursuant to a franchise agreement between that franchisee and that franchisor.

The franchising operations segment in Australia captures and records the franchise fees received from franchisees including gross franchise fees, rent and outgoings for the use of a branded complex and interest on the financial accommodation facility that is made available to each franchisee. The franchising operations segment also includes the costs of operating the franchised system and monitoring and evaluating the performance and compliance of franchisees with their franchise agreements.

Harvey Norman	DOMAYNE	JOYCE MAYNE
168 Franchised Complexes	19 Franchised Complexes	7 Franchised Complexes

539 Number of independent franchisees carrying on their business under Harvey Norman®, Domayne® and Joyce Mayne® brands.

194 Franchised complexes in Australia trading under the Harvey Norman®, Domayne® and Joyce Mayne® brand names.

Franchising Operations Segment

Franchisee sales revenue underpins the franchising operations segment. Aggregated franchisee sales revenue increased to $3.76 billion for the half-year ended 31 December 2020, an increase of $805.09 million, or 27.3%, from $2.95 billion in the previous half-year ended 31 December 2019.

The higher franchisee sales revenue has assisted a $260.10 million, or 210%, increase in the franchising operations segment result to $383.96 million for 1H21, compared to $123.86 million for 1H20. This result has generated a franchising operations margin of 10.22% for 1H21, an increase of 603 basis points, from the 4.19% franchising operations margin reported in 1H20.

The growth in the franchising operations segment result is attributable to the strong growth in franchising operations segment revenues to $689.27 million for 1H21, an increase of $245.46 million, or 55.3%, from $443.81 million in 1H20, primarily due to higher franchise fees received from franchisees in this half. This growth was underpinned by the increase in aggregated franchisee sales revenue in 1H21 relative to 1H20.

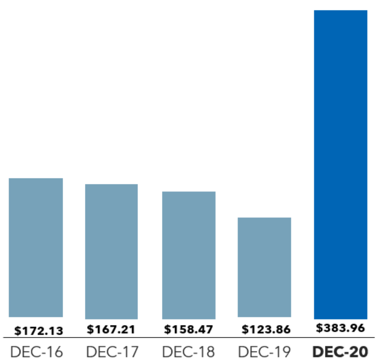
The profitability of the franchising operations segment has been further improved by a reduction in operating expenses of the franchisor during 1H21. Borrowing costs for the franchising operations segment also decreased, from a combination of low utilisation of debt facilities and low interest rates.

This was offset by a reduction in rental income received from franchisees for leased franchised complexes, due to the rental support and assistance granted by the franchisor to those franchisees affected by the 11-week COVID-19 mandatory store closures in greater Melbourne, Victoria.

FRANCHISING OPERATIONS SEGMENT		1H	2H	FY
Franchising Operations Segment PBT ($m)	FY21	$383.96m	N/A	N/A
	FY20	$123.86m	$224.73m	$348.59m
	FY19	$158.47m	$89.93m	$248.40m
Franchisee Aggregated Sales Revenue* ($bn)	FY21	$3.758bn	N/A	N/A
	FY20	$2.953bn	$3.21bn	$6.16bn
	FY19	$2.950bn	$2.71bn	$5.66bn
Franchising Operations Margin (%)	FY21	10.22%	N/A	N/A
	FY20	4.19%	7.00%	5.66%
	FY19	5.37%	3.32%	4.39%

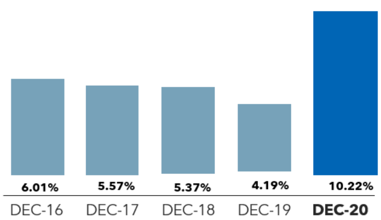
*Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity.

FRANCHISING OPERATIONS SEGMENT PBT



HALF-YEAR ENDED 31 DECEMBER

FRANCHISING OPERATIONS MARGIN



HALF-YEAR ENDED 31 DECEMBER

FRANCHISING OPERATIONS SEGMENT PBT
$383.96m
UP BY $260.10m
OR 210.0% ON DEC 19

DECEMBER 2020 FRANCHISING OPERATIONS MARGIN
10.22%
UP FROM 4.19% IN DEC 19

Australian Franchisee Sales Revenue Underpins the Franchising Operations Segment

TOTAL FRANCHISEE SALES HALF-YEAR ENDED 31 DECEMBER 2020	COMPARABLE FRANCHISEE SALES HALF-YEAR ENDED 31 DECEMBER 2020
$3.76bn UP BY **27.3%**	**$3.74bn** UP BY **27.5%**

Sales made by franchisees in Australia do not form part of the financial results of the consolidated entity. Retail sales in Harvey Norman®, Domayne® and Joyce Mayne® in Australia are made by independently owned franchisee businesses that are not consolidated with the consolidated entity's results. Australian franchisee aggregated sales revenue is reported to the market as it is a key indicator of the performance of the franchising operations segment.

Aggregated franchisee sales revenue was $3.76 billion for the half-year ended 31 December 2020, an increase of $805.09 million or 27.3%, from $2.95 billion in the previous half-year ended 31 December 2019.

Approximately 65% of the franchised complexes are located in regional standalone large-format centres. During the prior period, the sales revenue of some of the regional franchisees were negatively impacted by severe drought, bushfires and flood. As Regional Australia recovered from these natural disasters, the sales revenue of some of the regional franchisees improved.

The strong growth experienced by technology franchisees in the last quarter of FY20 has continued into the current period, with computers and related peripherals such as monitors, printers and webcams, leading the way due to the continuation of remote working.

The launch and consumer adoption of high-end smart phones such as the Samsung Galaxy Z Fold 2 and S20 ranges, and the iPhone 11 and iPhone 12 range, coupled with growth in related smartphone accessories, has seen a sustained increase in the mobile phone category – leading to robust growth in smart/fitness watches. The gaming category was boosted in 2Q21 with the launch of PS5 and XBox Series X in November 2020.

Robust sales in whitegoods, televisions, home office furnishings and small appliances have continued during the current half year.

The Smart Home continues to evolve with enhanced connectivity and voice-activated devices to connect our homes to our everyday lives. Electrical franchisees have experienced an increased demand for smart refrigeration, smart kitchen appliances and small appliances. The increased demand for big-screen, in-home television experiences has continued, as consumers continue to stay at home and entertain from the home, driving sales growth in the audio-visual category, propelled by the latest 8K and 4K TV ranges.

Furniture and bedding franchisees performed strongly this half with solid sales increases recorded in mattresses and related bedding accessories, lounges and the home office categories. There has been solid growth in the outdoor furniture and the outdoor cooking categories as more consumers transform their backyards into outdoor entertaining spaces.

There was an encouraging uptake of the Federal Government's HomeBuilder grants, as Australian homeowners rushed to take advantage of the grants, tripling the Government's initial expectations. It has been reported that the take-up of the HomeBuilder grants are expected to underwrite more than $50 billion in broader economic activity in 2021. As our franchisees operate in the Home & Lifestyle space, the surge in new dwellings and major renovations may open new opportunities and drive sales throughout 2021 and beyond.

'Customer-Centric' Strategy

The consolidated entity has continued to invest in technology, digital transformation and infrastructure.

Harvey Norman®, Domayne® and Joyce Mayne® franchisees have increased their capabilities to deliver the **"Shop Smart, Shop Safe"** experience for their customers.

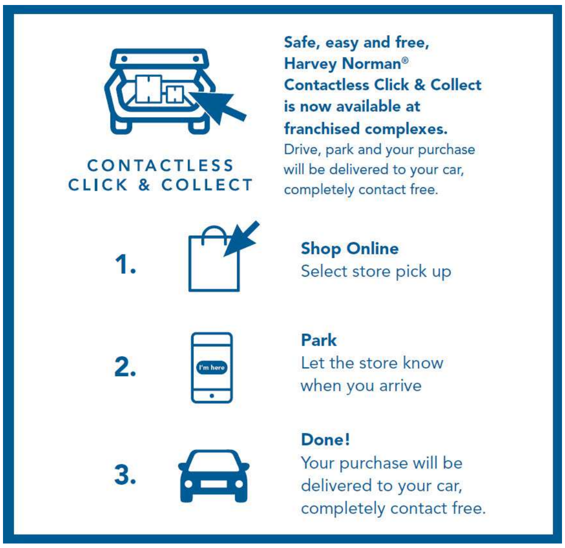
"Contactless Click & Collect", **"LiveChat Messaging"** and **"Chatbot"** contactless solutions digitally connect Harvey Norman® franchisees with customers across the country, and assist in keeping local communities safe.

Each franchisee is committed to delivering **'Quality, Value & Service'** to their customers.

Australians have continued to embrace and support Harvey Norman® franchisees to deliver **what they want** and **when** and **how they want it**, and trust the brand to meet their insatiable demands for digital connectivity.

Highlights Achieved by Harvey Norman®, Domayne® and Joyce Mayne® Australian Franchisees:

- Customers continue to seize the flexibility and attractiveness of **various 'Click & Collect' options** offered by franchisees. Franchised complexes are conveniently located around the country to service the Australian population. Customers can transact quickly online with Harvey Norman® franchisees.
- **'1-Hour Click & Collect'** is now common and widespread.
- Franchised complexes have dedicated **'Contactless Click & Collect'** parking bays to ensure that customer pick-up is a frictionless experience. Contactless Click & Collect has enabled each Harvey Norman® franchisee to serve their customers while complying with any strict COVID-19 mandated restrictions or lockdowns.
- Click & Collect services enables customers to connect online with franchisee in-store experts. Through integrated notifications, the customer can, at the press of an ***"On My Way"*** button on their device, advise the franchisee that they are on their way to collect their order, allowing the franchisee to be fully prepared when they arrive.



- **Franchisee LiveChat** via messaging services like **"Messenger"**, **"iMessage"** and **"WhatsApp"** - as well as the more sophisticated **"Chatbot"** service solution - enable each franchisee to scale customer service as digital connectivity increases.
- **Australia Post on Demand** is providing more and more customers of each franchisee with same-day delivery options that are fast and affordable.
- **Franchisees continue to improve the mobile experience** for customers, enabling communication and collaboration between customer and franchisee by combining chat, video meetings, and apps. The smartphone is the device of choice for customers researching and shopping online. Each franchisee and their staff need to be as mobile as their customer, to be able to work and collaborate remotely.
- The **Harvey Norman® Store Location Management System** during COVID allows customers to access timely and informative information on all franchised locations including trading hours and available 'Contactless' services - a highly-utilised and informative single source of truth during a pandemic.
- **Trak by Harvey Norman®** is now complete for most franchised complexes in Australia. This logistics technology optimises route planning for franchisee deliveries and provides automated customer communication, with 'real-time tracking'.

Offshore Company-Operated Retail Segment

Overseas, the 107 Harvey Norman® branded stores are company-owned and company-operated.

Last year, we had revised our international expansion plans amid the global pandemic, and announced our intention of opening 12 new stores overseas during the 2021 financial year.

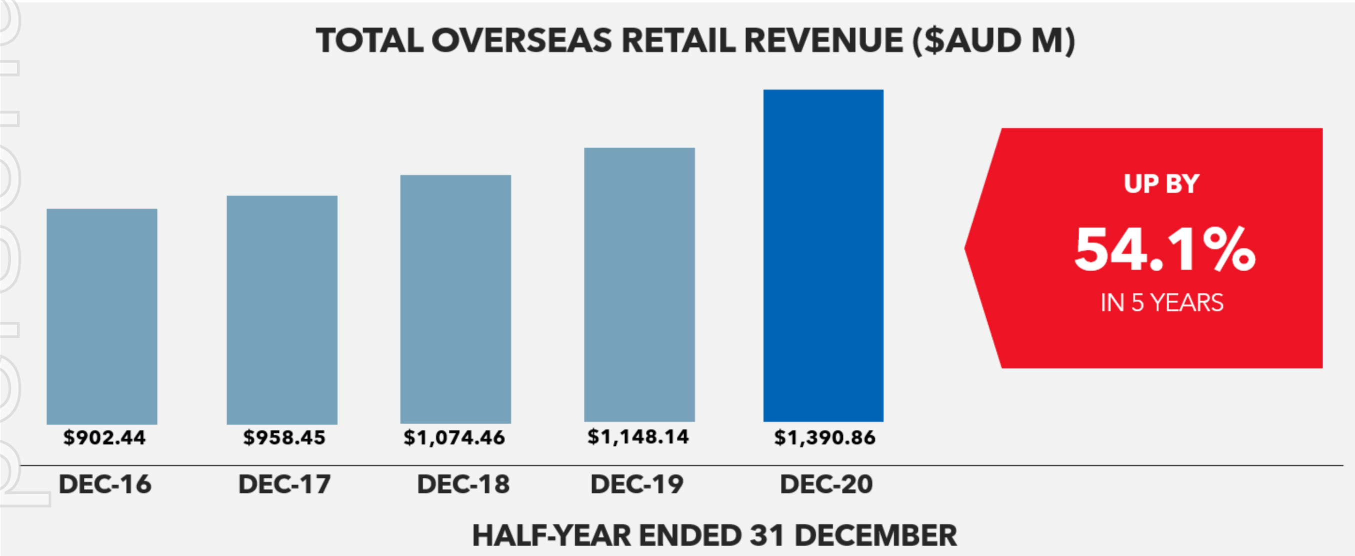
We are pleased to report that all 12 new stores were opened during the first half of the 2021 financial year, earlier than expected.

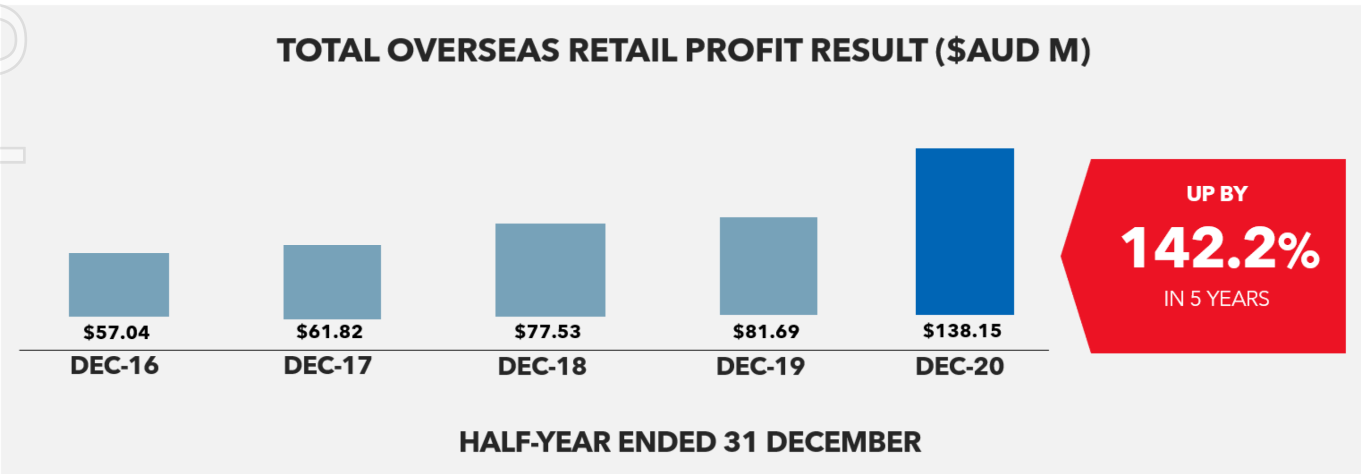
1H21
Offshore Retail Revenue
$1.39bn

1H21Offshore
Retail PBT
$138.15m

Uncertainty surrounding the COVID-19 pandemic has continued throughout 1H21. Under the respective government directives, our offshore company-operated stores in New Zealand, Ireland, Northern Ireland and Slovenia were compelled to close for varying periods of time. Where permitted by the respective governments, our offshore stores continued to trade through their digital platforms to meet customer needs.

Despite the government mandated temporary closures and stringent movement control order in Southeast Asia, total company-operated retail sales and other revenue for the 107 Harvey Norman® branded stores overseas and the 2 Space Furniture® branded stores in Asia **grew by $242.72 million, or 21.1%, to $1.39 billion for 1H21**, relative to $1.15 billion for 1H20. Offshore profitability has **increased by $56.46 million, or 69.1%, to $138.15 million during 1H21, representing 21.5%** of total consolidated profit before tax.





OFFSHORE ACHIEVEMENTS FOR 1H21

21.5%
OF TOTAL CONSOLIDATED PBT

Record 1H21 Offshore Retail Revenue
$1.39bn
UP BY $242.72m (+21.1%)

Record 1H21 Offshore Retail PBT
$138.15m
UP BY $56.46m (+69.1%)

New Zealand
Opened 3 new stores

- Dunedin Outlet (Aug-20)
- Grey Lynn Commercial Showroom (Oct-20)
- Glen Innes Outlet (Oct-20)


Glen Innes, New Zealand

Ireland
Opened 2 new stores

- Galway (Jul-20)
- Sligo (Nov-20)


Galway, Ireland

Sligo, Ireland

Singapore
Opened 3 new stores

- Seletar Mall (Sep-20)
- The Centrepoint (Sep-20)
- Westgate (Nov-20)

Seletar Mall, Singapore

The Centrepoint, Singapore

Westgate, Singapore

Croatia
Opened 1 new store

- Pula (Nov-20)


Pula, Croatia

Malaysia
Opened 3 new stores

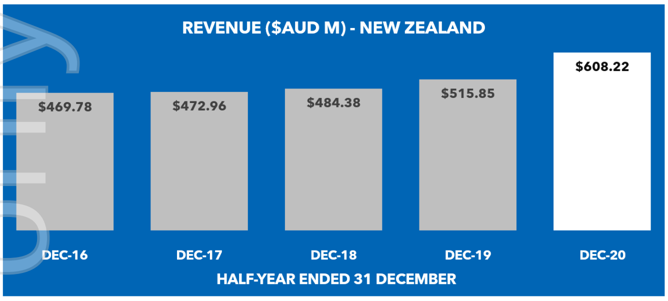
- KL East Mall (Nov-20)
- Menara (Dec-20)
- Quayside Mall (Dec-20)

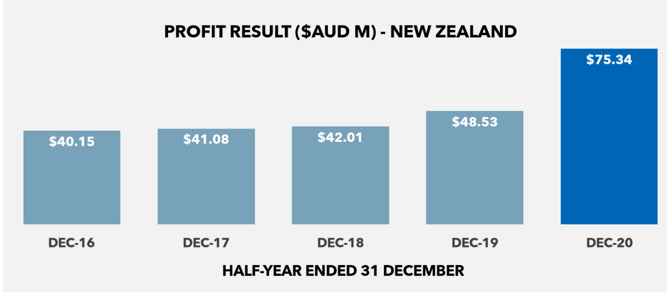
KL East Mall, Malaysia


Menara, Malaysia

Quayside Mall, Malaysia

Offshore Company-Operated Retail Segment (continued)





New Zealand
43 Harvey Norman® Company-Operated Stores

In **New Zealand**, we have seen a quick acceleration and improvement in sales as stores re-opened to the public following government mandated closures in August 2020. The pent-up demand generated during the lockdowns and the elevated focus and importance of the home has resulted in NZ sales increasing to **NZ$637.66 million in local currency for 1H21, up by NZ$103.83 million or +19.4%** from NZ$533.83 million in 1H20. When translated to Australian dollars, sales increased to **$594.39 million in 1H21, up by $90.49 million or +18.0%** from $503.90 million in 1H20.

As anticipated, during 1H21 we opened 2 outlets located in Dunedin on 8 August 2020 and in Glen Innes, Auckland on 26 October 2020, along with a commercial showroom in Grey Lynn, Auckland on 15 October 2020. These new openings, in addition to a full 6-months' contribution of the Takanini and Northwood outlets that were opened in the 2nd half of FY20, contributed to the robust sales growth this period. All key categories have recorded strong sales growth during 1H21, with the bedding, small appliances and furniture categories being the standout as NZ consumers continue to invest in their homes. The electrical and computers categories have continued to experience solid demand for whitegoods, mid to high-end audio-visual products and technology as customers chose to replace major household items and establish more desirable home offices as the long-term pandemic-driven remote working situation became a reality.

The solid sales generated by the 43 NZ company-operated stores and the ongoing focus on controlling operating expenses have generated a retail profit before tax result of **$75.34 million in 1H21, up by $26.81 million or +55.3%** from $48.53 million in 1H20.

Singapore and Malaysia

This segment is comprised of 14 Harvey Norman® stores in Singapore, 26 Harvey Norman® stores in Malaysia and the Space Furniture® branded lifestyle stores in Singapore and Malaysia.

Although the challenges of the pandemic continued into 1H21, the performance of our Singapore and Malaysia stores has remained stable, with the organic growth of this segment remaining a key focus of the consolidated entity. 3 new stores in Malaysia opened in the first half of FY21; KL East Mall on 25 November 2020, Menara on 5 December 2020 and Quayside Mall on 19 December 2020. There were also 3 new store openings in Singapore; Seletar Mall on 15 September 2020, The Centrepoint on 22 September 2020 and Westgate on 25 November 2020. One Singaporean store, Kinex Mall, closed on 27 September 2020.

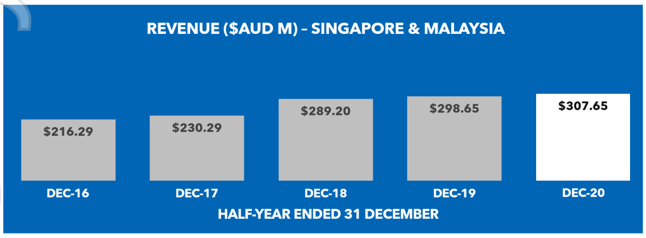
Malaysia | Sales Revenue
26 Harvey Norman® Company-Operated Stores

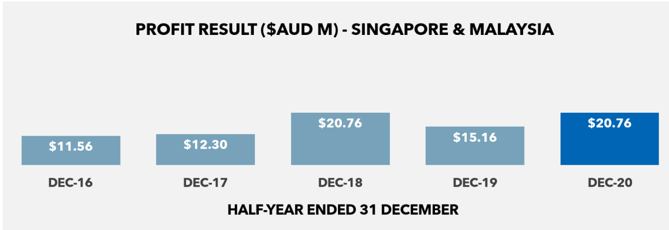
In Malaysia, the Recovery Movement Control Order (**RMCO**) was implemented on 10 June 2020 and has been further extended to 31 March 2021. Due to the rising COVID cases, the Conditional Movement Control Order (**CMCO**) was re-implemented on 9 October 2020 continued to be extended until 4 March 2021 in certain regions. With appropriate safety measures for its customers and employees, Harvey Norman® stores in Malaysia were permitted to trade and remain open to the public.

Whilst there have been no further lockdowns, there were certain restrictions to retail trade. The RMCO and CMCO have inhibited mobility and shortened trading hours throughout many regions in Malaysia resulting in an adverse impact to foot traffic within our stores throughout 1H21.

On 13 January 2021, the Movement Control Order (**MCO**) was re-introduced for certain States with a spike in COVID cases and has been extended until 4 March 2021.

Offshore Company-Operated Retail Segment (continued)





Singapore and Malaysia (continued)

Malaysian sales for the 26 Harvey Norman® company operated stores for 1H21 was **S$126.40 million, an increase of 12.6%** from S$112.27 million in 1H20. In Australian Dollars, the sales increase was **$8.79 million, or 7.3%**. This sales growth has mainly been driven by the new stores opened in 1H21and a full 6 months trade of the 5 stores that were opened in the 2020 financial year. Sales in the computer category, driven by more widespread working from home and learning from home arrangements, has also improved in the existing stores relative to prior period.

Sales in the Ikano, Kuala Lumpur flagship store remain strong, boosted by the pent-up demand for home appliances and technology products following the lockdowns in Malaysia during the second half of the 2020 financial year.

Singapore | Sales Revenue
14 Harvey Norman® Company-Operated Stores

In Singapore, the Ministry of Health announced that Phase 3 of their pandemic management plan became effective on 28 December 2020, increasing the capacity of shopping malls and leading to anticipated increased footfall in conjunction with the rollout of COVID vaccines in the country. Social distancing and other safe management measures are still in place and will only be gradually lifted as the vaccine program rolls out further.

Sales for the 14 Harvey Norman® company-operated stores in Singapore for 1H21 **was S$164.10 million, an increase of S$10.55 million or 6.9%.** The new stores that opened towards the end of 1H21 contributed to the increase in sales. Sales in Australian Dollars **increased by $3.10 million or 1.9%.**

The flagship store at Millennia Walk leads the organic growth of the existing store base due to its expansive size and unparalleled shopping experience it continues to deliver to its customers.

Singapore has an open economy and will remain a challenging market due to the uncertainty of the pace of recovery from the pandemic around the world.

The proposed growth plans are progressing well, and we are well positioned as the Singaporean economy recovers. We continue to explore options for potential new sites in Singapore.

Retail – Singapore and Malaysia
Sales and Segment Result

Aggregated sales revenue for the Harvey Norman® and Space Furniture® brands in Asia totalled **S$297.54 million in local currency for 1H21, representing an increase of S$23.78 million or 8.7%**.

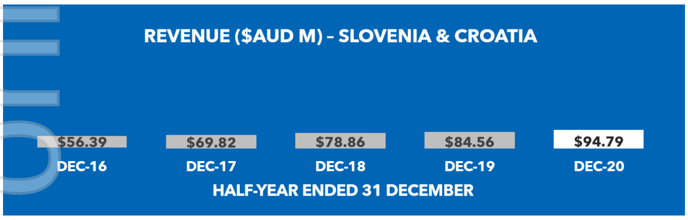
On translation to Australian dollars, the devaluation of the Singapore dollar relative to the Australian dollar during the period (reduction of -4.7%), resulted in a reduced increase of $10.58 million or 3.6%.

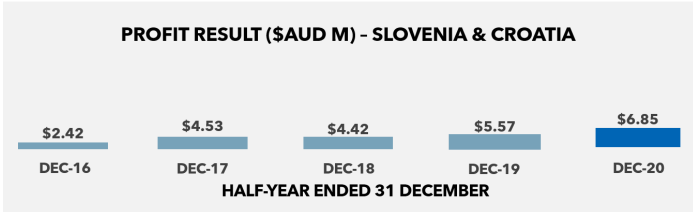
This increase in sales is attributable to the 6 new stores opened in Malaysia and Singapore during 1H21.

The segment profit result of the Harvey Norman® and Space Furniture® brands in Asia was **S$20.41 million, an increase of S$6.20 million or 43.7%**.

Profitability has improved in Singapore and Malaysia through improved margins on sales, and carefully targeted cost reductions.

Offshore Company-Operated Retail Segment (continued)





Slovenia
5 Harvey Norman® Company-Operated Stores

The COVID-19 pandemic has resulted in several temporary lockdowns in Slovenia throughout 1H21. Retail stores were closed for a 13-day period from 24 October to 5 November 2020, followed by a 33-day closure from 16 November to 18 December 2020, as a Government decree was issued declaring a state of epidemic in Slovenia. A further closure was mandated from 24 December 2020 to 14 February 2021, with the stores re-opening to the public on 15 February 2021. However, online sales continued throughout the periods of closure as the population returned to working-from-home arrangements.

Despite the closures, Slovenia delivered pleasing sales growth in 1H21. Sales from the 5 company-operated stores in Slovenia **increased €4.22 million or 10.6% to €44.04 million for 1H21**. In Australian Dollars, sales **increased $7.37 million or 11.4%,** a higher increase upon translation due to a 0.75% appreciation of the EUR relative to the AUD during the period.

The result for Slovenia was a profit of **$6.76 million for 1H21**, **representing a $1.52 million increase or 29.1%**.

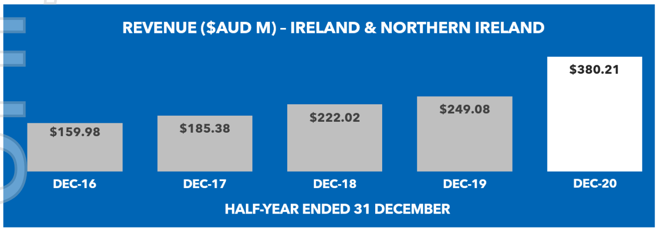
Croatia
2 Harvey Norman® Company-Operated Stores

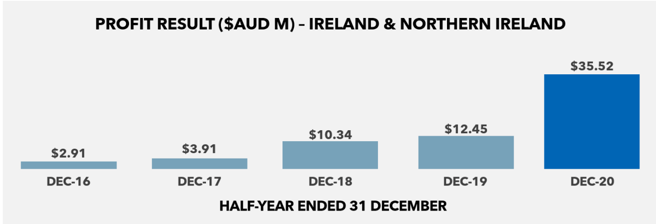
In Croatia, our second store at Pula opened on 26 November 2020, expanding our retail footprint and our presence in the country. The COVID-19 pandemic has not caused any cessation of trade in Croatia throughout 1H21, resulting in a period of strong sales growth for the half-year.

Croatian sales increased **€1.51 million or 13.1%, to €13.07 million for 1H21**. Translated into Australian Dollars, sales increased by **$2.61 million or 13.9%**. This is partly attributable to the new store opening at Pula and the continued strength of our Zagreb flagship store.

Croatia posted a modest profit for 1H21, representing continued profitability from our Croatian operations.

Offshore Company-Operated Retail Segment (continued)





Ireland
15 Harvey Norman® Company-Operated Stores

In Ireland, two (2) new company-operated stores were opened during the half-year at Galway City on 22 July 2020 and Sligo on 5 November 2020. These new stores mark our first expansion in Ireland since the launch of the flagship store at Tallaght, Dublin over 3 years ago and will offer customers an unrivalled shopping experience along the Irish west coast.

From 22 October 2020 to 30 November 2020, the Irish Government re-imposed Level 5 lockdown measures with all non-essential retail closed during that period. These restrictions resulted in the closure of the furniture and bedding categories within all company-operated stores in Ireland, whilst the computer and electrical categories were permitted to trade. No restrictions were imposed on online trade during this period.

An exponential increase in COVID-19 infections resulted in another lockdown for the furniture and bedding categories commencing from 31 December 2020, with an expected re-opening date of 5 April 2021, subject to continuous review. During this current lockdown, no restrictions have been imposed on online trade for the electrical and computer categories, but the "Click & Collect" option is currently prohibited for online sales across furniture and bedding.

Sales in local currency increased to €220.75 million in 1H21, up by €76.81 million or +53.4% from €143.94 million in 1H20. When translated to Australian dollars, sales increased to **$360.52 million in 1H21, up by $127.19 million or +54.5%** from $233.33 million in 1H20.

Following on from the trend last year, customers continued spending on improving their homes. Strong sales were achieved across all key homemaker product categories.

The strong sales result has been complemented by an effective inventory procurement strategy to deliver a retail result in Ireland of **$33.03 million in 1H21, up by $20.67 million or +167.2%,** from $12.36 million in 1H20.

Northern Ireland
2 Harvey Norman® Company-Operated Stores

Despite the challenges arising from the COVID-19 pandemic, compounded by the economic uncertainty from Brexit, we are pleased to report solid results for the two company-operated stores in Northern Ireland.

The Northern Ireland Executive announced a COVID-19 lockdown from 26 December 2020, with an expected re-opening date of 1 April 2021, subject to continuous review. Online sales are required to be delivered, with "Click & Collect" not allowed during this lockdown period.

Sales in local currency increased to £7.53 million in 1H21, up by £1.40 million or 22.9% from £6.13 million in 1H20. When translated to Australian dollars, sales **increased to $13.61 million in 1H21, up by $2.33 million or 20.7%** from $11.27 million in 1H20. Following on from the trend last year, customers continued to invest in their homes and entertaining from their homes. The furniture category experienced strong demand for dining products and the bedding category experiencing strong demand for mattresses.

The strong sales result has enabled us to deliver our second consecutive half-year profit.

The retail result in Northern Ireland has **increased to $2.19 million in 1H21, up** by $2.10 million from $0.09 million in 1H20.

Review of the Property Segment

Strategic 'Large-Format' Retail Property Portfolio

Underpinning our financial position is $3.10 billion of tangible, freehold property segment assets that have appreciated in fair value by $36.32 million during 1H21.

There are 194 Australian franchised complexes geographically spread throughout metropolitan cities, large regional towns and smaller regional communities to service the Australian population without having to travel too far to get to their nearest Harvey Norman®, Domayne® or Joyce Mayne® store.

In Australia, the majority of the 194 franchised complexes are located in large-format, stand-alone retail precincts rather than multi-storey shopping centres. These large-format centres provide customers with the confidence of being able to shop safely in complexes that are typically constructed around an open-air carpark, allowing direct and safe access to the shopfront and enabling franchisees to continue to improve their '1-Hour Click & Collect' and 'Contactless Click & Collect' capabilities so that their customers have the option of ordering online and swiftly picking up the goods themselves when convenient to do so.

Should customers choose to shop in-store, the generous retail showrooms and spacious floor layouts allow franchisees to easily comply with the strict physical distancing requirements, without having to queue to gain entry. The large, full-format stores, with the added stringent cleaning measures and COVID-safe practices, have enabled our franchisees to trade largely uninterrupted since the start of the pandemic.

94 franchised complexes (48% of total franchised complexes) are owned by the consolidated entity and then leased to external parties, including Harvey Norman®, Domayne® and Joyce Mayne® franchisees pursuant to a licence, terminable upon reasonable notice. The tenancies within the franchised complexes are primarily the Harvey Norman®, Domayne® or Joyce Mayne® franchisees, complemented by other homemaker, lifestyle and hardware retailers that bring the desired foot traffic to each location.

Retail Property Segment revenue has remained steady at $167.23 million for 1H21, up by $10.32 million from $156.91 million in 1H20. This was primarily due to an increase in the net property revaluation increment for freehold investment properties by $16.04 million to $36.32 million for 1H21, compared to $20.28 million for 1H20. For 1H21, 35 valuations of freehold investment properties in Australia were performed by an independent, external valuer compared to 25 independent, external valuations performed for 1H20.

Offsetting this increase was a reduction in rent and outgoings received for freehold properties by $5.72 million primarily due to rental abatements provided to those franchisees affected by the pro-longed 11-week mandatory Stage 4 lockdown in greater Melbourne, Victoria and a reduction in rent received from other external tenants in Australia.

Although property valuations are still subject to a degree of uncertainty due to COVID-19, we have seen that our property values have remained strong throughout 1H21, continuing to provide a solid and robust anchor to our balance sheet and providing the perfect complement and competitive advantage to our franchising operations and retailing segments. In particular, as we operate in the large-formal retail market, our property values are not just resilient, but continue to provide strong returns and capital growth due to the highly-desirable locations of our large-format franchised complexes, coupled by the scarcity of similar-type properties available for use or purchase throughout Australia.

We have recommenced the refit plan this half and we intend to upgrade and refurbish our owned franchised complexes progressively over the next few years.

Review of the Property Segment (continued)

The below table shows the composition of freehold property segment assets as at 31 December 2020, the number of owned property assets and the increase in fair value recognised in each country.

COMPOSITION OF FREEHOLD PROPERTY SEGMENT ASSETS	December 2020 ($m)	# of Owned Retail Property Assets	# of Owned Other Property Assets	Net Increase in Fair Value (Income Statement) ($m)	Net Increase in Fair Value (Equity ($m)
(1) Investment Properties (Freehold) and Assets Held for Sale					
- Australia	$2,647.14	94	44	$36.56	-
- New Zealand	$9.49	-	2	($0.24)	-
- Singapore (Property asset held for sale)	$15.21	-	1		-
Total Investment Properties (Freehold) and Assets Held for Sale	**$2,671.84**	**94**	**47**	**$36.32**	**-**
(2) Owner–Occupied Land & Buildings					
- Australia	$10.19	-	1	-	-
- New Zealand	$319.53	19	1	-	$33.05
- Singapore	$7.60	-	1	-	-
- Slovenia	$77.31	5	-	-	-
- Ireland	$15.80	1	-	-	-
Total Owner–Occupied Land & Buildings	**$430.43**	**25**	**3**	**-**	**$33.05**
(3) Joint Venture Assets	**$2.10**	**-**	**6**	**-**	**-**
Total Freehold Property Segment Assets	**$3,104.37**	**119**	**56**	**$36.32**	**$33.05**

Net Property Revaluation Adjustments

For the half-year ended 31 December 2020, the portfolio has recorded $36.32 million in capital appreciation to fair value, which was the net property revaluation increment for investment properties recognised in the income statement.

At each balance date, the directors make an assessment of the fair value of each freehold investment property.

This assessment is informed by:

- the information and advice contained in the last independent external valuation report for that property prepared by an external, professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the property being valued (**Independent Valuer**);
- the information and advice contained in the last internal valuation report for that property (which was informed by the immediately preceding independent external valuation report for that property);
- the last management review for that property; and
- other information and professional or expert advice given or prepared by reliable and competent persons in relation to that property.

Last year, we announced that the entire freehold investment property portfolio in Australia will be independently valued by an Independent Valuer at least once every two (2) years on a rotational basis from the second half of the 2020 financial year. This means that as at 31 December 2020 approximately 25% of the freehold investment property portfolio was valued by an Independent Valuer.

For 1H21, 35 valuations of freehold investment properties in Australia were performed by an Independent Valuer. This represents a total of 25.36% of the number of freehold investment properties independently externally valued this half year, and 25.45% in terms of the fair value of the freehold investment property portfolio in Australia subject to independent external valuation.

Freehold investment properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. Each internal valuation and management review is informed by the last independent external valuation and reliable market evidence. For the current period, 5 freehold investment properties had been affected by the same factors as the properties which had been independently externally valued. As a consequence, internal valuations for these 5 properties were undertaken to determine the effect of these factors.

Leasehold Property Portfolio | AASB 16 *Leases*

Right-of-Use Assets: Leasehold Investment Properties (Sub-Leased to External Parties)

The consolidated entity has a portfolio of property leases primarily for the purposes of being sub-leased to Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia. For these properties, the consolidated entity enters into property leasing arrangements with external landlords and then subsequently subleases these sites to franchisees pursuant to a licence, terminable upon reasonable notice. Leasehold investment property: right-of-use asset meet the definition of an investment property.

As at 31 December 2020, there were 262 leasehold investment properties. 100 leasehold investment properties (38% of total) were occupied by Harvey Norman®, Domayne® and Joyce Mayne® franchisees in Australia for retail purposes. The remaining 162 leasehold investment properties (62% of total) were primarily used by our franchisees for warehousing.

Right-of-Use Assets: Leasehold Owner-Occupied Properties & Plant and Equipment Assets

Leasehold properties occupied by the consolidated entity primarily include company-operated stores, warehouses and offices that are leased from external landlords. Unlike the leasehold investment properties: right-of-use assets which are measured at fair value, the leasehold owner-occupied properties and plant and equipment assets: right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

The below table shows the composition of right-of-use assets and lease liabilities within our leasehold property portfolio as at balance date, and the number of leased retail properties and other properties leased by the consolidated entity.

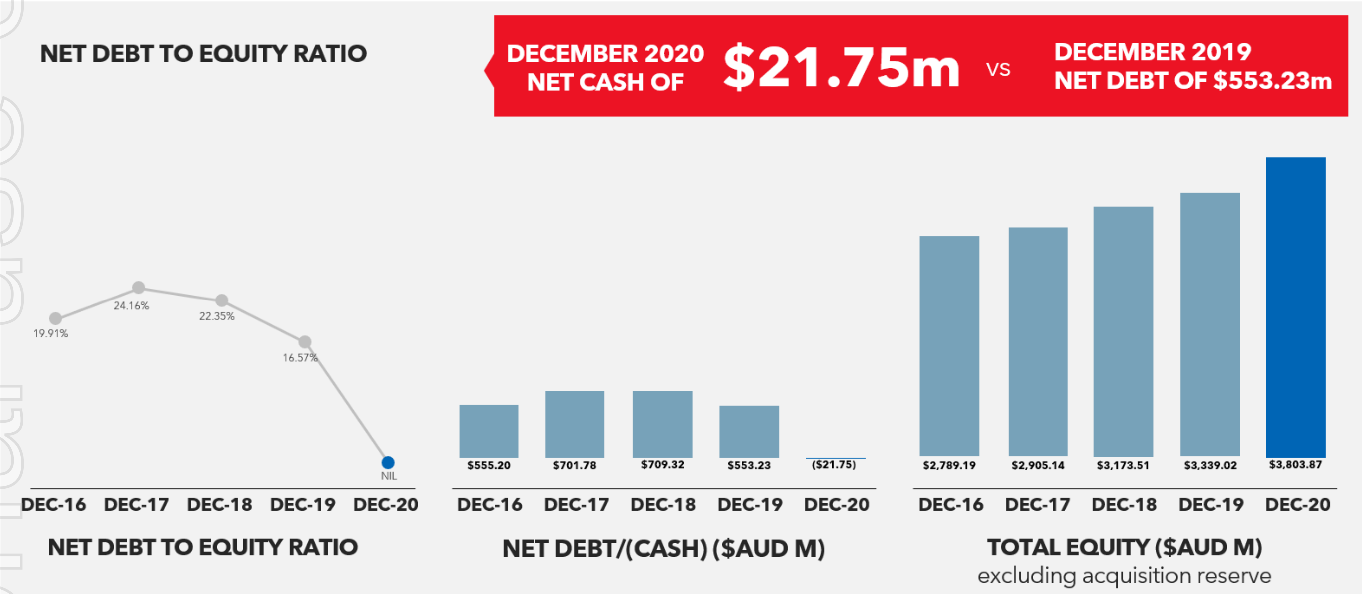
COMPOSITION OF LEASEHOLD PROPERTY SEGMENT ASSETS	Right-of-Use Asset Dec 20 ($m)	Lease Liabilities Dec 20 ($m)	# of Leased Retail Property Assets	# of Leased Other Property Assets
(1) Leases of Properties Sub-Leased to External Parties				
- Australia	$631.35	$654.95	100	162
(2) Leases of Owner-Occupied Properties and Plant and Equipment Assets				
- Australia	$32.37	$49.68	-	7
- New Zealand	$108.74	$126.03	24	26
- Singapore & Malaysia	$256.20	$200.42	40	14
- Slovenia & Croatia	$20.10	$22.14	2	7
- Ireland & Northern Ireland	$110.85	$148.68	16	10
Total Owner–Occupied Properties and Plant and Equipment Assets	**$528.26**	**$546.96**	**82**	**64**
Total Leasehold Property Segment Assets	**$1,159.61**	**$1,201.91**	**182**	**226**

The below table shows the financial impact of AASB 16 *Leases* of our leasehold property portfolio on income statement for the half -year ended 31 December 2020 .

Financial Impact of AASB 16 Leases:	Leases of Owner-Occupied Properties $000	Leases of Properties Sub-Leased to External Parties $000	Total Leases $000
Property, plant and equipment: Right-of-use asset - Depreciation expense	31,574	-	**31,574**
Investment properties (leasehold): Right-of-use asset - Fair value re-measurement	-	35,899	**35,899**
Finance costs: Interest on lease liabilities (accretion)	8,916	11,507	**20,423**
Total AASB 16 Expenses Recognised	**40,490**	**47,406**	**87,896**
Less: Lease payments made during 1H21 (excluding variable lease payments (short-term, low-value leases)	(39,546)	(45,583)	**(85,129)**
Other adjustments	(139)	-	**(139)**
AASB 16 Incremental Decrease in PBT for 1H21	**805**	**1,823**	**2,628**

Review of the Financial Position of the Consolidated Entity

As at 31 December 2020, we have over $6 billion in total assets, anchored by over $3 billion of tangible, freehold property assets. We continue to diligently monitor and control our cash flows to minimise external debt funding, resulting in a positive net cash position of $21.75 million as at 31 December 2020, an improvement to the positive net cash position of $15.35 million reported as at 30 June 2020. Our strong cash position has given us the confidence to reduce our Syndicated Facility – the available external financing facilities in Australia - by $200 million, from $810 million to $610 million, of which only $180 million has been utilised in 1H21 (30%) with $430 million available to draw-down for future use or to capitalise on opportunities as they arise.



Nil Net Debt to Equity Ratio

As at 31 December 2020, the consolidated entity had a NIL net debt to equity ratio as a result of a positive net cash position of $21.75 million, compared to a net debt to equity ratio of 16.57% in the previous half due to being in a net debt position of $553.23 million as at 31 December 2019 - an improvement of nearly $575 million.

Across the consolidated entity, the total available facilities globally amounted to $755 million, of which the utilised portion was only $256 million or 34%, leaving $499 million accessible financing facilities available to fund future expansion or seize on potential opportunities as they arise.

Robust Cash Flows

Cash and cash equivalents, net of bank overdraft, as disclosed in the Statement of Cash Flows on page 31, increased by $92.68 million or 52.5% to $269.35 million as at 31 December 2020, compared to $176.67 million in the prior half year.

Cash flows from operating activities increased by $93.18 million to $391.95 million for 1H21, from $298.77 million in 1H20. This was primarily attributable to an increase in receipts from customers by $253.50 million and an increase in net receipts from franchisees by $81.40 million offset by an increase in payments to suppliers and employees by $156.47 million and an increase in income taxes paid by $58.49 million. Net receipts from franchisees increased to $567.96 million in 1H21, from $486.56 million in 1H20 due to higher gross revenue received from franchisees by $244.22 million offset by an increase in the movement in the aggregate amount of financial accommodation provided to franchisees compared to the movement in 1H20. This is in line with the increased inventory levels held by franchisees leading up to the Christmas period in order to drive franchisee sales revenue. Receipts from customers increased to $1.56 billion in 1H21, from $1.30 billion in 1H20 due to higher sales from company-operated stores.

Net cash investing outflows increased by $11.37 million during 1H21 predominantly due to proceeds received from completion of the sale for the Byron at Byron Bay Resort in the prior half year.

Net cash financing outflows increased by $97.76 million mainly due to the proceeds raised from the renounceable pro-rata Entitlement Offer in October 2019 of $165.68 million. This was offset by a reduction in net repayment of the Syndicated Facility by $60 million between the two comparable periods.

Review of the Financial Position of the Consolidated Entity (continued)

Solid Growth in Net Assets due to Strong Increase in Total Assets

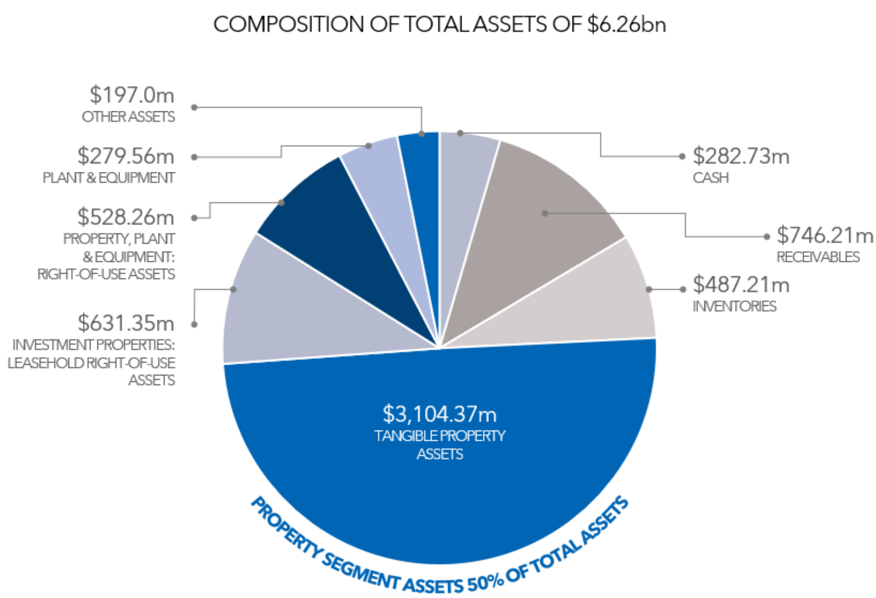
The consolidated entity is very pleased to report a continuing solid net asset base, with robust growth of 13.9% during the period, or an increase of $455.53 million, to $3.74 billion as at 31 December 2020, from $3.28 billion as at 31 December 2019.

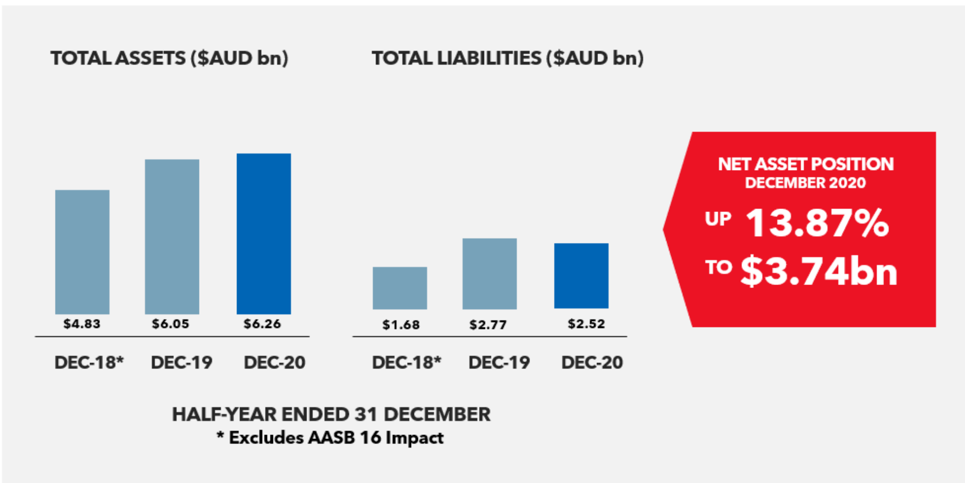
Total assets increased by 3.4%, or $207.69 million, to $6.26 billion as at 31 December 2020, from $6.05 billion as at 31 December 2019. The value of the freehold investment property portfolio increased by $99.16 million, or +3.9%, to $2.66 billion as at 31 December 2020 primarily due to net property revaluation increments over the past 12 months and the refurbishments of freehold investment property assets. Cash and cash equivalents increased by $85.50 million to $282.73 million relative to prior period due to greater receipts from franchisees and greater receipts from customers primarily due to strong trading profit generated by the franchising operations segment and the offshore company-operated stores.

Property, plant and equipment assets increased by $51.21 million mainly due to the fit-out of 12 new company-operated stores in the offshore regions, the premium fit-out of a new Harvey Norman® franchised complex at Hornsby and net property revaluation increments over the past 12 months.

The above increases have been offset by a reduction in trade receivables by $90.87 million due to lower receivables from franchisees of $98.96 million. The net cash receipts of franchisees were significantly stronger in 1H21 compared to the previous corresponding half year. This resulted in higher repayments of franchisee indebtedness and a lower franchisee receivables balance at the end of the current period.

Total liabilities decreased by $247.84 million, or 9.0%, to $2.52 billion as at 31 December 2020 from $2.77 billion as at 31 December 2019. Interest-bearing loans and borrowings decreased by $489.48 million mainly due to a reduction in utilisation of the Syndicated Facility by $460 million. The decrease was offset by a $82.26 million increase in trade and other payables partly due to higher inventory reserves held by the offshore company-operated stores in response to strong sales growth and a $90.47 million increase in income tax payable driven by higher profit generated by the consolidated entity during the current half year.





Outlook

From 1 January 2021, further lockdowns and restrictions have been mandated by each local government as part of their COVID-19 Response as follows:

- **Australian Franchised Complexes: Western Australia (WA):** 5-day closure of 13 Harvey Norman® and Domayne® franchised complexes located in Perth and other affected regions of WA by the State Government of WA from 1 to 5 February 2021 (inclusive). **Victoria (VIC):** 5-day closure of all 40 Harvey Norman® and Domayne® franchised complexes in VIC for a 5-day period by the State Government of VIC from 13 February 2021 to 17 February 2021 (inclusive).
- **New Zealand:** 3-day closure of 13 Harvey Norman® company-operated stores and outlets in Auckland from 15 February 2021 to Wednesday 17 February 2021 (inclusive). All 13 stores re-opened to the public on Thursday 18 February 2021.
- **Slovenia:** 53-day closure of all 5 Harvey Norman® company-operated stores from 24 December 2020 to Sunday 14 February 2021. All 5 stores re-opened to the public on Monday 15 February 2021.
- **Ireland:** The Irish Government re-introduced the Level 5 lockdown measures from 31 December 2020 resulting in the closure of the furniture and bedding categories across all stores from that date while the computer and electrical categories were permitted to remain open to the public. During this lockdown, no restrictions have been imposed on online trade for the computer and electrical categories, but the "Click & Collect" option is currently prohibited for online sales for the furniture and bedding categories. The Irish Government have indicated that the Level 5 lockdown measures may be lifted on 5 April 2021.
- In **Northern Ireland,** the Northern Ireland Executive announced COVID-19 lockdown measures, resulting in the closure of the 2 company-operated stores in Northern Ireland from 26 December 2020, with a proposed review date for these lockdown measures on 1 April 2021. Online trade during this lockdown period is restricted to contactless delivery only.
- In **Malaysia**, the Recovery Movement Control Order (RMCO) was implemented on 10 June 2020 and has been further extended to 31 March 2021. The Conditional Movement Control Order (CMCO) was re-implemented on 9 October 2020 and continued to be extended until 4 March 2021 in certain regions. On 13 January 2021, the Movement Control Order (MCO) was re-introduced for certain States with a spike in COVID cases and has been extended until 4 March 2021. Whilst there have been no further lockdowns, these restrictions have continued to inhibit mobility throughout many regions in Malaysia.

The below table shows the increase / (decrease) percentages (%) of aggregated total sales and comparable sales from **1 January 2021 to 23 February 2021** compared to **1 January 2020 to 23 February 2020.** The % increases have been calculated in Australian Dollars $AUD and in the constant local currencies of each of the below countries. Comparable sales for the previous corresponding period have not been adjusted for the effect of any temporary closures mandated by each local government as a result of their COVID-19 Response.

Positive momentum has continued from 1 January 2021 to 23 February 2021 with aggregated sales revenue increasing 21.0% compared to the period 1 January 2020 to 23 February 2020. The increase/(decrease) % by country is shown below:

COUNTRY	% Increase Calculated in $AUD			% Increase Calculated in Constant Local Currencies	
	Total Sales %	Comparable Sales %		Total Sales %	Comparable Sales %
Australian Franchisees	22.2	22.0	$AUD	22.2	22.0
New Zealand	17.3	15.9	$NZD	20.8	19.4
Slovenia & Croatia	(-4.1)	(-11.3)	€EUR	(-1.0)	(-8.4)
Ireland	51.5	37.3	€EUR	56.3	41.7
Northern Ireland	(-32.7)	(-32.7)	£GBP	(-27.3)	(-27.3)
Singapore	2.9	(-7.4)	$SGD	13.6	2.2
Malaysia	6.3	(-4.7)	MYR	18.8	6.6

Significant changes in the State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the consolidated entity that occurred during the half-year ended 31 December 2020.

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.

Another core philosophy we have maintained throughout the years is the significance and focus on the longevity of the Board of Directors with 'skin in the game', the experience and skill-set of our various business leaders and their deep understanding and expert-execution of the complex franchised operating model in Australia and the company-operated stores across seven overseas countries.

The challenging recent events have forced us to bunker down and protect our Brands, safeguard our assets and unite our people. The successful strategies implemented by the consolidated entity could have only been achieved with formidable leadership with the intimate knowledge of the intricacies of our business, leaders that we could trust to protect our Brands and navigate and propel us through the period of uncertainty.

This half we bid farewell to our non-executive director, Mr. Graham Charles Paton (AM), who retired at the end of the 2020 Annual General Meeting held on 25 November 2020. We thank Mr. Paton for his invaluable contribution to the consolidated entity over the past 15 years. Mr. Paton has provided wise counsel to management and exercised professional, sound, experienced and independent judgement for the benefit of the consolidated entity.

The Board welcomes Ms. Luisa Catanzaro who was appointed as non-executive director on 25 November 2020. Ms Catanzaro has more than 30 years of professional experience in senior finance executive roles across a range of industries including FMCG and agriculture sectors, and with ASX listed companies.

Directors

Our Board

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

- Gerald Harvey
  Executive Chairman
- Kay Lesley Page
  Executive Director and CEO
- Chris Mentis
  Executive Director, CFO & Company Secretary
- John Evyn Slack-Smith
  Executive Director and COO
- David Matthew Ackery
  Executive Director
- Michael John Harvey
  Non-Executive Director
- Christopher Herbert Brown (OAM)
  Non-Executive Director
- Kenneth William Gunderson-Briggs
  Non-Executive Director (Independent)
- Maurice John Craven
  Non-Executive Director (Independent)
- Graham Charles Paton (AM)
  Non-Executive Director (Independent)
  Retired 25 November 2020
- Luisa Catanzaro
  Non-Executive Director (Independent)
  Appointed 25 November 2020

Dividends

The directors recommend a fully-franked interim dividend of 20.0 cents per share to be paid on 3 May 2021 to shareholders registered on 1 April 2021 (total dividend, fully franked - $249,201,331). No provision has been made in the Statement of Financial Position for this recommended interim dividend. The Dividend Policy of the Company is to pay such dividends as do not compromise the capability of the Company to execute strategic objectives.

Auditor Independence

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

Building a better working world

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

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
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Auditor's Independence Declaration to the Directors of Harvey Norman Holdings Limited

As lead auditor for the review of the half-year financial report of Harvey Norman Holdings Limited for the half-year ended 31 December 2020, I declare to the best of my knowledge and belief, there have been:

a) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) No contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
26 February 2021

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Liability limited by a scheme approved under Professional Standards Legislation

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

G. HARVEY
Chairman
Sydney
26 February 2021

K.L. Page
Chief Executive Officer
Sydney
26 February 2021

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

		Note	CONSOLIDATED December 2020 $000	June 2020 $000	December 2019 $000
Current Assets	Cash and cash equivalents	32(a)	282,730	313,195	197,231
	Trade and other receivables	7	682,578	511,579	776,502
	Other financial assets	8	34,684	30,237	30,453
	Inventories	9	487,214	391,984	456,840
	Other assets	10	59,298	34,872	58,004
	Intangible assets	11	260	278	932
	Assets held for sale	34	15,212	16,186	16,762
	Total current assets		**1,561,976**	**1,298,331**	**1,536,724**
Non-current Assets	Trade and other receivables	12	63,636	49,269	60,578
	Investments accounted for using the equity method	33	4,260	4,692	4,815
	Other financial assets	13	28,786	18,176	22,145
	Property, plant and equipment	14	709,993	662,889	658,786
	Property, plant and equipment: Right-of-use assets	15	528,255	513,782	532,179
	Investment properties: Freehold	16	2,656,623	2,593,330	2,557,460
	Investment properties: Leasehold Right-of-use assets	17	631,354	621,903	608,100
	Intangible assets	18	63,003	63,003	65,021
	Deferred tax assets		8,813	3,227	3,197
	Total non-current assets		**4,694,723**	**4,530,271**	**4,512,281**
	Total Assets		**6,256,699**	**5,828,602**	**6,049,005**
Current Liabilities	Trade and other payables	19	449,695	351,772	367,439
	Interest-bearing loans and borrowings	20	250,976	102,841	310,458
	Lease liabilities	22	135,123	130,280	128,240
	Income tax payable		110,916	70,229	20,442
	Other liabilities	23	106,703	96,141	81,715
	Provisions	24	36,419	34,181	33,318
	Total current liabilities		**1,089,832**	**785,444**	**941,612**
Non-Current Liabilities	Interest-bearing loans and borrowings	25	10,000	195,000	440,000
	Lease liabilities	22	1,066,782	1,042,807	1,045,029
	Provisions	26	9,772	9,226	9,330
	Deferred tax liabilities		339,665	317,937	327,701
	Other liabilities	27	1,130	863	1,347
	Total non-current liabilities		**1,427,349**	**1,565,833**	**1,823,407**
	Total Liabilities		**2,517,181**	**2,351,277**	**2,765,019**
	NET ASSETS		**3,739,518**	**3,477,325**	**3,283,986**
Equity	Contributed equity	28	717,925	717,925	717,925
	Reserves	31	242,206	216,837	215,254
	Retained profits	29	2,749,327	2,511,580	2,319,392
	Parent entity interests		**3,709,458**	**3,446,342**	**3,252,571**
	Non-controlling interests	30	30,060	30,983	31,415
	TOTAL EQUITY		**3,739,518**	**3,477,325**	**3,283,986**

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

INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Harvey Norman HOLDINGS LIMITED | ACN 003 237 545
SHOP WITH CONFIDENCE on Quality, Value & Service

	Note	CONSOLIDATED December 2020 $000	CONSOLIDATED December 2019 $000
Sales of products to customers	3	1,474,429	1,239,084
Cost of sales		(980,592)	(835,216)
Gross profit		**493,837**	**403,868**
Revenues received from franchisees	3	742,067	497,843
Revenues and other income items	3	123,698	106,015
Distribution expenses		(25,623)	(23,385)
Marketing expenses		(196,558)	(213,458)
Occupancy expenses	4,15,17	(119,467)	(124,321)
Administrative expenses	4	(328,595)	(295,909)
Other expenses		(24,178)	(22,491)
Finance costs	4,22	(25,033)	(31,235)
Share of net profit of joint venture entities	33	3,766	4,225
Profit Before Income Tax		**643,914**	**301,152**
Income tax expense	5	(179,618)	(84,035)
Profit After Tax		**464,296**	**217,117**
Attributable to:			
Owners of the parent		462,028	213,593
Non-controlling interests		2,268	3,524
		464,296	**217,117**
Earnings per share			
Basic earnings per share (cents per share)	6	37.08 cents	17.70 cents
Diluted earnings per share (cents per share)	6	37.03 cents	17.68 cents
Dividends per share (cents per share)	29	**20.0 cents**	**12.0 cents***

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

* The interim dividend previously proposed for the year ended 30 June 2020 of 12.0 cents per share, totalling $149.52 million fully-franked and payable on 4 May 2020, was cancelled on 2 April 2020 given the uncertainties surrounding COVID-19 and to preserve and retain cash in the business.

STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	CONSOLIDATED	
	December 2020 $000	December 2019 $000
Profit for the period	**464,296**	**217,117**
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(12,726)	1,775
Net movement on cash flow hedges	(46)	(44)
Income tax effect on net movement on cash flow hedges	19	13
Items that will not be reclassified subsequently to profit or loss		
Fair value revaluation of land and buildings	33,048	13,168
Income tax effect on fair value revaluation of land and buildings	(3,176)	(2,143)
Net fair value gains on financial assets at fair value through other comprehensive income	10,338	2,622
Other comprehensive income for the period (net of tax)	**27,457**	**15,391**
Total comprehensive income for the period (net of tax)	**491,753**	**232,508**
Total comprehensive income attributable to:		
Owners of the parent	491,109	228,792
Non-controlling interests	644	3,716
	491,753	**232,508**

	Attributable to Equity Holders of the Parent									
CONSOLIDATED $000	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Reserve	FVOCI Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-Controlling Interests	Total
At 1 July 2020	717,925	2,511,580	158,608	56,941	9,919	(35)	10,005	(18,601)	30,983	3,477,325
Revaluation of land and buildings	-	-	29,872	-	-	-	-	-	-	**29,872**
Currency translation differences	-	-	-	(11,102)	-	-	-	-	(1,624)	**(12,726)**
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	35	-	-	-	**35**
Fair value of forward foreign exchange contracts	-	-	-	-	-	(62)	-	-	-	**(62)**
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	10,338	-	-	-	-	**10,338**
Other comprehensive income	-	-	29,872	(11,102)	10,338	(27)	-	-	(1,624)	27,457
Profit for the period	**-**	**462,028**	**-**	**-**	**-**	**-**	**-**	**-**	**2,268**	**464,296**
Total comprehensive income for the period	-	462,028	29,872	(11,102)	10,338	(27)	-	-	644	491,753
Cost of share based payments	-	-	-	-	-	-	797	-	-	**797**
Utilisation of employee equity benefits reserve	-	-	-	-	-	-	(1,059)	-	-	**(1,059)**
Dividends paid	-	(224,281)	-	-	-	-	-	-	(1,567)	**(225,848)**
Acquisition of non-controlling interests	-	-	-	-	-	-	-	(3,450)	-	**(3,450)**
At 31 December 2020	717,925	2,749,327	188,480	45,839	20,257	(62)	9,743	(22,051)	30,060	3,739,518

CONSOLIDATED $000	Attributable to Equity Holders of the Parent									
	Contributed Equity	Retained Profits	Asset Revaluation Reserve	Foreign Currency Reserve	FVOCI Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Non-Controlling Interests	Total
At 1 July 2019 as previously reported	552,250	2,397,436	152,850	65,853	10,949	(2)	10,125	(22,051)	30,383	3,197,793
Transition adjustments arising from adoption of AASB 16	-	(43,892)	(18,067)	-	-	-	-	-	80	(61,879)
At 1 July 2019, post transition	552,250	2,353,544	134,783	65,853	10,949	(2)	10,125	(22,051)	30,463	3,135,914
Revaluation of land and buildings	-	-	11,025	-	-	-	-	-	-	11,025
Currency translation differences	-	-	-	1,583	-	-	-	-	192	1,775
Reverse expired or realised cash flow hedge reserves	-	-	-	-	-	2	-	-	-	2
Fair value of forward foreign exchange contracts	-	-	-	-	-	(33)	-	-	-	(33)
Fair value of financial assets at fair value through other comprehensive income	-	-	-	-	2,622	-	-	-	-	2,622
Other comprehensive income	-	-	11,025	1,583	2,622	(31)	-	-	192	15,391
Profit for the period	**-**	**213,593**	**-**	**-**	**-**	**-**	**-**	**-**	**3,524**	**217,117**
Total comprehensive income for the period	-	213,593	11,025	1,583	2,622	(31)	-	-	3,716	232,508
Cost of share based payments	-	-	-	-	-	-	398	-	-	398
Shares issued	165,675	-	-	-	-	-	-	-	-	165,675
Dividends paid	-	(247,745)	-	-	-	-	-	-	(2,326)	(250,071)
Distribution to members	-	-	-	-	-	-	-	-	(438)	(438)
At 31 December 2019	717,925	2,319,392	145,808	67,436	13,571	(33)	10,523	(22,051)	31,415	3,283,986

STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

	Note	CONSOLIDATED December 2020 $000	CONSOLIDATED December 2019 $000
Operating Activities			
Cash Flows from Operating Activities			
Net receipts from franchisees		567,961	486,564
Receipts from customers		1,558,302	1,304,803
Payments to suppliers and employees		(1,527,910)	(1,371,440)
Distributions received from joint ventures		4,604	4,310
GST paid		(64,022)	(32,180)
Interest received		3,034	4,264
Interest and other costs of finance paid		(4,784)	(10,739)
Interest paid on lease liabilities		(20,423)	(20,727)
Income taxes paid		(125,994)	(67,503)
Dividends received		1,183	1,417
Net Cash Flows From Operating Activities	32(b)	**391,951**	**298,769**
Investing Activities			
Cash Flows from Investing Activities			
Payments for purchases of property, plant and equipment and intangible assets		(61,776)	(65,474)
Payments for purchase and refurbishments of freehold investment properties		(27,000)	(30,743)
Proceeds from sale of property, plant and equipment and properties held for resale		3,665	21,382
Payments for purchase of units in unit trusts and other investments		(217)	(70)
Payments for purchase of equity accounted investments		(274)	(411)
Loans granted to joint venture entities, joint venture partners, related and unrelated entities		(10,754)	(9,666)
Net Cash Flows Used In Investing Activities		**(96,356)**	**(84,982)**
Financing Activities			
Cash Flows from Financing Activities			
Lease payments (principal component)		(64,633)	(61,860)
Proceeds from shares issued – renounceable pro-rata Entitlement Offer		-	165,675
Repayments of Syndicated Facility		(15,000)	(75,000)
Dividends paid		(224,281)	(247,745)
Repayments of other borrowings		(16,777)	(3,999)
Net Cash Flows Used In Financing Activities		**(320,691)**	**(222,929)**
Net decrease in Cash and Cash Equivalents		(25,096)	(9,142)
Cash and Cash Equivalents at Beginning of the Period		294,446	185,816
Cash and Cash Equivalents at End of the Period	32(a)	**269,350**	**176,674**

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

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 2020, except for the adoption of new standards mandatory for annual periods beginning on or after 1 July 2020 which require retrospective restatement.

(a) Corporate Information

Harvey Norman Holdings Limited (the "Company") is a for profit company limited by shares incorporated in Australia and operating in Australia, New Zealand, Ireland, Northern Ireland, Singapore, Malaysia, Slovenia and Croatia whose shares are publicly traded on the Australian Securities Exchange ("ASX") trading under the ASX code HVN.

The financial report of the Company for the half-year ended 31 December 2020 was authorised for issue in accordance with a resolution of the directors on 26 February 2021.

(b) Basis of Preparation

The half-year financial report does not include all notes of the type normally included within the Annual Financial Report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and the operating, financing and investing activities of the consolidated entity as the Annual Financial Report. The half-year financial report should be read in conjunction with the Annual Financial Report of Harvey Norman Holdings Limited as at 30 June 2020.

It is also recommended that the half-year financial report be considered together with any public announcements made by Harvey Norman Holdings Limited and its controlled entities during the half-year ended 31 December 2020 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half-year consolidated financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 134 *Interim Financial Reporting*.

The half-year financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($000) unless otherwise stated under the option available to the Company under Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

(b)(i) New Accounting Standards Adopted by the Consolidated Entity

Several amendments and interpretations apply for the first time in the half-year ended 31 December 2020, but do not have an impact on the half-year financial report of the Group. These are as follows:

- AASB 2018-6 Amendments to AASB 3 Definition of a Business
- AASB 2018-7 Amendments to AASB 1 and AASB 8 Definition of Material
- AASB 2019-3 Amendments to AASB 7, AASB 9 and AASB 139 Interest Rate Benchmark Reform
- AASB 2019-1 Conceptual Framework for Financial Reporting
- AASB 2017-6 Amendments to Australian Accounting Standards–Prepayment Features with Negative Compensation
- AASB 2018-2 Amendments to Australian Accounting Standards–Plan Amendments, Curtailment or Settlement

(c) Statement of Compliance

The half-year financial report has been prepared using the same accounting policies as used in the Annual Financial Report for the year ended 30 June 2020, except for the adoption of new and amending standards mandatory for annual periods beginning on or after 1 July 2020. The adoption of other amendments and interpretations did not have a significant impact on the consolidated entity. Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the half-year reporting period ended 31 December 2020.

2 Operating Segments

Operating Segment Revenue: 31 December 2020	CONSOLIDATED ($000) Sales of products to customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	689,272	689,272
Retail – New Zealand	594,385	13,830	**608,215**
Retail – Singapore & Malaysia	302,627	5,019	**307,646**
Retail – Slovenia & Croatia	93,272	1,518	**94,790**
Retail – Ireland & Northern Ireland	374,132	6,078	**380,210**
Other Non-Franchised Retail	116,595	2,266	**118,861**
TOTAL RETAIL	1,481,011	28,711	1,509,722
Retail Property	98	167,135	**167,233**
TOTAL PROPERTY	98	167,135	167,233
EQUITY INVESTMENTS	-	5,550	5,550
OTHER	98	9,001	9,099
INTERCOMPANY ELIMINATIONS	(6,778)	(33,904)	(40,682)
TOTAL SEGMENT REVENUE	1,474,429	865,765	2,340,194

Operating Segment Revenue: 31 December 2019	CONSOLIDATED ($000) Sales of products to customers	Revenues received from franchisees and other income items	Total Revenue by Segment
FRANCHISING OPERATIONS	-	443,814	443,814
Retail – New Zealand	503,899	11,949	**515,848**
Retail – Singapore & Malaysia	292,046	6,604	**298,650**
Retail – Slovenia & Croatia	83,291	1,270	**84,561**
Retail – Ireland & Northern Ireland	244,607	4,475	**249,082**
Other Non-Franchised Retail	115,087	2,063	**117,150**
TOTAL RETAIL	1,238,930	26,361	1,265,291
Retail Property	14	156,898	**156,912**
TOTAL PROPERTY	14	156,898	156,912
EQUITY INVESTMENTS	-	2,968	2,968
OTHER	560	6,564	7,124
INTERCOMPANY ELIMINATIONS	(420)	(32,747)	(33,167)
TOTAL SEGMENT REVENUE	1,239,084	603,858	1,842,942

2 Operating Segments (continued)

Operating Segment Result 31 December 2020	CONSOLIDATED ($000)					
	Segment Result Before Interest, Tax, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Depreciation & Fair Value Re-measurement of ROU Asset	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	456,564	(12,247)	(12,959)	(37,844)	(9,552)	383,962
Retail – New Zealand	86,158	(2,270)	(3,562)	(4,805)	(182)	**75,339**
Retail – Singapore & Malaysia	43,278	(2,786)	(3,475)	(15,873)	(387)	**20,757**
Retail – Slovenia & Croatia	9,931	(474)	(1,391)	(1,158)	(63)	**6,845**
Retail – Ireland & Northern Ireland	48,533	(3,228)	(3,027)	(6,972)	(95)	**35,211**
Other Non-Franchised Retail	5,529	(646)	(1,245)	(821)	(166)	**2,651**
TOTAL RETAIL	193,429	(9,404)	(12,700)	(29,629)	(893)	140,803
Retail Property	117,168	(3,049)	(4,748)	-	(154)	**109,217**
Retail Property Under Construction	(61)	(6)	-	-	-	**(67)**
Property Developments for Resale	(40)	(16)	-	-	-	**(56)**
TOTAL PROPERTY	117,067	(3,071)	(4,748)	-	(154)	109,094
EQUITY INVESTMENTS	5,488	(36)	-	-	-	5,452
OTHER	7,313	(300)	(2,410)	-	-	4,603
INTER-COMPANY ELIMINATIONS	(25)	25	-	-	-	-
TOTAL SEGMENT RESULT BEFORE TAX	779,836	(25,033)	(32,817)	(67,473)	(10,599)	643,914

Operating Segment Result 31 December 2019	CONSOLIDATED ($000)					
	Segment Result Before Interest, Tax, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Depreciation & Fair Value Re-measurement of ROU Asset	Impairment & Amortisation Expense	Segment Result Before Tax
FRANCHISING OPERATIONS	197,936	(12,798)	(12,716)	(38,736)	(9,826)	123,860
Retail – New Zealand	58,757	(2,108)	(3,492)	(4,460)	(172)	**48,525**
Retail – Singapore & Malaysia	37,510	(3,099)	(3,264)	(15,395)	(597)	**15,155**
Retail – Slovenia & Croatia	8,285	(471)	(1,325)	(846)	(77)	**5,566**
Retail – Ireland & Northern Ireland	24,897	(3,511)	(2,525)	(6,328)	(87)	**12,446**
Other Non-Franchised Retail	1,411	(979)	(1,254)	(742)	(161)	**(1,725)**
TOTAL RETAIL	130,860	(10,168)	(11,860)	(27,771)	(1,094)	79,967
Retail Property	107,091	(7,523)	(5,610)	(756)	(153)	93,049
TOTAL PROPERTY	107,091	(7,523)	(5,610)	(756)	(153)	93,049
EQUITY INVESTMENTS	2,928	(78)	-	-	-	2,850
OTHER	4,699	(755)	(2,518)	-	-	1,426
INTER-COMPANY ELIMINATIONS	(87)	87	-	-	-	-
TOTAL SEGMENT RESULT BEFORE TAX	443,427	(31,235)	(32,704)	(67,263)	(11,073)	301,152

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

Operating Segment	Description of Segment
Franchising Operations	Consists of the franchisor operations of the consolidated entity, but does not include the results, assets, liabilities or operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail – New Zealand	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in New Zealand under the Harvey Norman® brand name.
Retail – Singapore & Malaysia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman® and Space Furniture® brand names.
Retail – Slovenia & Croatia	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Slovenia and Croatia under the Harvey Norman® brand name.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in the retail trading operations in Ireland and Northern Ireland under the Harvey Norman® brand name.
Other Non-Franchised Retail	Consists of the retail and wholesale trading operations in Australia which are wholly-owned or controlled by the consolidated entity, and does not include the operations of any Harvey Norman®, Domayne® and Joyce Mayne® franchisees.
Retail Property	Consists of freehold land and buildings that are owned by the consolidated entity for each site that are fully operational or are ready for operations. 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. This segment includes the mining camp accommodation joint ventures.
Retail Property Under Construction	Consists of freehold sites that are currently undergoing construction at balance date intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income.
Property Developments for Resale	Consists of freehold land and buildings acquired by the consolidated entity, to be developed, or currently under development, for the sole purpose of resale at a profit. This segment includes land and buildings held for sale, which were previously reported in the Retail Property segment.
Equity Investments	This segment refers to the investment in, and trading of, equity investments.
Other	This segment primarily relates to credit facilities provided to related and unrelated parties and other unallocated income and expense items.

3 Revenues

	CONSOLIDATED	
	December 2020 $000	December 2019 $000
Revenue from contracts with customers and franchisees:		
Sale of products to customers (a)	1,474,429	1,239,084
Services to customers (c)	16,876	14,428
Franchise fees in accordance with franchise agreements (b)	613,801	357,925
Total revenue from contracts with customers and franchisees	**2,105,106**	**1,611,437**
Other revenue from franchisees:		
Rent and outgoings received from franchisees	119,257	124,593
Interest to implement and administer the financial accommodation facilities	9,009	15,325
Total other revenue received from franchises (b)	**128,266**	**139,918**
Gross revenue from other unrelated parties:		
Rent and outgoings received from external tenants	47,226	49,642
Interest received from financial institutions and other parties	2,719	3,675
Dividends received	1,103	1,154
Total other revenue received from unrelated parties (c)	**51,048**	**54,471**
Other income items:		
Net property revaluation increment on freehold investment properties	36,321	20,283
Net revaluation increment of equity investments to fair value	4,447	1,814
Net gain on sale of assets	-	366
Other income	15,006	14,653
Total other income items (c)	**55,774**	**37,116**
Disclosed in the Income Statement as follows:		
(a) Sale of products to customers	1,474,429	1,239,084
(b) Revenue received from franchisees	742,067	497,843
(c) Revenues and other income items	123,698	106,015

4 Expenses and Losses

	CONSOLIDATED	
	December 2020 $000	December 2019 $000
Employee benefits expense:		
Wages and salaries	180,061	162,202
Workers compensation	1,485	1,611
Superannuation contributions	8,487	8,256
Payroll tax	8,218	6,569
Share-based payments	897	405
Other employee benefits	6,700	5,654
Total employee benefits expense	**205,848**	**184,697**
Finance costs:		
Interest on lease liabilities (accretion)	20,423	20,727
Bank interest paid to financial institutions	3,875	9,920
Other	735	588
Total finance costs	**25,033**	**31,235**
Occupancy expenses:		
Variable lease payments (including short-term and low-value leases)	15,344	14,320
Property, plant and equipment: Right-of-use assets - Depreciation expense	31,574	29,624
Investment properties (leasehold): Right-of-use assets - Fair value re-measurement	35,899	37,639
Other occupancy expenses	36,650	42,738
Total occupancy expenses	**119,467**	**124,321**
Depreciation, amortisation and impairment:		
Depreciation of (excluding AASB 16 depreciation in occupancy expenses above):		
- Buildings	4,541	4,610
- Plant and equipment	28,276	28,094
Amortisation of:		
- Computer software	10,316	9,842
- Net licence property and other intangible assets	283	931
Impairment of other financial assets	-	300
Total depreciation, amortisation and impairment	**43,416**	**43,777**

5 Income Tax

	CONSOLIDATED	
	December 2020 $000	December 2019 $000
Income tax recognised in the Income Statement:		
Current income tax:		
Current income tax charge	168,521	77,757
Adjustments in respect of current income tax of previous years	(83)	(163)
Deferred income tax:		
Relating to the origination and reversal of temporary differences	11,180	6,441
Total income tax expense reported in the Income Statement	**179,618**	**84,035**

6 Earnings Per Share

	CONSOLIDATED	
	December 2020 $000	December 2019 $000
Basic earnings per share (cents per share)	37.08c	17.70c
Diluted earnings per share (cents per share)	37.03c	17.68c
The following reflects the income and HVN shares data used in the calculations of basic and diluted earnings per share:		
Profit after tax	464,296	217,117
Less: Profit after tax attributable to non-controlling interests	(2,268)	(3,524)
Profit after tax attributable to owners of the parent	**462,028**	**213,593**
	NUMBER OF SHARES	
	December 2020 Number	December 2019 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	1,246,006,654	1,206,748,268
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	1,247,589,288	1,208,187,337

7 Trade and Other Receivables (Current)

	CONSOLIDATED December 2020 $000	June 2020 $000	December 2019 $000
Receivables from franchisees (a)	**519,506**	**352,359**	**618,466**
Trade receivables	117,136	109,077	119,709
Consumer finance loans	1,680	2,258	3,660
Allowance for expected credit loss	(3,313)	(3,716)	(532)
Trade receivables, net	**115,503**	**107,619**	**122,837**
Amount receivable in respect of finance leases	**3,307**	**3,291**	**3,259**
Non-trade debts receivable from:			
- Related parties (including joint ventures and joint venture partners)	14,627	23,059	17,362
- Unrelated parties	30,129	25,745	15,107
Allowance for expected credit loss	(494)	(494)	(529)
Non-trade debts receivable, net	**44,262**	**48,310**	**31,940**
Total trade and other receivables (current)	**682,578**	**511,579**	**776,502**

(a) Receivables from franchisees

Derni Pty Limited (Derni), a wholly-owned subsidiary of Harvey Norman Holdings Limited (HNHL), may, at the request of a franchisee, provide financial accommodation in the form of a revolving line of credit, to that franchisee. The repayment of the indebtedness of that franchisee to Derni is secured by a security interest over all present and after-acquired property of that franchisee, pursuant to a General Security Deed (GSD).

The receivables from franchisees balance of $519.51 million as at 31 December 2020 comprises the aggregate of the balances due from each franchisee to Derni, and is net of any uncollectible amounts. The indebtedness of each franchisee to Derni is reduced on a daily basis by an electronic funds transfer process. Each franchisee directs the financial institution of that franchisee to transfer the net cash receipts in the bank account of the franchisee to Derni, in reduction of outstanding indebtedness.

Receivables from franchisees have been measured at amortised cost. The consolidated entity has performed an assessment of the franchisee receivables and has calculated the expected credit loss by applying the general approach for provisioning for expected credit losses prescribed by AASB 9. The expected credit loss assessment was conducted on the carrying value of franchisee receivables as at 31 December 2020 totalling $519.51 million. Based on the assessment, receivables from franchisees are current and neither past due nor impaired as at 31 December 2020.

8 Other Financial Assets (Current)

	December 2020 $000	June 2020 $000	December 2019 $000
Equity investments at fair value	34,684	30,237	30,397
Derivatives receivable	-	-	56
Total other financial assets (current)	**34,684**	**30,237**	**30,453**

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000

9 Inventories (Current)

Finished goods at cost	499,045	402,363	465,243
Provision for obsolescence	(11,831)	(10,379)	(8,403)
Total inventories (current)	**487,214**	**391,984**	**456,840**

10 Other Assets (Current)

Prepayments	53,645	30,723	48,988
Other current assets	5,653	4,149	9,016
Total other assets (current)	**59,298**	**34,872**	**58,004**

11 Intangible Assets (Current)

Net licence property	**260**	**278**	**932**

12 Trade and Other Receivables (Non-Current)

Trade receivables	6,615	7,276	7,263
Consumer finance loans	353	476	775
Allowance for expected credit loss	(3)	(4)	(7)
Trade receivables, net	**6,965**	**7,748**	**8,031**
Amounts receivable in respect of finance leases	**912**	**912**	**1,022**
Non-trade debts receivable from:			
- Related parties (including joint ventures and joint venture partners)	53,833	49,442	54,149
- Unrelated parties	26,834	19,835	25,291
Allowance for expected credit loss	(24,908)	(28,668)	(27,915)
Non-trade debts receivable, net	**55,759**	**40,609**	**51,525**
Total trade and other receivables (non-current)	**63,636**	**49,269**	**60,578**

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000

13 Other Financial Assets (Non-Current)

Equity investments at fair value	25,844	15,451	19,564
Units in unit trusts	414	414	414
Other non-current financial assets	2,528	2,311	2,167
Total other financial assets (non-current)	**28,786**	**18,176**	**22,145**

14 Property, Plant and Equipment

Land at fair value	170,741	150,235	150,645
Buildings at fair value	259,690	252,681	248,269
Net land and buildings at fair value (a)	**430,431**	**402,916**	**398,914**
Plant and equipment:			
At cost	793,739	837,764	837,633
Accumulated depreciation	(514,177)	(577,791)	(577,761)
Net plant and equipment	**279,562**	**259,973**	**259,872**
Total property, plant and equipment:			
Land and buildings at fair value	430,431	402,916	398,914
Plant and equipment at cost	793,739	837,764	837,633
Total property, plant and equipment	**1,224,170**	**1,240,680**	**1,236,547**
Accumulated depreciation	(514,177)	(577,791)	(577,761)
Total written down amount	**709,993**	**662,889**	**658,786**

(a) COVID-19:
Land of $170.74 million and buildings of $259.69 million are measured at fair value at 31 December 2020. Land and buildings measured at fair value are also subject to similar valuation uncertainties as described in Note 16. Investment Properties: Freehold. The COVID-19 pandemic has created a higher degree of uncertainty regarding the assessment of fair value, particularly around the critical assumptions regarding market rents, capitalisation rates, terminal yields and discount rates. As a result, estimated fair values may change significantly and unexpectedly over a relatively short period of time.

15 Property, Plant and Equipment: Right-Of-Use Assets

	RIGHT-OF-USE ASSETS		
	Leasehold properties $000	Plant and equipment $000	Total $000
As at 1 July 2020	509,220	4,562	513,782
New, modified and re-measured leases	61,285	137	61,422
Depreciation	(30,521)	(1,053)	(31,574)
Foreign currency	(15,341)	(34)	(15,375)
As at 31 December 2020	524,643	3,612	528,255

Property, Plant and Equipment: Right-of-Use Assets
The consolidated entity recognises right-of-use assets in respect of leases of property, plant and equipment at the commencement date of the lease (i.e. the date the underlying asset is available for use). The initial measurement of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date, less any lease incentives received. Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life or the lease term. Right-of-use assets are subject to an impairment assessment under AASB 136 *Impairment of Assets* at each reporting date.

16 Investment Properties: Freehold

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000
Opening balance at beginning of the period, at fair value	2,593,330	2,508,951	2,508,951
Net additions, disposals and transfers	26,972	50,111	28,226
Net increase from fair value adjustments	36,321	34,268	20,283
Closing balance at end of the period, at fair value	2,656,623	2,593,330	2,557,460

Valuation Approach:
The directors make an assessment of the fair value of each freehold investment property as at balance date. This assessment is formed by:

- the information and advice contained in the last independent external valuation report for that property prepared by an external, professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the property being valued (**Independent Valuer**);
- the information and advice contained in the last internal valuation report for that property (which was informed by the immediately preceding independent external valuation report for that property);
- the last management review for that property; and
- other information and professional or expert advice given or prepared by reliable and competent persons in relation to that property.

16 Investment Properties: Freehold (Continued)

Independent External Valuations

From 1 January 2020, the entire freehold investment property portfolio in Australia will be valued by an Independent Valuer at least once every two (2) years on a rotational basis.

For the current period, thirty-five (35) valuations of freehold investment properties were performed by Independent Valuers. This is equivalent to a total of 25.36% in number of the freehold investment properties or a total of 25.45% of the aggregate fair value of the freehold investment property portfolio in Australia subject to independent external valuation this period. In addition, one (1) freehold investment property in New Zealand was subject to independent external valuation this period.

Internal Valuations and Reviews

Freehold investment properties not independently externally valued as at balance date are subject to an internal valuation or a management review, performed by persons qualified by relevant education, training or experience. Each internal valuation and management review is informed by the last independent external valuation and reliable market evidence. For the current period, five (5) freehold investment properties had been affected by the same factors as the properties which had been independently externally valued. As a consequence, internal valuations for these five (5) properties were undertaken to determine the effect of these factors.

Valuation Methodologies:

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

- the highest and best use of the property
- the quality of construction
- the 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
- the tenure of franchisees and external tenants
- adaptive reuse of buildings
- non-reliance on turnover rent
- other specific circumstances of the property

As a secondary method, a discounted cash flow valuation or a direct sale comparison valuation is undertaken as a check method.

The fair value of a freehold investment property under construction is determined using the income capitalisation method by estimating the fair value of the property as at the relevant completion date less the remaining costs to complete and allowances for associated risk. As a secondary method, a discounted cash flow valuation is undertaken. An internal valuation or management review is performed for any property less than 75% complete where there is an indication of a substantial change in the risks or benefits to warrant an earlier assessment. Normally, the direct sale comparison method of valuation is used for properties for future development.

Financial Reporting Impacts of COVID-19:

The COVID-19 pandemic continues to produce a higher degree of uncertainty regarding the assessment of fair value of freehold investment properties, particularly around the critical assumptions regarding market rents, capitalisation rates, terminal yields and discount rates.

For the 35 sites that were independently externally valued in Australia as at 31 December 2020, the independent, qualified valuers engaged in the valuation process have experienced similar challenges regarding the continued uncertainties of COVID-19 and its potential impact on property fair values. This has resulted in the insertion of 'significant valuation uncertainty' clauses in the independent valuation reports, similar to the clauses noted in independent valuation reports received in June 2020. This clause continues to imply that valuations are current at the valuation date only, and less certainty and a higher degree of caution should be attached to the valuation. Estimated fair values may change significantly and unexpectedly over a relatively short period of time. Consistent with June 2020, the inclusion of the 'significant valuation uncertainty' clause does not mean that the valuation cannot be relied upon. Rather, the clause brings attention to the extraordinary circumstances arising from COVID-19, and therefore there is less certainty regarding some of the critical assumptions in the valuation process than would otherwise be the case.

Similar to the independent external valuations performed in June 2020, to reflect the potential impact of COVID-19, independent valuers may consider and adjust, one or a number of valuation inputs and estimates, where appropriate, including lower probabilities of tenant recoveries, lower market rent growth rates, longer lease up periods, increased leasing allowances and adjustments to capitalisation and discount rates to reflect the uncertainty in the amount and timing of cash flows.

Valuations may also include deductions for the cost of estimated rental relief to be provided to tenants, where relevant. Where appropriate, directors have adopted a similar approach in the internal valuation and review process as used for independent external valuations.

As at balance date, the fair value of the freehold investment property portfolio incorporates a best estimate of the impact of COVID-19, using the information available at the time of preparing the valuations. The duration and depth of the pandemic are still unquantifiable, and, in the event the impacts of the COVID-19 pandemic are more severe or prolonged than anticipated, this may have an adverse impact on the fair value of the freehold investment property portfolio.

The valuation uncertainties described above also apply to the land and buildings measured at fair value, of $170.74 million and $259.69 million respectively, as disclosed in Note 14. Property, Plant and Equipment.

17 Investment Properties (Leasehold): Right-Of-Use Assets

	December 2020 $000	June 2020 $000	December 2019 $000
Opening balance at beginning of the period, at fair value	621,903	608,465	608,465
Net additions, disposals and transfers	45,350	87,644	37,274
Net decrease from fair value re-measurements	(35,899)	(74,206)	(37,639)
Closing balance at end of the period, at fair value	**631,354**	**621,903**	**608,100**

Valuation of Investment Properties (Leasehold): Right-Of-Use Assets

Each Investment property (leasehold): right-of-use asset **(IP (Leasehold) ROU Asset)** is subject to a semi-annual review to fair value at each reporting period. This review is undertaken by persons qualified by relevant education, training or experience, with the assistance of qualified management. As part of the review, an independent, professionally qualified valuer who holds a recognised relevant professional qualification and has relevant specialised expertise (**Independent Valuer**) is engaged to provide independent verification of key observable inputs.

The re-measurement of an IP Leasehold ROU Asset to fair value comprises the following:

1) A reduction in the IP Leasehold ROU Asset to reflect the decrease in its future value due to the usage of the asset during the period, reflecting the passage of time and a reduction in remaining lease tenure. This is recognised as a fair value decrement in the Income Statement.

2) Re-measurement of the IP Leasehold ROU Asset at the prevailing discount rate as at the reporting date. If the discount rate at the end of the period is higher than the discount rate at the beginning of the period, there will be a decrease in the value of the IP Leasehold ROU Asset and a corresponding fair value decrement is recognised in the Income Statement. If the discount rate at the end of the period is lower than the discount rate at the beginning of the period, there will be an increase in the value of the IP Leasehold ROU Asset and a corresponding fair value increment is recognised in the Income Statement. The discount rate used is determined using market data, information on margins available to the consolidated entity, and other adjustments appropriate as at the reporting date.

3) The Independent Valuer provides independent verification of key observable inputs including the current market rent ranges, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction, at each reporting date. If the current market range increases, there may be an increase in the value of the IP Leasehold ROU Asset and a corresponding fair value increment may be recognised in the Income Statement. If the current market range decreases, there may be a decrease in the value of the IP Leasehold ROU Asset and a corresponding fair value decrement may be recognised in the Income Statement.

The results and recommendations of the review and the information and professional advice provided by the Independent Valuer are used by directors to inform their assessment of the fair value of each IP Leasehold ROU Asset at balance date.

Discount rate

Investment properties (leasehold): right-of-use assets are re-measured to fair value by using the prevailing discount rate as at the reporting date which is determined by taking into account the following:

- External market based rates for a range of maturities as at the reporting date;
- The lending margins available to the consolidated entity; and
- Other adjustments that may be made by market participants over the lease term.

Market rent ranges

As at each balance date, the Independent Valuer provides market rent ranges for each leasehold investment property, being the amount that could be exchanged between knowledgeable, willing parties in an arm's length transaction at each reporting date. The market rent ranges are used to assess whether future lease payments are representative of what market participants would pay for a particular asset over a similar term.

Financial Reporting Impacts of COVID-19:

The COVID-19 pandemic continues to produce a higher degree of uncertainty regarding the assessment of fair value of leasehold investment properties, particularly around the critical assumptions regarding market rents and discount rates.

Similar to the challenges experienced and reported for the June 2020 financial year, estimated fair values may change significantly and unexpectedly over a relatively short period of time. To reflect the ongoing potential impact of COVID-19, adjustments may be made, where appropriate, to one or a number of valuation inputs and estimates, including lower market rent growth rates and adjustments to discount rates, to reflect the uncertainty in the amount and timing of cash flows.

As at balance date, the fair value of the leasehold investment property portfolio incorporates a best estimate of the impact of COVID-19. The duration and depth of the pandemic are still unknown and unquantifiable, and, in the event the impacts of the COVID-19 pandemic are more severe or prolonged than anticipated, this may have an adverse impact on the fair value of the leasehold investment property portfolio.

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000

18 Intangible Assets (Non-Current)

	December 2020 $000	June 2020 $000	December 2019 $000
Net licence property	**2,334**	**2,494**	**2,793**
Other intangible assets	**89**	**156**	**192**
Computer software:			
At cost	222,562	214,688	213,565
Accumulated amortisation and impairment	(161,982)	(154,335)	(151,529)
Net computer software	**60,580**	**60,353**	**62,036**
Total net intangible assets (non-current)	**63,003**	**63,003**	**65,021**

19 Trade and Other Payables (Current)

	December 2020 $000	June 2020 $000	December 2019 $000
Trade and other creditors	340,750	283,838	290,790
Accruals	108,945	67,934	76,649
Total trade and other payables (current)	**449,695**	**351,772**	**367,439**

20 Interest-Bearing Loans and Borrowings (Current)

	December 2020 $000	June 2020 $000	December 2019 $000
Secured:			
Bank overdraft	13,380	18,749	20,557
Commercial bills payable	6,350	9,750	9,750
Syndicated Facility Agreement (a)	170,000	-	200,000
Other short-term borrowings	56,305	69,638	75,463
Unsecured:			
Derivatives payable	469	187	224
Non-trade amounts owing to:			
- Related parties	4,261	4,237	4,239
- Unrelated parties	211	280	225
Total interest-bearing loans and borrowings (current)	**250,976**	**102,841**	**310,458**

(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 29 November 2019, the Amending Deed (No. 7) to the Syndicated Facility Agreement was executed with the effect of extending the repayment date of Tranche A1 of the Facility totalling $170 million to 4 December 2021 and Tranche A2 of the Facility totalling $200 million to 4 December 2022.

20 Interest-Bearing Loans and Borrowings (Current) (continued)

On 26 November 2020, Tranche A3 of the Facility totalling $200 million was cancelled, reducing the aggregate available facility of the Syndicated Facility Agreement from $810 million to $610 million. The utilised amount of the Syndicated Facility Agreement as at 31 December 2020 was $180 million, repayable as set out below, with $170 million classified as current interest bearing loans and borrowings and $10 million of which was classified as non-current interest-bearing loans and borrowings. This Facility is secured by:

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

- in respect of Tranche A1 totalling $170 million, on 4 December 2021 ($170 million utilised at 31 December 2020);
- in respect of Tranche A2 totalling $200 million, on 4 December 2022 ($10 million utilised at 31 December 2020); and
- in respect of Tranche B totalling $240 million, on 4 December 2021 (nil utilised at 31 December 2020);
- otherwise on demand by or on behalf of the Financiers upon the occurrence of any one of a number of events (each a "Relevant Event"), including events which are not within the control of the Company, the Borrower or the Guarantors. Each of the following is a Relevant Event:
  - i) an event occurs which has or is reasonably likely to have a material adverse effect on the business, operation, property, condition (financial or otherwise) or prospects of the Borrower or the Company and the subsidiaries of the Company;
  - ii) if any change in law or other event makes it illegal or impractical for a Financier to perform its obligations under the Syndicated Facility Agreement or fund or maintain the amount committed by that Financier to the provision of the Increased Facility ("Commitment"), the Financier may by notice to the Borrower, require the Borrower to repay the secured moneys in respect of the Commitment of that Financier, in full on the date which is forty (40) business days after the date of that notice.

The Company has not received notice of the occurrence of any Relevant Event from any Financier. During 1H21 and 1H20, there were no defaults or breaches on any of the interest-bearing loans and borrowings referred to in this note and in Note 25. Interest-Bearing Loans and Borrowings (Non-Current).

21 Financing Facilities Available

At balance date, the following financing facilities had been negotiated and were available.

Total facilities:

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000
Bank overdraft	49,788	51,512	51,495
Other borrowings	89,027	107,018	104,692
Commercial bank bills	6,350	9,750	9,750
Syndicated Facility	610,000	810,000	810,000
Total Available Facilities	**755,165**	**978,280**	**975,937**

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000

21 Financing Facilities Available (continued)

	December 2020 $000	June 2020 $000	December 2019 $000
Facilities used at reporting date:			
Bank overdraft	13,380	18,749	20,557
Other borrowings (current)	56,305	69,638	75,463
Commercial bank bills (current)	6,350	9,750	9,750
Syndicated Facility (current)	170,000	-	200,000
Syndicated Facility (non-current)	10,000	195,000	440,000
Total Used Facilities	256,035	293,137	745,770
Facilities unused at reporting date:			
Bank overdraft	36,408	32,763	30,938
Other borrowings	32,722	37,380	29,229
Syndicated Facility	430,000	615,000	170,000
Total Unused Facilities	499,130	685,143	230,167

22 Lease Liabilities

	December 2020 $000	June 2020 $000	December 2019 $000
Lease liabilities at beginning of the period	1,173,087	1,161,009	1,161,009
New, modified and re-measured leases	106,742	140,044	74,220
Interest on lease liabilities (accretion)	20,423	40,538	20,727
Lease payments	(85,129)	(165,308)	(82,035)
Foreign currency	(13,218)	(3,196)	(652)
Lease liabilities as at the reporting date	1,201,905	1,173,087	1,173,269
Lease liabilities (current)	135,123	130,280	128,240
Lease liabilities (non-current)	1,066,782	1,042,807	1,045,029
Lease liabilities as at the reporting date	1,201,905	1,173,087	1,173,269

23 Other Liabilities (Current)

	December 2020 $000	June 2020 $000	December 2019 $000
Unearned revenue	106,703	96,141	81,715
Total other liabilities (current)	106,703	96,141	81,715

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000

24 Provision (Current)

Employee entitlements	36,419	34,181	33,300
Lease make good	-	-	18
Total provisions (current)	**36,419**	**34,181**	**33,318**

25 Interest-Bearing Loans and Borrowings (Non-Current)

Syndicated Facility Agreement (refer to Note 20(a))	10,000	195,000	440,000
Total interest-bearing loans and borrowings (non-current)	**10,000**	**195,000**	**440,000**

26 Provisions (Non-Current)

Employee entitlements	2,344	2,213	2,207
Lease make good	7,428	7,013	7,123
Total provisions (non-current)	**9,772**	**9,226**	**9,330**

27 Other Liabilities (Non-Current)

Unearned revenue	1,130	863	1,347
Total other liabilities (non-current)	**1,130**	**863**	**1,347**

28 Contributed Equity

Ordinary shares	717,925	717,925	717,925
Total contributed equity	**717,925**	**717,925**	**717,925**

	NUMBER OF SHARES		
	December 2020	June 2020	December 2019
Number of ordinary shares issued and fully paid	1,246,006,654	1,246,006,654	1,246,006,654

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

29 Retained Profits and Dividends

	CONSOLIDATED December 2020 $000	June 2020 $000	December 2019 $000
Movements in retained profits were as follows:			
Balance at beginning of the period	2,511,580	2,397,436	2,397,436
Transition adjustments arising from adoption of AASB 16	-	(43,892)	(43,892)
Profit for the period	462,028	480,541	213,593
Dividends paid	(224,281)	(322,505)	(247,745)
Balance at end of the period	**2,749,327**	**2,511,580**	**2,319,392**
Dividends declared and paid:			
Dividends on ordinary shares:			
Final fully-franked dividend for 2020: 18.0 cents (2019: 21.0 cents)	224,281	247,745	247,745
Special fully-franked dividend for 2020: 6.0 cents	-	74,760	-
Total dividends paid	**224,281**	**322,505**	**247,745**

The final dividend of $224.28 million, fully franked, for the year ended 30 June 2020 was paid on 2 November 2020.

The interim dividend of 20.0 cents per share, totalling $249.20 million fully-franked, for the year ended 30 June 2021 will be paid on 3 May 2021 to shareholders registered at the close of business on 1 April 2021.

The interim dividend previously proposed for the year ended 30 June 2020 of 12.0 cents per share, totalling $149.52 million fully-franked and payable on 4 May 2020, was cancelled on 2 April 2020 given the uncertainties surrounding COVID-19 and to preserve and retain cash in the business. A special dividend of 6.0 cents per share was paid on 29 June 2020, totalling $74.76 million fully-franked, to shareholders registered at the close of business on 23 June 2020.

	December 2020 $000	June 2020 $000	December 2019 $000
Franking account balance:			
The amount of franking credits available for subsequent financial periods are :			
- franking account balance as at the end of the financial period at 30%	497,864	489,613	481,627
- franking credit balance that will arise from the payment of income tax payable as at the end of the financial period	85,963	57,126	11,887
- franking credit that will be utilised in the payment of the proposed interim/final dividend	(106,801)	(96,121)	(64,080)
Amount of franking credits available for future reporting periods	**477,026**	**450,618**	**429,434**

30 Non-Controlling Interests

	December 2020 $000	June 2020 $000	December 2019 $000
Interest in:			
- Ordinary shares	2,591	2,691	2,691
- Reserves	13,098	14,621	15,234
- Retained earnings	14,371	13,671	13,490
Total non-controlling interests	**30,060**	**30,983**	**31,415**

31 Reserves

CONSOLIDATED $000	Asset Revaluation Reserve	Foreign Currency Translation Reserve	FVOCI Reserve	Cash Flow Hedge Reserve	Employee Equity Benefits Reserve	Acquisition Reserve	Total
At 1 July 2020	**158,608**	**56,941**	**9,919**	**(35)**	**10,005**	**(18,601)**	**216,837**
Revaluation of land and buildings	33,048	-	-	-	-	-	33,048
Tax effect of revaluation of land and buildings	(3,176)	-	-	-	-	-	(3,176)
Currency translation differences	-	(11,102)	-	-	-	-	(11,102)
Unrealised gain on financial assets at fair value through other comprehensive income	-	-	10,338	-	-	-	10,338
Reverse expired or realised cash flow hedge reserves	-	-	-	35	-	-	35
Net loss on forward foreign exchange contracts		-	-	(97)	-	-	(97)
Tax effect on net loss on forward foreign exchange contracts		-	-	35	-	-	35
Cost of share based payments	-	-	-	-	797	-	797
Utilisation of employee equity benefits reserve	-	-	-	-	(1,059)	-	(1,059)
Acquisition of non-controlling interests	-	-	-	-	-	(3,450)	(3,450)
At 31 December 2020	**188,480**	**45,839**	**20,257**	**(62)**	**9,743**	**(22,051)**	**242,206**
At 31 December 2019	**145,808**	**67,436**	**13,571**	**(33)**	**10,523**	**(22,051)**	**215,254**

32 Cash and Cash Equivalents

(a) Reconciliation to the Statement of Cash Flows

Cash and cash equivalents comprise the following:

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000
Cash at bank and on hand	237,482	287,043	149,644
Short-term money market deposits	45,248	26,152	47,587
	282,730	**313,195**	**197,231**
Bank overdraft (refer to Note 20)	(13,380)	(18,749)	(20,557)
Cash and cash equivalents at end of the period	**269,350**	**294,446**	**176,674**

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32 Cash and Cash Equivalents (continued)

(b) **Reconciliation of profit after income tax to net operating cash flows**

	CONSOLIDATED	
	December 2020 $000	December 2019 $000
Profit after tax	**464,296**	**217,117**
Adjustments for:		
Net foreign exchange losses	342	397
Allowance for expected credit loss	540	409
Share of net profit from joint venture entities	(3,766)	(4,225)
Depreciation of property, plant and equipment	32,817	32,704
Depreciation of right-of-use assets	31,574	29,624
Fair value re-measurement of investment properties (leasehold): right-of-use assets	35,899	37,639
Amortisation	10,599	10,773
Impairment of other financial assets	-	300
Revaluation of freehold investment properties	(36,321)	(20,283)
Executive remuneration expenses	3,475	1,771
Profit on disposal and sale of property, plant and equipment and the revaluation of listed securities	(4,215)	(2,180)
Changes in assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(172,955)	(32,773)
Inventories	(96,682)	(62,089)
Other assets	(24,456)	(23,846)
Increase/(decrease) in liabilities:		
Payables and other current liabilities	110,335	104,370
Income tax payable	41,164	8,442
Provisions	(695)	619
Net cash flows from operating activities	**391,951**	**298,769**

33 Investments Accounted for Using the Equity Method

	CONSOLIDATED		
	December 2020 $000	June 2020 $000	December 2019 $000
Total investments accounted for using the equity method	4,260	4,692	4,815

	Ownership interest		Contribution to Profit / (Loss) Before Tax	
	December 2020	December 2019	December 2020	December 2019
Noarlunga (Shopping complex)	50%	50%	747	760
Perth City West (Shopping complex)	50%	50%	1,161	1,485
Warrawong King St (Shopping complex) (a)	62.5%	62.5%	531	540
Byron Bay (Residential/convention development)	-	-	-	(210)
Byron Bay–2 (Resort operations)	-	-	-	(256)
Dubbo (Shopping complex)	50%	50%	326	332
Bundaberg (Land held for investment)	50%	50%	(205)	(8)
Gepps Cross (Shopping complex)	50%	50%	1,488	1,376
QCV (Miners residential complex)	50%	50%	6	7
Other	50%	50%	(288)	199
			3,766	4,225

(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.

34 Assets Held for Sale

As at 31 December 2020, the assets held for sale balance of $15.21 million represents the carrying amount of a warehouse in Singapore that is currently held for sale.

35 Fair Value of Financial Instruments

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

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

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

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

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

As at 31 December 2020, the consolidated entity held the following classes of financial instruments measured at fair value:

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
Financial Assets				
Listed investments	60,528	-	-	60,528
Other investments	-	-	2,942	2,942
Total Financial Assets	**60,528**	**-**	**2,942**	**63,470**
Financial Liabilities				
Foreign exchange contracts	-	469	-	469
Total Financial Liabilities	**-**	**469**	**-**	**469**

Non-Cash Financing and Investing Activities

Details of financing and investing transactions which have had a material effect on the consolidated assets and liabilities but did not involve cash flows are as follows: NIL

	CONSOLIDATED	
	December 2020	December 2019
Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	$3.30	$2.83

The NTA as at 31 December 2020 includes the right-of-use assets in respect of property, plant and equipment leases of $528.26 million and investment properties (leasehold) of $631.35 million, and the lease liabilities recognised under AASB 16 *Leases* of $1,201.91 million. If the right-of-use assets were excluded as at 31 December 2020, the NTA calculation would have been $2.36 per ordinary security (31 December 2019: $1.90).

Business Combination Having Material Effect		
Name of business combination	N/A	N/A
Consolidated profit/(loss) after tax of the business combination since the date in the current period on which control was acquired	N/A	N/A
Date from which such profit has been calculated	N/A	N/A
Profit/(loss) after tax of the controlled business combination for the whole of the previous corresponding period	N/A	N/A
Loss of control of entities having material effect		
Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A	N/A
Date from which such profit/(loss) has been calculated	N/A	N/A
Profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A	N/A

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

In the opinion of the directors:

(a) the financial statements, notes and the additional disclosures included in the Directors' Report of the consolidated entity for the half-year ended 31 December 2020 are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and

(ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and

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

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the half-year ended 31 December 2020.

On behalf of the Board.

G. HARVEY	**K.L. PAGE**
Chairman	Chief Executive Officer
Sydney	Sydney
26 February 2021	26 February 2021

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Independent Auditor's Review Report to the Members of Harvey Norman Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Harvey Norman Holdings Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance for the half-year ended on that date; and

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

Emphasis of Matter – COVID-19 Impact on Fair Value of Land & Buildings, Investment Properties: Freehold and Investment Properties (Leasehold): Right-Of-Use Assets

We draw attention to Notes 14, 16 and 17 of the half-year financial report which describes the impact of the COVID-19 pandemic on the determination of fair value of land and buildings, Investment Properties: Freehold, and Investment Properties (Leasehold): Right of Use Assets, and how this has been considered by the Directors in the preparation of the financial report. Due to the significant valuation uncertainty associated with the valuations, property values may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect of this matter.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's consolidated financial position as at 31 December 2020 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

RRobinson

Renay Robinson
Partner
Sydney
26 February 2021