Harvey Norman
HOLDINGS LIMITED

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press release

26 February 2010

RESULTS FOR HALF-YEAR ENDED 31 DECEMBER 2009: PROFIT FROM CONTINUING OPERATIONS BEFORE INCOME TAX OF $237.77M vs $161.96M UP 46.8%

Harvey Norman Holdings Limited announced today that profit from continuing operations before income tax for **HY to 31 December 2009** was **$237.77 million**, compared to $161.96 million for HY to 31 December 2008 - **up 46.8%**.

Full details are set out in Appendix 4D, filed with the Australian Securities Exchange Limited today, copy attached.

Harvey Norman Chairman Gerry Harvey said today when announcing the company's result

"I am pleased with our extremely solid result and we are determinedly optimistic about the remainder of the 2010 financial year.

*The franchising operations segment continued to be the main driver of performance as seen by our **franchising operations margin increasing to 6.7%** from 5.8% in the HY Dec 2008.*

Following a year of consolidation in 2010, we plan on resuming our store roll-out program in 2011. We have entered into a joint development with IKEA to build a 72,000 sqm, 2 level large format homemaker shopping centre at Springvale, Melbourne – expected to be the largest and the best of its kind in Australia. The centre is anticipated to open for trade in the first quarter of calendar 2012. This highlights our integrated retail, franchising and property strategy which gives us a unique position and advantage over competitors".

Commenting on the Boards decision to recommend payment of a 7¢ fully franked interim dividend on 3 May 2010, Harvey said *" We have a strong balance sheet and cash flow. We are well placed for the future".*

Harvey Norman operates from 265 retail complexes in Australia, New Zealand, Asia and Europe trading under the Harvey Norman, Domayne, Joyce Mayne, Norman Ross brands. Harvey Norman owns property valued at **$1.83 billion**.

The details of this announcement will be available on our website www.harveynorman.com.au this afternoon.

G. HARVEY
CHAIRMAN

Harvey Norman HOLDINGS LIMITED

APPENDIX 4D / HALF-YEAR REPORT
HALF-YEAR ENDED 31 DECEMBER 2009

Key Dates

26 February 2010	Announcement of Half-Year Profit to 31 December 2009 Announcement of Interim 2010 Dividend
16 April 2010	Record date for determining entitlement to Interim 2010 Dividend
3 May 2010	Payment of Interim 2010 Dividend
27 August 2010	Announcement of Full Year Profit to 30 June 2010 Announcement of Final 2010 Dividend

Company information

Registered Office	A1 Richmond Road Homebush West NSW 2140 Ph: 02 9201 6111 Fax: 02 9201 6250
Company Secretary	Mr Chris Mentis
Share Registry	Registries Limited Level 7, 207 Kent Street Sydney NSW 2000 Ph: 02 9290 9600
Stock Exchange Listing	Harvey Norman Holdings Limited shares are quoted on the Australian Securities Exchange Limited ("ASX")
Bankers	Australia and New Zealand Banking Group Limited
Auditors	Ernst & Young
Solicitors	Brown Wright Stein

Contents

Company Information	1
Results for Announcement to the Market	2
Chairman's Report	3
Directors' Report	10
Statement of Financial Position	13
Income Statement	14
Statement of Comprehensive Income	15
Statement of Changes in Equity	16
Statement of Cash Flows	17
Segment Information	20
Notes to and forming part of the Financial Statements for the Half-Year Ended 31 December 2009	25
Other Information	41
Directors' Declaration	42
Independent Review Report	43

Financial Highlights	HY2010 Dec-09	HY2009 Dec-08	HY2008 Dec-07
no. of franchised outlets in Australia[1]	195	198	193
no. of company-owned stores[2]	70	73	61
franchisee sales revenue[1]	$2.78bn	$2.61bn	$2.54bn
company-owned sales revenue[2]	$715.63m	$770.35m	$764.67m
other revenues and other income items from continuing operations	$593.63m	$536.50m	$557.77m
earnings before interest and tax (EBIT) from continuing operations	$253.10m	$181.60m	$344.28m
Profit from continuing operations before income tax	$237.77m	$161.96m	$329.36m
profit from continuing operations after tax attributable to owners of the parent	$158.86m	$99.33m	$230.15m
Underlying Business Operations	**$171.00m**	**$123.52m**	**$174.14m**
market capitalisation at 31 December	$4.48bn	$2.82bn	$7.20bn
basic earnings per share	14.95c	9.35c	21.69c
dividends per share (fully franked)	7.0c	5.0c	7.0c

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

[2] Includes the "Harvey Norman" and "Norman Ross" branded company-owned stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia and Slovenia and the "OFIS" brand name in Australia.

- *Total revenues and other income items from continuing operations for HY2010 was $1.31 billion.*
- *Profit from continuing operations before income tax was $237.77 million for HY2010 compared to $161.96 million for HY2009, an increase of $75.81 million or 46.8%.*
- *Net profit from continuing operations attributable to owners of the parent after tax was $158.86 million for HY2010 compared to $99.33 million for HY2009, an increase of $59.53 million or 59.9%.*
- *Net profit after tax and non-controlling interests of the "underlying business operations" was $171.00 million for HY2010 compared to $123.52 million for HY2009, an increase of $47.48 million or 38.4%, calculated as follows:*

Underlying Business Operations	Dec-09 $000	Dec-08 $000	Increase / (Decrease)	%
Profit After Tax From Continuing Operations	**158,857**	**99,329**	**59,528**	**59.9%**
Adjustments: Add back/(deduct)				
(1) net property revaluation adjustments for investment properties in Australia	15,106	-	15,106	
(2) net property revaluation adjustments for share of joint venture properties	639	-	639	
(3) revaluation decrement recognised in relation to a property in Slovenia	-	5,450	(5,450)	
(4) impairment expense – write-down of Irish fixed assets	970	17,000	(16,030)	
(5) impairment expense – write-down of assets held within joint venture entities	155	-	155	
(6) Information technology costs	-	4,124	(4,124)	
(7) Income tax effects of the above adjustments	(4,724)	(2,382)	(2,342)	
Net Profit from Underlying Business Operations	**171,003**	**123,521**	**47,482**	**38.4%**

Business Performance

The Directors of Harvey Norman Holdings Limited (the "Company") and I are pleased to announce an extremely solid result for the half-year ended 31 December 2009 with profit before tax and non-controlling interests increasing by 46.81% relative to the half-year ended 31 December 2008. Our prudent financial stewardship during the global financial crisis, our focus on our core competencies and our commitment to drive revenues and grow market share has enabled us to deliver an excellent result. Our unique integrated retail, franchise and property system is resilient and we are determinedly optimistic about the remainder of the 2010 financial year.

The franchising operations segment continued to be the main driver of performance for the current period delivering a segment result before tax of $186.79 million for half-year ended 31 December 2009 compared with a segment result of $152.29 million for the previous corresponding period, an increase of 22.7%. Franchisees have gained market share particularly in the categories of furniture, bedding and whitegoods. Despite aggressive competition and discounting, the franchising operations segment result has benefitted from the resurgence of the furniture and bedding categories on the back of the strengthening domestic housing market.

The 2010 financial year will continue to be a year of consolidation. The store roll-out program in Australia will resume in the 2011 financial year. Our balance sheet and cash flows remain strong. We are focussing our attention and resources on improving our existing operations. We are extremely well-placed to take advantage of emerging opportunities.

One (1) new Harvey Norman company-owned store was opened in Celje, Slovenia in August 2009 bringing the total number of stores in Slovenia to three (3).

■ Net Profit from Continuing Operations After Tax and Non-Controlling Interests

Net profit from continuing operations attributable to owners of the parent after tax was $158.86 million for the half-year ended 31 December 2009 compared with $99.33 million for the previous corresponding period, an increase of 59.9%. This is an extremely solid result given the Australian investment property revaluation decrement of $10.57 million after tax and our share of joint venture property devaluation of $0.45 million recorded in the current half-year period.

This increase is mainly attributable to the substantial improvement in the franchising operations segment result, the increase in the value of the listed public securities held by the consolidated entity and the reduction in impairment expenses recorded in Ireland to reduce the carrying amount of plant and equipment to recoverable amount.

■ Net Profit from Underlying Business Operations

The net profit from the underlying business operations of the consolidated group is calculated by excluding from net profit from continuing operations all one-off transactions and the net revaluation adjustments recorded in the group's property portfolio brought to account in the income statement.

In determining the profit from underlying business operations, the following items have been excluded from profit for the half-year ended 31 December 2009:

1) *The net property revaluation decrement of $15.11 million before tax ($10.57 million after tax) for investment properties in Australia* – The fair value review of the Australian investment property portfolio resulted in a net property revaluation decrement for the current half-year period.
2) *The net property revaluation decrement of $0.64 million before tax ($0.45 million after tax) for properties held under joint venture entities* – The fair value review of the properties held under several joint venture entities resulted in a net property revaluation decrement for the current period.

Net Profit from Underlying Business Operations (continued)

3) *The impairment expense of $0.97 million recorded in respect of plant and equipment assets of stores located in the Republic of Ireland* - We do not expect a major improvement in Ireland in the near future. There has been some positive turnover growth in local currency in recent months, but this is coming off an extremely low base in the previous corresponding period. Ireland continues to incur large trading losses resulting in a requirement to perform a further review of the recoverable amount of plant and equipment assets. Based on the expectations of cash flows to be generated over the remaining useful life of these assets, an impairment charge has been recognised against plant and equipment to reduce the value to recoverable amount.

4) *The impairment expense of $0.16 million for assets held under joint venture entities* – This impairment expense relates to the write-down of joint venture assets in our New Zealand operations.

In determining net profit from underlying business operations for the preceding half year, the following items have been excluded from profit for the half-year ended 31 December 2008:

- the impairment expense of $17.00 million recognised in respect of the plant and equipment assets of stores located in the Republic of Ireland;
- information technology expenses of $4.12 million before tax ($2.89 million after tax); and
- the property revaluation decrement of $5.45 million before tax ($4.31 million after tax) relating to the first-time revaluation of an owned property in Slovenia.

Upon the basis of the assumptions set out above, the net profit after tax and non-controlling interests of the underlying business operations would have been $171.00 million for the half-year ended 31 December 2009 compared to $123.52 million for the previous half-year period, an increase of 38.4%.

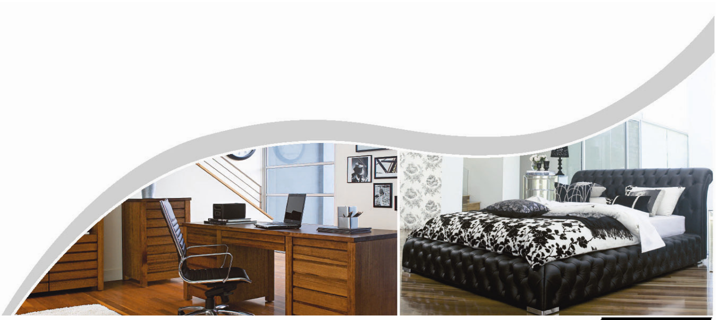
■ Franchising Operations

The strong performance of the franchising operations segment was the primary contributor to the improvement in net profit from underlying business operations for the half-year ended 31 December 2009.

Franchising Operations Segment Result	HY Dec 2009	HY Dec 2008	Increase / (Decrease)	%
Segment Result Before tax	186,794	148,165	38,629	26.1%
Adjustments: Add back/(deduct)				
- IT costs – merchandise management system	-	4,124	(4,124)	
Revised Franchising Operations Segment Result	186,794	152,289	34,505	22.7%

The table shows a 22.7% increase in the franchising operations segment result.

The franchise system in Australia is resilient and sustainable. Franchisees lead the launch of new technology and access to innovation. The unique and diverse product range of franchisees enables them to respond to changing market trends and take advantage of upswings in key market categories.



Franchising Operations (continued)

The table below shows the franchising operations margin, calculated as the franchising operations segment result before tax over franchisee aggregate sales revenue, for the following half-year ("HY") and full-year ("FY") periods. The franchising operations margin was 6.7% for the half-year ended 31 December 2009 compared to 5.8% for the half-year ended 31 December 2008.

Franchising Operations Margin	HY Dec 2009	FY June 2009	HY Dec 2008
no. of franchised outlets in Australia[1]	195	195	198
franchising operations segment result before tax	$186.79m	$302.95m	$152.29m
franchisee sales revenue[1]	$2.78bn	$5.06bn	$2.61bn
franchising operations margin (%)	**6.7%**	**6.0%**	**5.8%**

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

■ **Overseas Controlled Entities:**

New Zealand

The retail segment result in New Zealand was $22.36 million for the half-year ended 31 December 2009 compared to $22.85 million for the previous half-year. This was a solid result given the recession in New Zealand and the devaluation of the New Zealand dollar. We grew market share and implemented a rigorous cost containment program.

Asia

The Harvey Norman branded stores in Singapore and Malaysia continue to grow market share and outperform competitors. There has been an improvement in the segment result for the Asian operations during the period from $1.51 million in the previous half-year period to $2.06 million for the half-year ended 31 December 2009, despite the devaluation of the Singapore dollar.

Slovenia

The segment result for our company-owned stores in Slovenia was $0.39 million for the half-year ended 31 December 2009 compared to $2.60 million for the preceding period. The current half-year result has been negatively impacted by the store opening costs of Celje which opened in August 2009 and an 8.0% devaluation of the Euro relative to the Australian dollar used for translation purposes.

Republic of Ireland and Northern Ireland

The segment result for the operations in Ireland and Northern Ireland was a trading loss of $17.00 million for the half-year ended 31 December 2009 (December 2008: $19.81 million). In addition, there was a further impairment loss of $0.97 million (December 2008: $17.00 million) reducing the carrying amount of plant and equipment.

We have established strong roots in the Irish market. The Harvey Norman brand is well-known in Ireland and is respected by both suppliers and customers. Harvey Norman currently employs more than 800 Irish staff. We are committed to Ireland for the long-term.

■ Property Portfolio

Composition of the Property Portfolio

The Harvey Norman property portfolio consists of Harvey Norman, Domayne and Joyce Mayne complexes in Australia, Harvey Norman and Norman Ross stores in New Zealand, property located at Singapore, the three Harvey Norman stores in Slovenia, properties held under joint venture agreements and land and buildings in Australia for development and resale at a profit.

The total value of the Harvey Norman property portfolio as at 31 December 2009 was $1.83 billion, broken down as follows:

- completed investment properties in Australia and Singapore of $1.32 billion;
- owned land and buildings in New Zealand, Singapore and Slovenia of $211.26 million;
- investment properties under construction of $86.99 million;
- joint venture properties accounted for using the equity method of $190.29 million; and
- properties held for resale accounted for as current inventory of $20.23 million.

Benefits of Property Ownership

The property portfolio is an essential complement to the Harvey Norman brand and retail system. Ownership of the retail complexes enables shareholders to participate in the benefits of ownership of high quality commercial retail and warehouse property. The Harvey Norman and Domayne branded complexes are very attractive to retail tenants. Harvey Norman complexes are well-maintained and well-located. Generally, tenants are of good quality, including Harvey Norman franchisees. There is a low vacancy rate in Harvey Norman complexes.

The benefits flowing from the property investment portfolio include:

- long-term capital appreciation;
- control of rental obligations, and avoidance of potentially crippling opportunistic rental escalations by landlords;
- flexibility and freedom to adjust franchisee store layout and configuration to deal with changing market retail trends; and
- capacity to attract quality third party tenants to the complex location.

Revaluation of the Property Portfolio

Investment properties relate to owned land and buildings in Australia and Singapore that are either under construction or are fully operational, earning investment income and are leased to external franchisees (i.e. not physically occupied by the consolidated entity) and other quality third-party tenants. All property owned by the consolidated entity in New Zealand and Slovenia is owner-occupied.

The total property portfolio sustained a net revaluation decrement of $15.75 million before tax and non-controlling interests, of which a decrement of $15.11 million was attributable to investment properties in Australia and a decrement of $0.64 million related to the consolidated entity's share of property held under joint venture agreements. During the previous half-year period, a revaluation decrement of $5.54 million before tax was recognised in relation to a property located in Slovenia.

The property portfolio in New Zealand was subject to revaluation in the current period. A revaluation decrement of $0.06 million after tax was recognised as a decrease to the asset revaluation reserve for the half-year ended 31 December 2009 (December 2008: increment of $1.32 million after tax).

Composition of Harvey Norman, Domayne, Joyce Mayne and Norman Ross branded complexes as at 31 December 2009:

31 December 2009	Owned	Leased*	Total
Australia – franchised complexes	73	122	**195**
New Zealand	16	15	**31**
Slovenia	3	0	**3**
Ireland & Nth Ireland	0	16	**16**
Asia	0	20	**20**
TOTAL	**92**	**173**	**265**

* leased from external parties

■ Sales Revenue

Consolidated Entity Sales Revenue:

Sales revenue for the Harvey Norman consolidated group consists of the sales made by company-owned stores located in New Zealand, Ireland, Northern Ireland, Slovenia and the controlling interest held in Pertama Holdings Limited in Singapore. Consolidated sales revenue also includes Harvey Norman's controlling interest in several retail partnerships and the prior period sales figures included the company-run OFIS stores in Australia (December 2009: nil).

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 complexes in Australia are made by independently owned franchised business entities that are not consolidated with group results.

Consolidated sales revenue for the half-year ended 31 December 2009 was $715.63 million compared to $770.35 million for the half-year ended 31 December 2008, a decrease of 7.10%.

Sales Revenue - New Zealand

Sales revenue from the New Zealand company-owned stores decreased by $37.30 million New Zealand dollars (decrease of 8.7%) due to the New Zealand recession and low consumer sentiment. When sales in New Zealand were translated into Australian dollars for the purposes of this report, the decrease in sales revenue was $40.68 million Australian dollars (decrease of 11.4%). This decrease is due to a 3.0% devaluation in the New Zealand dollar relative to the Australian dollar used for translation purposes.

Despite the recession in New Zealand and weak consumer confidence, we were able to grow market share across all key product categories and outperform our competitors.

Sales Revenue – Republic of Ireland and Northern Ireland

Sales revenue from the company-owned stores in the Republic of Ireland increased by €1.50 million (increase of 2.0%) from €73.80 million in the previous period to €75.31 million for the half-year ended 31 December 2009. When sales in Ireland were translated into Australian dollars for the purposes of this report, sales revenue actually decreased by $8.23 million Australian dollars (decrease of 6.1%). This decrease is due to a decline of 8.0% in the Euro relative to the Australian dollar used for translation purposes.

This decrease has been offset by an increase in Northern Ireland sales revenue by $3.76 million resulting from a full six-month's trading of the two stores in Northern Ireland that commenced trading in the preceding financial year.

Sales Revenue – Slovenia

Sales revenue from the company-owned stores in Slovenia increased by €4.01 million (increase of 22.6%) relative to the previous period. This increase is mainly attributable to the sales revenue recorded by the new store at Celje which commenced trading in August 2009.

When sales in Slovenia were translated into Australian dollars for the purposes of this report, the increase in sales was $4.12 million (increase of 12.8%).

Sales Revenue - Asia

Sales revenue from the controlled entity Pertama Holdings Limited, Singapore, trading as "Harvey Norman" increased by $9.74 million Singapore dollars (increase of 5.0%). When sales in Singapore were translated into Australian dollars for the purposes of this report, the result was a decrease in sales by $7.91 million Australian dollars (a decrease of 4.5%). This decrease is due to the devaluation of 9.0% in the Singapore dollar relative to the Australian dollar used for translation purposes.

Geographic Spread

This diagram displays the geographic spread of the franchised Harvey Norman ("HN"), Domayne ("DM") and Joyce Mayne ("JM") franchised complexes in the Australian market and the Harvey Norman and Norman Ross ("NR") branded company-owned stores in New Zealand, Ireland, Northern Ireland, Singapore, Malaysia and Slovenia as at 31 December 2009.

There were no new franchised complex openings or closures during the half-year ended 31 December 2009. The number of franchised complexes in Australia remained at 195.

One (1) new store was opened in Celje, Slovenia in August 2009. There were a total of 70 company-owned stores in offshore markets as at 31 December 2009 compared with 69 company-owned stores at the end of June 2009.

Australia

Franchised Complexes

- 195 franchised complexes in total
- no new franchised complexes opened during the period
- no franchised complex closures during the period

	Location of Franchised Complexes			
	Harvey Norman	Domayne	Joyce Mayne	TOTAL
NSW	56	11	10	77
QLD	34	2	4	40
VIC	36	1	0	37
WA	20	0	0	20
SA	9	0	0	9
ACT	2	1	0	3
NT	2	0	0	2
TAS	7	0	0	7
TOTAL	166	15	14	195

Overseas Controlled Entities

New Zealand

- 31 stores in total:
  - 27 Harvey Norman
  - 4 Norman Ross

Ireland

- 14 stores in total

Northern Ireland

- 2 stores in total

Slovenia

- 3 stores in total
- 1 new store opened during the period
  - HN Celje (August 2009)

Singapore

- 14 stores in total

Malaysia

- 6 stores in total

■ Future Prospects

The future prospects for the integrated retail, franchise and property system are both solid and strong.

Our franchisees will continue to dominate all key product areas of audio, visual, technology (computers and flat panel television), whitegoods, furniture and bedding. The clear focus for the future is to maintain and grow this strong position. The outstanding result posted by the franchising operations segment confirms that our direction is correct and our strategies are succeeding.

The store roll-out program will resume in 2011 following a year of consolidation in 2010. In February 2010, Harvey Norman and IKEA entered into a joint development of a 72,025 m^2 shopping complex in Springvale, Victoria. The centre will include a Harvey Norman complex, an IKEA complex and other tenancies. The centre is due to open in the first quarter of calendar year 2012.

The New Zealand operation, despite operating in a negative and recessionary consumer environment, has and will continue to outperform competitors.

Trading conditions in Ireland are still challenging. We maintain our strategy to control costs and gain market share. We will take advantage of any uplift in economic conditions in Ireland.

Our strong balance sheet, our dominant market position, our brands and supplier relationships, underpinned by the strength and time-tested success of the franchising operations segment, form the basis for our determinedly optimistic outlook into the future.

■ Equity

Consolidated equity as at 31 December 2009 was $2.15 billion compared to $2.02 billion at 31 December 2008 – an increase of $133.31 million or 6.6%. Of the total equity of $2.15 billion, an amount of $48.70 million (December 2008: $60.99 million) is attributable to non-controlling interests mainly relating to Pertama Holdings Limited, Singapore.

■ Dividend

The recommended interim dividend is 7.0 cents per share fully franked (December 2008: 5.0 cents per share fully franked). This interim dividend will be paid on 3 May 2010 to shareholders registered at 5:00 pm on 16 April 2010. No provision has been made in the Statement of Financial Position for this recommended interim dividend.

I would like to thank my fellow directors, Harvey Norman employees, franchisees and their staff for their continuing efforts and loyalty.

G. HARVEY
Chairman
Sydney, 26 February 2010

The directors of Harvey Norman Holdings Limited (the "Company") submit their report for the half-year ended 31 December 2009. All directors (collectively termed "the Board") held their position as a director throughout the entire financial period and up to the date of this report.

Directors

Gerald Harvey Executive Chairman	David Matthew Ackery Director	Christopher Herbert Brown Non-Executive Director
Kay Lesley Page Director and Chief Executive Officer	Chris Mentis Director and Chief Financial Officer	Kenneth William Gunderson-Briggs Non-Executive Director
Arthur Bayly Brew Director	Michael John Harvey Non-Executive Director	Graham Charles Paton AM Non-Executive Director
John Evyn Slack-Smith Director and Chief Operating Officer	Ian John Norman Non-Executive Director	

Committee Membership

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

Audit Committee:

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

Remuneration Committee:

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

Nomination Committee:

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

Principal Activities

The principal activities of the consolidated entity continue to be that of an integrated retail, franchise and property enterprise including:

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

The consolidated entity holds a controlling interest in Pertama Holdings Limited ("Pertama"). Shares in Pertama are listed on the Stock Exchange of Singapore. The principal activity of Pertama is retail sales of furniture, bedding, computers, communications and consumer electrical products.

Review of Group Operations

The total equity of the consolidated entity for the half-year ended 31 December 2009 increased over the previous corresponding period due to the following:

- Profit attributable to increased franchise fee revenue from franchisees;
- Profit attributable to increased value of the listed public securities held by the consolidated entity;
- Profit attributable to increased rental income from franchisees and external tenants; and
- The reduction in impairment expenses recorded in Ireland to reduce the carrying amount of plant and equipment to recoverable amount.

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 2009.

Significant Events After Balance Date

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

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

Dividends

The directors recommend a fully franked interim dividend of 7.0 cents per share. This interim dividend will be paid on 3 May 2010 to shareholders registered at 5:00 pm on 16 April 2010. No provision has been made in the Statement of Financial Position for this recommended interim dividend.

Corporate Governance

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

Auditor Independence

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

ERNST & YOUNG

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Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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

In relation to our review of the financial report of Harvey Norman Holdings Limited for the half-year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Christopher George
Partner
Sydney
26 February 2010

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 2010

K.L. PAGE
Chief Executive Officer

Sydney
26 February 2010

		CONSOLIDATED		
	NOTE	**December 2009 $000**	June 2009 $000	December 2008 $000
Current Assets				
Cash and cash equivalents	26(a)	**166,346**	157,907	159,667
Trade and other receivables	5	**1,195,115**	1,076,465	1,134,698
Other financial assets	6	**39,320**	25,874	18,556
Inventories	7	**296,131**	259,877	333,392
Other assets	8	**26,137**	15,068	25,754
Intangible assets	9	**618**	537	1,496
Total current assets		**1,723,667**	1,535,728	1,673,563
Non-Current Assets				
Trade and other receivables	10	**20,050**	18,615	20,062
Investments accounted for using equity method	27	**190,287**	189,571	174,638
Other financial assets	11	**6,906**	5,513	5,020
Property, plant and equipment	12	**443,708**	548,615	606,587
Investment properties	13	**1,403,557**	1,316,572	1,253,468
Intangible assets	14	**18,301**	18,675	19,430
Deferred income tax assets		**17,963**	22,897	26,331
Total non-current assets		**2,100,772**	2,120,458	2,105,536
Total Assets		**3,824,439**	3,656,186	3,779,099
Current Liabilities				
Trade and other payables	15	**823,665**	739,484	841,549
Interest–bearing loans and borrowings	16	**192,374**	574,966	629,623
Income tax payable		**43,994**	40,798	38,993
Other liabilities	17	**3,223**	3,066	4,548
Provisions	18	**19,588**	21,247	16,203
Total current liabilities		**1,082,844**	1,379,561	1,530,916
Non-Current Liabilities				
Interest-bearing loans and borrowings	19	**387,193**	11,714	25,621
Provisions	20	**8,742**	9,616	11,869
Deferred income tax liabilities		**169,515**	170,101	164,879
Other liabilities	21	**24,472**	26,012	27,448
Total non-current liabilities		**589,922**	217,443	229,817
Total Liabilities		**1,672,766**	1,597,004	1,760,733
NET ASSETS		**2,151,673**	2,059,182	2,018,366
Equity				
Contributed equity	22	**259,610**	259,610	259,610
Reserves	23	**54,354**	52,545	65,788
Retained profits	24	**1,789,006**	1,693,888	1,631,982
Parent entity interests		**2,102,970**	2,006,043	1,957,380
Non-controlling interests	25	**48,703**	53,139	60,986
TOTAL EQUITY		**2,151,673**	2,059,182	2,018,366

The above statement of financial position should be read in conjunction with the accompanying notes.

	NOTE	CONSOLIDATED **December 2009 $000**	 December 2008 $000
Continuing Operations			
Sales revenue	2	**715,629**	770,351
Cost of sales		**(521,870)**	(562,094)
Gross profit		**193,759**	208,257
Revenues and other income items	2	**593,634**	536,501
Distribution expenses		**(4,290)**	(4,393)
Marketing expenses		**(194,461)**	(175,970)
Occupancy expenses		**(113,323)**	(102,861)
Administrative expenses		**(188,609)**	(210,476)
Other expenses from ordinary activities		**(36,933)**	(72,252)
Finance costs	3	**(15,324)**	(19,638)
Share of equity accounted entities:			
- Share of net profit of joint venture entities	27	**3,957**	2,795
- Share of joint venture property revaluation	27	**(639)**	-
Profit from continuing operations before income tax		**237,771**	161,963
Income tax expense		**(77,240)**	(61,029)
Profit from continuing operations after tax		**160,531**	100,934
Attributable to:			
Owners of the parent		**158,857**	99,329
Non-controlling interests		**1,674**	1,605
		160,531	100,934
Earnings Per Share			
From continuing operations:			
Basic earnings per share (cents per share)	4	**14.95 cents**	9.35 cents
Diluted earnings per share (cents per share)	4	**14.95 cents**	9.35 cents
Dividends per share (cents per share)		**7.0 cents**	5.0 cents

The above income statement should be read in conjunction with the accompanying notes.

	CONSOLIDATED	
	December 2009 $000	December 2008 $000
Profit for the period	**160,531**	100,934
Other comprehensive income		
Foreign currency translation	**(3,732)**	35,348
Net fair value gains/(losses) on available-for-sale investments	**935**	(396)
Cash flow hedges:		
Gain/(loss) taken to equity	**(26)**	(6,398)
Transferred realised gains to other income	**79**	(174)
Transferred to statement of financial position	**439**	(5)
Fair value revaluation of land and buildings	**45**	19,287
Income tax on items of other comprehensive income	**(101)**	(1,781)
Other comprehensive income for the period (net of tax)	**(2,361)**	45,881
Total comprehensive income for the period	**158,170**	146,815
Total comprehensive income attributable to:		
Owners of the parent	**160,027**	130,713
Non-controlling interests	**(1,857)**	16,102
	158,170	146,815

	Attributable to Equity Holders of the Parent				
	Contributed Equity	Retained Profits	Reserves	Non-controlling Interest	TOTAL EQUITY
	$000	$000	$000	$000	**$000**
AT 1 JULY 2008	259,610	1,607,015	33,274	47,253	**1,947,152**
Revaluation of land and buildings	-	-	15,571	-	**15,571**
Currency translation differences	-	-	20,851	14,497	**35,348**
Fair value of interest rate swaps	-	-	(4,809)	-	**(4,809)**
Fair value of forward foreign exchange contracts	-	-	167	-	**167**
Fair value of available for sale financial assets	-	-	(396)	-	**(396)**
Other comprehensive income	-	-	31,384	14,497	**45,881**
Profit attributable to owners of the parent	-	99,329	-	1,605	**100,934**
Total comprehensive income for the period	**-**	**99,329**	**31,384**	**16,102**	**146,815**
Change in shareholding of controlled entity	-	-	-	(400)	**(400)**
Cost of share based payments	-	-	1,130	-	**1,130**
Dividends paid	-	(74,362)	-	(1,969)	**(76,331)**
AT 31 December 2008	**259,610**	**1,631,982**	**65,788**	**60,986**	**2,018,366**
AT 1 JULY 2009	259,610	1,693,888	52,545	53,139	**2,059,182**
Revaluation of land and buildings	-	-	(64)	-	**(64)**
Reverse expired or realised cash flow hedge reserves	-	-	518	-	**518**
Currency translation differences	-	-	(201)	(3,531)	**(3,732)**
Fair value of forward foreign exchange contracts	-	-	(18)	-	**(18)**
Fair value of available for sale financial assets	-	-	935	-	**935**
Other comprehensive income	-	-	1,170	(3,531)	**(2,361)**
Profit attributable to owners of the parent	-	158,857	-	1,674	**160,531**
Total comprehensive income for the period	**-**	**158,857**	**1,170**	**(1,857)**	**158,170**
Cost of share based payments	-	-	639	-	**639**
Dividends paid	-	(63,739)	-	(2,579)	**(66,318)**
AT 31 December 2009	**259,610**	**1,789,006**	**54,354**	**48,703**	**2,151,673**

	NOTE	CONSOLIDATED **December 2009 $000**	 December 2008 $000
Cash Flows from Operating Activities		Inflows/(Outflows)	
Net receipts from franchisees	A	**482,219**	549,899
Receipts from customers	B	**713,449**	753,028
Payments to suppliers and employees	C	**(963,059)**	(1,024,358)
Distributions received from joint ventures	D	**4,105**	25,277
GST paid	E	**(26,052)**	(12,775)
Interest received		**2,445**	3,352
Interest and other costs of finance paid	F	**(13,901)**	(19,183)
Income taxes paid		**(70,042)**	(68,308)
Dividends received		**871**	861
		130,035	207,793
Consumer finance related cash flows:			
Consumer finance loans granted by consolidated entity		**(888)**	(1,312)
Proceeds of sale of FAST No. 1 Trust consumer finance loans		**772**	1,015
Accommodation fees paid		**-**	(451)
Repayments received from consumers on FAST No. 1 Trust consumer finance loans granted by consolidated entity and not sold to commercial investors		**2,535**	8,302
		2,419	7,554
Net Cash Flows from Operating Activities	26(b)	**132,454**	215,347

Net cash flows from operating activities decreased from $215.35 million in the preceding half-year to $132.45 million for the half-year ended 31 December 2009, a reduction of $82.89 million attributable to the following factors:

- The net receipts from franchisees were adversely affected by a significant rise in working capital loans advanced to franchisees in December 2009 to assist franchisees in acquiring stock and other working capital to cater for the increased sales volumes during the Christmas trading period. Franchisee loans receivable were higher by $89.80 million as at 31 December 2009 relative to the balance as at 30 June 2009.
- Receipts from customers of company-owned stores decreased relative to prior period resulting from recessionary conditions in New Zealand and Ireland and the effects of the devaluation of the Euro, UK pound sterling and the Singapore dollar relative to the Australian dollar used for the purposes of translation in this report.
- Distributions received from joint ventures decreased by $21.17 million as the prior year balance included proceeds received from the sale of an office building by the joint venture in Cambridge Park, Tasmania.
- Net GST payments are higher by $13.28 million as the previous half-year contained higher GST input tax credits resulting from increased capital acquisitions and lower GST outputs due to lower revenues received from franchisees.

The above statement of cash flows should be read in conjunction with the accompanying notes.

	NOTE	CONSOLIDATED December 2009 $000	December 2008 $000
Cash Flows from Investing Activities		Inflows/(Outflows)	
Payment for purchases of property, plant and equipment and intangible assets	G	**(31,577)**	(71,392)
Payment for the purchase of investment properties	G	**(27,214)**	(56,172)
Proceeds from sale of property, plant and equipment		**6,920**	4,336
Payment for the purchase of other investments		**(5)**	(1,050)
Proceeds from sale of units in unit trusts		**27**	1,760
Payments for purchase of equity investments	H	**(1,335)**	(9,445)
Payments for purchase of listed securities		**(424)**	(1,090)
Loans repaid from other entities		**899**	-
Loans granted to other entities		**-**	(3,280)
Net Cash Flows Used In Investing Activities		**(52,709)**	(136,333)
Cash Flows from Financing Activities			
Repayment of short-term borrowings	I	**(229,410)**	(8,161)
Proceeds from syndicated loan facility	I	**381,500**	-
Proceeds from secured bank bills payable	I	**-**	55,005
Repayment of secured bank bills payable	I	**(133,420)**	-
Dividends paid		**(63,739)**	(74,362)
Proceeds of loans from directors and other persons		**-**	470
Repayment of loans to directors and other persons		**(683)**	(122)
Net Cash Flows Used In Financing Activities		**(45,752)**	(27,170)
Net increase/(decrease) in cash and cash equivalents		**33,993**	51,844
Cash and Cash Equivalents at Beginning of Year		**61,375**	(21,338)
Cash and Cash Equivalents at End of Year	26(a)	**95,368**	30,506

■ Commentary to the Statement of Cash Flows:

<A> Total revenue received from franchisees increased from $504.74 million for the previous half-year period to $547.91 million for the half-year ended 31 December 2009, an increase of $43.18 million or 8.6% (see Note 2). This was achieved due to the strong performance of the franchising operations segment and a full six-months trading of the six (6) Harvey Norman and four (4) Joyce Mayne complexes that commenced trading in the previous financial year.

Cash flows from operating activities are also affected by movements in franchisee working capital loans receivable as at 31 December 2009 relative to the previous reporting period, being 30 June 2009. The aggregate amount of loans advanced to franchisees as at 31 December 2009 exceeded the aggregate amount of loans advanced to franchisees as at 30 June 2009 by $89.80 million. Franchisee loans receivable are typically higher in December to assist franchisees in acquiring stock and other working capital to cater for significantly increased sales volumes during the Christmas trading period.

Accordingly, net receipts from franchisees have decreased relative to the previous corresponding period as the higher working capital advances to franchisees in December 2009 will not be repaid until after balance date.

<B> Despite a full six-months trading of the three (3) new stores in New Zealand, one (1) new store in Ireland and two (2) new stores in Northern Ireland that commenced trading in the previous financial year, sales revenue derived by company-owned stores decreased for the half-year ended 31 December 2009 relative to the previous corresponding period. The devaluation of the Euro, UK pound sterling and the Singapore dollar relative to the Australian dollar used for the purposes of translation in this report has had the effect of decreasing the receipts from customers.

<C> The decrease in payments to suppliers and employees is attributable to inventory management and a reduction in operating costs. The devaluation of the Euro, UK pound sterling and the Singapore dollar relative to the Australian dollar used for the purposes of translation in this report has had the effect of decreasing the payments to suppliers and employees.

<D> The decrease in distributions received from joint venture entities is because the prior half-year balance included proceeds received from the sale of an office building pursuant to a development agreement negotiated by the joint venture in Cambridge Park, Tasmania.

<E> Net GST payments are higher by $13.28 million in the half-year ended 31 December 2009 compared to the prior period. The previous half-year contained higher GST input tax credits (cash inflows) resulting from increased capital acquisitions and lower GST outputs (cash outflows) due to lower revenues received from franchisees.

<F> Interest and other costs of finance paid have decreased by $5.28 million due to the reduction of commercial bill facilities and bank overdraft facilities of our overseas controlled entities and a general reduction in interest rates payable on utilised facilities in Australia.

<G> Payments for the purchases of property, plant and equipment, intangible assets and investment properties have decreased by $68.77 million relative to the previous corresponding period. The 2010 financial year is a year of consolidation and the store roll-out program will resume in the 2011 financial year.

<H> The reduction in payments for the purchase of equity investments is because the prior year figure included capital contributions to the Perth City joint venture of $6.07 million.

<I> On 2 December 2009, the Company entered into the Syndicated Facility Agreement (as defined in Note 19(a)) in relation to the Facility. As at 31 December 2009, $381.50 million had been drawn down pursuant to the Facility and used to repay the short-term facility previously provided by the Australia and New Zealand Banking Group Limited of $220.00 million and the secured bill facility in Australia of $161.50 million.

■ OPERATING SEGMENTS – 31 December 2009

	SEGMENT REVENUE			
	Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Share of Net Profit/(Loss) of Equity Accounted Investments	Segment Revenue
	Dec 2009 $000	Dec 2009 $000	Dec 2009 $000	Dec 2009 $000
Continuing Operations				
FRANCHISING OPERATIONS	87	505,625	-	505,712
Retail – New Zealand	314,730	5,168	-	319,898
Retail – Asia	167,183	1,280	-	168,463
Retail – Slovenia	36,312	(72)	-	36,240
Retail – Ireland & Northern Ireland	136,877	1,627	-	138,504
Other Non-Franchised Retail	60,440	2,098	-	62,538
TOTAL RETAIL	715,542	10,101	-	725,643
Retail Property	-	71,458	3,665	75,123
Property Under Construction for Retail	-	58	328	386
Property Development for Resale	-	55	(36)	19
TOTAL PROPERTY	-	71,571	3,957	75,528
Equity Investments	-	14,208	-	14,208
Other	-	6,906	-	6,906
Eliminations	-	(14,777)	-	(14,777)
Total from continuing operations	**715,629**	**593,634**	**3,957**	**1,313,220**

Operating Segments – 31 December 2009 (continued)

	SEGMENT RESULT				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	Segment Result Before Tax
	Dec 2009 $000	Dec 2009 $000	Dec 2009 $000	Dec 2009 $000	Dec 2009 $000
Continuing Operations					
FRANCHISING OPERATIONS	220,221	(6,361)	(23,844)	(3,222)	186,794
Retail – New Zealand	26,829	(625)	(3,833)	(12)	22,359
Retail – Asia	4,191	(47)	(2,035)	(46)	2,063
Retail – Slovenia	1,167	(337)	(424)	(13)	393
Retail – Ireland & Northern Ireland (a)	(13,303)	(960)	(2,732)	(970)	(17,965)
Other Non-Franchised Retail	5,738	(609)	(1,015)	(160)	3,954
TOTAL RETAIL	24,622	(2,578)	(10,039)	(1,201)	10,804
Retail Property	38,411	(6,195)	(4,579)	(155)	27,482
Property Under Construction for Retail	(747)	(472)	-	-	(1,219)
Property Development for Resale	(93)	(82)	-	-	(175)
TOTAL PROPERTY (b)	37,571	(6,749)	(4,579)	(155)	26,088
Equity Investments	14,208	(158)	-	-	14,050
Other	349	(210)	(104)	-	35
Eliminations	(732)	732	-	-	-
Total from continuing operations	**296,239**	**(15,324)**	**(38,566)**	**(4,578)**	**237,771**
Income tax expense					(77,240)
Profit from continuing operations attributable to non-controlling interests					(1,674)
Net profit for the year attributable to owners of the parent					**158,857**

(a) Included in the Ireland & Northern Ireland segment is the impairment expense of $0.97 million in respect of the write-down of plant and equipment assets to recoverable amount.

(b) Included in the Total Property segments is the revaluation decrements recognised in the income statement as follows: decrement of $15.11 million attributable to investment properties in Australia and a decrement of $0.64 million in respect of properties held under several joint venture entities.

■ OPERATING SEGMENTS – Comparative 31 December 2008

	SEGMENT REVENUE			
	Sales to Customers Outside the Consolidated Entity	Other Revenues from Outside the Consolidated Entity	Share of Net Profit/(Loss) of Equity Accounted Investments	Segment Revenue
	Dec 2008 $000	Dec 2008 $000	Dec 2008 $000	Dec 2008 $000
Continuing Operations				
FRANCHISING OPERATIONS	-	471,638	-	471,638
Retail – New Zealand	355,406	1,906	-	357,312
Retail – Asia	175,092	1,690	-	176,782
Retail – Slovenia	32,195	1,094	-	33,289
Retail – Ireland & Northern Ireland	141,351	671	-	142,022
Other Non-Franchised Retail	66,307	919	-	67,226
TOTAL RETAIL	770,351	6,280	-	776,631
Retail Property	-	64,489	2,281	66,770
Property Under Construction for Retail	-	58	196	254
Property Development for Resale	-	-	318	318
TOTAL PROPERTY	-	64,547	2,795	67,342
Equity Investments	-	861	-	861
Other	-	9,103	-	9,103
Eliminations	-	(15,928)	-	(15,928)
Total from continuing operations	**770,351**	**536,501**	**2,795**	**1,309,647**

Operating Segments Comparative – 31 December 2008 (continued)

	SEGMENT RESULT				
	Segment Result Before Interest, Taxation, Depreciation, Impairment & Amortisation	Interest Expense	Depreciation Expense	Amortisation & Impairment Expense	Segment Result Before Tax
	Dec 2008 $000	Dec 2008 $000	Dec 2008 $000	Dec 2008 $000	Dec 2008 $000
Continuing Operations					
FRANCHISING OPERATIONS (a)	182,917	(6,957)	(24,443)	(3,352)	148,165
Retail – New Zealand	27,534	(1,018)	(3,665)	(1)	22,850
Retail – Asia	4,604	(619)	(2,479)	-	1,506
Retail – Slovenia	3,705	(653)	(391)	(60)	2,601
Retail – Ireland	(12,439)	(2,200)	(5,173)	(17,000)	(36,812)
Other Non-Franchised Retail	615	(933)	(1,806)	(186)	(2,310)
TOTAL RETAIL	24,019	(5,423)	(13,514)	(17,247)	(12,165)
Retail Property	43,141	(6,927)	(3,926)	-	32,288
Property Under Construction for Retail	(521)	(550)	-	-	(1,071)
Property Development for Resale	208	(163)	-	-	45
TOTAL PROPERTY (b)	42,828	(7,640)	(3,926)	-	31,262
Equity Investments	(6,897)	(93)	-	-	(6,990)
Other	3,069	(834)	(114)	(430)	1,691
Eliminations	(1,309)	1,309	-	-	-
Total from continuing operations	**244,627**	**(19,638)**	**(41,997)**	**(21,029)**	**161,963**
Income tax expense					(61,029)
Profit from continuing operations attributable to non-controlling interests					(1,605)
Net profit for the year attributable to owners of the parent					**99,329**

(a)

Franchising Operations Segment Result as reported in half-year report for 31 December 2008	145,292
Adjustments for the restatement of prior period segment result on adoption of AASB 8 Operating Segments	2,873
Restated Franchising Operations Segment Result for the half-year ended 31 December 2008	148,165
Adjustments: Add back/(deduct)	
(1) IT costs – merchandise management system	4,124
Revised Franchising Operations Segment Result	152,289

(b) Included in the Total Property segments for the half-year ended 31 December 2008 was a revaluation decrement of $5.45 million before tax relating to the revaluation of a property located in Slovenia.

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

Segment	Description of Segment
Continuing Operations:	
Franchising Operations	Consists of the franchising operations of the consolidated entity (other than retailing, property and financial services).
Retail – New Zealand	Consists of the wholly-owned operations of the consolidated entity in New Zealand.
Retail – Asia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Singapore and Malaysia under the Harvey Norman brand name.
Retail – Slovenia	Consists of the controlling interest of the consolidated entity in the retail trading operations in Slovenia under the Harvey Norman brand name.
Retail – Ireland & Northern Ireland	Consists of the wholly-owned operations of the consolidated entity in Ireland and Northern Ireland.
Non-Franchised Retail	Consists of the retail trading operations in Australia which are controlled by the consolidated entity and does not include any operations of Harvey Norman franchisees.
Retail Property	Consists of land and buildings for each retail site that is fully operational or is ready and able to be tenanted. The revenue and results of this segment consists of rental income, outgoings recovered and the net property revaluation increments and/or decrements recognised in the Income Statement for each retail site that is owned by the consolidated entity which is fully operational (or ready for operations) as at half-year end. The property is held for the purpose of facilitating the expansion and operation of the franchising operations.
Property Under Construction for Retail	Consists of sites that are currently undergoing construction at half-year end intended for retail leasing. It also includes vacant land that has been purchased for the purposes of generating future investment income and facilitating the expansion and operation of the franchising operations.
Property Developments for Resale	Consists of land and buildings acquired by the consolidated entity, to be developed, or currently under development, for the sole purpose of resale at a profit.
Equity Investments	This segment refers to the trading of, and investment in, listed securities.
Other	This segment primarily relates to credit facilities provided to third parties and other unallocated income and expense items.

1. Statement of Significant Accounting Policies

(a) Corporate Information

The financial report of Harvey Norman Holdings Limited for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 26 February 2010. Harvey Norman Holdings Limited (the "Company") is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange.

(b) Basis of Preparation

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

The half-year financial report should be read in conjunction with the annual Financial Report of Harvey Norman Holdings Limited as at 30 June 2009.

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 2009 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, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory professional reporting requirements. The financial report has been prepared on a historical cost basis, except for investment properties, land and buildings, derivative financial instruments and available-for-sale investments, which have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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

(c) Summary of Significant Accounting Policies

The half-year consolidated financial statements complied with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board. The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009, except for the adoption of the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 January 2009.

- AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. The revised operating segments under AASB 8 are not materially different to the segments previously reported under AASB 114. AASB 8 disclosures are shown in Segment Information section of the half-year financial statements, including the related revised comparative information.

- AASB 101 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. With non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The consolidated entity has elected to present two statements.

- AASB 123 Borrowing Costs

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. The consolidated entity's previous policy was to expense borrowing costs as they were incurred. In accordance with the transitional provisions of the amended AASB 123, the consolidated entity has adopted the standard on a prospective basis. Therefore, borrowing costs are capitalised on qualifying assets with a commencement date on or after 1 January 2009.

- AASB 140 Investment Properties

The revised standard requires that investment property under construction for future use as investment property will also be measured at fair value with changes in fair value being recognised in the income statement when fair value can be determined reliably. However, where fair value is not reliably determinable, the property is measured at cost until the earlier *(c) Summary of Significant Accounting Policies (continued)*

- AASB 140 Investment Properties (continued)

of the date construction is completed and the date at which fair value becomes reliably determinable. As a result of the adoption of the amendment to AASB 140, as at 1 July 2009 the consolidated entity has reclassified investment properties under construction from “Property, Plant and Equipment” to “Investment Properties”, at an amount of $80.17 million, which represents the cost as at 30 June 2009.

(d) Future Accounting Standards

Certain Australian Accounting Standards and UIG Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half-year ended 31 December 2009. The directors have assessed the impact of these new or amended standards (to the extent relevant to the consolidated entity) and do not expect any significant impact to the amounts recognised in this report.

		CONSOLIDATED	
		December 2009 $000	December 2008 $000

2. ■ Revenues from Continuing Operations

Revenues from continuing operations:			
Revenue from the sale of products		**715,629**	770,351
Gross revenue from franchisees:			
- Franchise fees		**432,210**	396,374
- Rent		**97,236**	91,206
- Interest		**18,466**	17,157
Total revenue received from franchisees		**547,912**	504,737
Rent received from other third parties		**16,736**	14,146
Interest received from other unrelated parties		**2,445**	3,352
Dividends from other unrelated parties		**871**	861
Total other revenues from continuing operations		**567,964**	523,096
Share of net profit of joint venture entities	27	**3,957**	2,795
Total revenues from continuing operations		**1,287,550**	1,296,242
Other Income Items:			
Trust distribution received from other unrelated parties		**116**	101
Net profit on the revaluation of equity investments to fair value		**13,337**	-
Net foreign exchange gains		**3**	573
Unrealised gain on interest rate swaps		**209**	-
Other revenue		**12,005**	12,731
Total other income items		**25,670**	13,405
Total revenues and other income items from continuing operations		**1,313,220**	1,309,647
Total revenues from continuing operations is disclosed on the Income Statement as follows:			
Sales revenue		**715,629**	770,351
Other revenues from continuing operations		**567,964**	523,096
Other income items		**25,670**	13,405
Total other revenues and income items		**593,634**	536,501
Share of net profit of joint venture entities		**3,957**	2,795
Total revenues and other income items from continuing operations		**1,313,220**	1,309,647

	CONSOLIDATED	
	December 2009 $000	December 2008 $000

3. ■ Expenses and Losses from Continuing Operations

In arriving at profit from continuing operations before income tax, the following items were taken into account:

	December 2009 $000	December 2008 $000
Depreciation, amortisation and impairment:		
Depreciation of:		
- Buildings	**1,712**	1,340
- Plant and equipment	**36,854**	40,657
Amortisation of:		
- Leased plant and equipment	**36**	99
- Computer software	**3,417**	3,930
Impairment of: (included in administrative and other expenses line in the Income Statement)		
- Plant and equipment – Ireland	**970**	17,000
- Other assets	**155**	-
Total depreciation, amortisation and impairment	**43,144**	63,026
Finance costs:		
Interest paid or payable:		
- Loans from directors and director-related entities	**795**	771
- Bank interest paid to financial institutions	**13,610**	10,155
- Interest paid on non-trade amounts owing to Commercial Mortgage Backed Securities	**284**	7,151
- Other	**635**	1,561
Total finance costs	**15,324**	19,638
Employee benefits expense:		
- Wages and salaries	**92,136**	98,099
- Workers' compensation costs	**1,566**	1,415
- Superannuation contributions expense	**4,239**	4,830
- Payroll tax expenses	**4,156**	4,673
- Share-based payment expense	**639**	1,012
- Other employee benefits expense	**2,476**	4,028
Total employee benefits expense	**105,212**	114,057
Property revaluation decrements:		
- net revaluation decrement for Australian investment properties	**15,106**	-
- net revaluation decrement for properties held in joint venture entities	**639**	-
- revaluation decrement attributable to a property in Slovenia	**-**	5,450
Total property revaluation decrements	**15,745**	5,450
Other expense items:		
- Net loss on the revaluation of equity investments to fair value	**-**	7,757
- Net bad debts – provided for or written off	**105**	926
- Net charge to provision for doubtful debts	**(3,475)**	300
- Net loss on disposal of plant and equipment	**348**	631
- Minimum lease payments	**73,691**	74,407
- Provision for obsolescence of inventories	**812**	3,398
- Provision for employee benefits	**(157)**	2,895
- Included in cost of sales is the cost of inventories recognised as an expense	**604,917**	643,377

	CONSOLIDATED	
	December 2009 $000	December 2008 $000

4. ■ Earnings Per Share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Profit after tax from continuing operations	**160,531**	100,934
Profit attributable to non-controlling interests	**(1,674)**	(1,605)
Profit from continuing operations after tax	**158,857**	99,329

	Number of Shares	
	December 2009	December 2008
Weighted average number of ordinary shares used in calculating basic earnings per share (a)	**1,062,316,784**	1,062,316,784
Effect of dilutive securities (b):		
- Share Options	**-**	-
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**1,062,316,784**	1,062,316,784

(a) Weighted Average Number of Ordinary Shares

The number of ordinary shares on issue at 31 December 2009 was 1,062,316,784 (December 2008: 1,062,316,784).

There has been no movement in the weighted average number of ordinary shares used in calculating basic earnings per share as no share options have been granted pursuant to the Executive Option Plan ("EOP") during the current year.

There has been no exercise of share options granted under the EOP in respect of previous years.

(b) Effect of Dilutive Securities

On 26 November 2007, the consolidated entity issued 4,150,000 unlisted options to certain executive directors pursuant to EOP. These options are capable of exercise from 1 September 2010 to 25 November 2012 at an exercise price of $6.77 per option. The 4,150,000 options have been excluded from the calculation of diluted earnings per share as the exercise price of each of the options granted was higher than the average market price of an ordinary share in the Company for the half-year ended 31 December 2009.

There have been no other conversions to, calls of, or subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

	CONSOLIDATED		
	December 2009 $000	June 2009 $000	December 2008 $000

5. ■ Trade and Other Receivables (Current)

Trade debtors	**1,155,651**	1,036,273	1,090,204
Provision for doubtful debts	**(3,831)**	(4,336)	(5,435)
Trade debtors, net	**1,151,820**	1,031,937	1,084,769
Consumer finance loans	**4,114**	5,795	9,476
Amounts receivable in respect of finance leases	**11,649**	10,419	9,666
Non-trade debts receivable from:			
- Related parties	**1,736**	1,378	1,684
- Other unrelated persons	**28,579**	32,683	34,642
- Provision for doubtful debts	**(2,783)**	(5,747)	(5,539)
Non-trade debts receivable, net	**27,532**	28,314	30,787
Total trade and other receivables (current)	**1,195,115**	1,076,465	1,134,698

6. ■ Other Financial Assets (Current)

Listed shares held for trading at fair value	**38,266**	24,824	17,506
Other investments	**1,054**	1,050	1,050
Total other financial assets (current)	**39,320**	25,874	18,556

7. ■ Inventories (Current)

Finished goods at cost	**302,592**	265,526	340,082
Provision for obsolescence	**(6,461)**	(5,649)	(6,690)
Total current inventories, net	**296,131**	259,877	333,392

8. ■ Other Assets (Current)

Prepayments	**20,299**	12,971	15,015
Other current assets	**5,838**	2,097	10,739
Total other assets (current)	**26,137**	15,068	25,754

9. ■ Intangible Assets (Current)

Net software licences	**618**	537	1,496

	CONSOLIDATED		
	December 2009 $000	June 2009 $000	December 2008 $000

10. ■ Trade and Other Receivables (Non-Current)

Trade debtors	**1,374**	1,492	1,687
Consumer finance loans	**2,316**	2,857	3,879
Provision for doubtful debts	**(24)**	(30)	(41)
	3,666	4,319	5,525
Amounts receivable in respect of finance leases	**16,384**	14,296	14,537
Total trade and other receivables (non-current)	**20,050**	18,615	20,062

11. ■ Other Financial Assets (Non-Current)

Listed shares held for trading at fair value	**1,390**	950	1,250
Listed shares held as available for sale	**5,312**	4,351	3,557
Units in unit trusts held as available for sale	**204**	212	213
Total other financial assets (non-current)	**6,906**	5,513	5,020

12. ■ Property, Plant and Equipment (Non-Current)

Summary

Land			
- At fair value	**93,633**	96,208	101,251
- Investment properties under construction, at cost	**-**	55,636	69,597
Total Land	**93,633**	151,844	170,848
Buildings			
- At fair value	**117,624**	117,976	114,473
- Investment properties under construction, at cost	**-**	24,537	33,077
Total buildings	**117,624**	142,513	147,550
Net land and buildings	**211,257**	294,357	318,398

The consolidated entity has adopted the amendment to AASB 140, as described in Note 1, which brings property under construction within the scope of AASB 140 Investment Properties. Consequently, as at 1 July 2009, all investment properties under construction were transferred to investment properties.

	CONSOLIDATED		
	December 2009 $000	June 2009 $000	December 2008 $000
12. Property, Plant and Equipment (Non-Current) (continued)			
Plant and equipment			
- At cost	**690,951**	670,523	716,777
- Accumulated depreciation	**(459,505)**	(417,652)	(430,177)
Net plant and equipment, at cost	**231,446**	252,871	286,600
Plant and equipment under lease	**149**	292	-
Lease make good asset			
- At cost	**3,236**	3,604	4,200
- Accumulated depreciation	**(2,380)**	(2,509)	(2,611)
Net lease make good asset, at cost	**856**	1,095	1,589
Total plant and equipment	**232,451**	254,258	288,189
Total property, plant and equipment			
- Land and buildings at cost and fair value	**211,257**	294,357	318,398
- Plant and equipment at cost	**694,187**	674,127	720,977
- Plant and equipment under lease	**149**	292	-
Total property, plant and equipment	**905,593**	968,776	1,039,375
Accumulated depreciation and amortisation	**(461,885)**	(420,161)	(432,788)
Total written down amount	**443,708**	548,615	606,587

13 ■ Investment Properties

Opening balance at beginning of the period, at fair value	**1,316,572**	1,178,784	1,178,784
- Investment properties under construction transferred from Property, Plant and Equipment	**80,173**	-	-
- Net additions, disposals and transfers	**21,918**	142,408	74,684
- Net decrease from fair value adjustments	**(15,106)**	(4,620)	-
Closing balance at end of the period, at fair value	**1,403,557**	1,316,572	1,253,468

Investment Properties

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

- the highest and best use
- quality of construction
- age and condition of improvements
- recent market sales data in respect of comparable properties
- tenure of Harvey Norman franchisees and external tenants
- adaptive reuse of buildings
- the specific circumstances of the property not included in any of the above points
- non-reliance on turnover rent

Primary sites (as determined by management), which have been operating for greater than a twelve-month period, totalling $1.10 billion generally have capitalisation rates within the range of 8.0% to 9.5%. Secondary sites (as determined by management), which have been operating for greater than a twelve-month period, totalling $204.71 million generally have capitalisation rates within the range of 8.50% to 11.00%.

The consolidated entity has a strict property maintenance program to ensure that all investment properties are continuously maintained to a high standard. The vacancy rate of the investment property portfolio in Australia is 3.63%.

	CONSOLIDATED		
	December 2009 $000	**June 2009 $000**	December 2008 $000

14 ■ Intangible Assets (Non-Current)

	December 2009 $000	**June 2009 $000**	December 2008 $000
Goodwill	**10**	11	13
Net software licences	**606**	892	477
Computer software			
- At cost	**49,748**	46,705	44,921
- Accumulated amortisation and impairment	**(32,063)**	(28,933)	(25,981)
Net computer software	**17,685**	17,772	18,940
Net intangible assets (non-current)	**18,301**	18,675	19,430

15 ■ Trade and Other Payables (Current)

	December 2009 $000	**June 2009 $000**	December 2008 $000
Trade creditors	**712,285**	657,391	735,599
Accruals	**49,280**	30,745	48,470
Other creditors	**62,100**	51,348	57,480
Total trade and other payables (current)	**823,665**	739,484	841,549

16 ■ Interest-Bearing Loans and Borrowings (Current)

	December 2009 $000	**June 2009 $000**	December 2008 $000
Secured:			
Non trade amounts owing to:			
- Other related parties	**-**	-	985
- Commercial bills payable (a)	**58,571**	185,874	198,538
- Commercial investors F.A.S.T	**-**	-	4,591
- Commercial Mortgage Backed Securities	**-**	-	225,772
- Other short-term borrowings	**25,022**	253,009	-
- Bank overdraft (a)	**70,978**	96,532	129,161
Unsecured:			
Other short-term borrowings	**-**	-	31,604
Derivatives payable	**8**	1,097	3,389
Lease liabilities	**179**	148	498
Non trade amounts owing to:			
- Directors	**26,132**	28,878	28,199
- Other related parties	**11,238**	9,180	6,346
- Other unrelated persons	**246**	248	540
Total interest-bearing loans and borrowings (current)	**192,374**	574,966	629,623

(a) Commercial Bills Payable and Bank Overdraft

The commercial bills payable and bank overdraft ("Other ANZ Facilities") are secured by the securities given pursuant to the Syndicated Facility Agreement (as defined in Note 19(a)), and subject to annual review by Australia and New Zealand Banking Group Limited ("ANZ"). The Other ANZ Facilities are repayable on demand by ANZ, upon the occurrence of any event of default or Relevant Event (as defined in Note 19(a)) under the Syndicated Facility Agreement, or after any annual review date.

	CONSOLIDATED		
	December 2009 $000	June 2009 $000	December 2008 $000
17 ■ Other Liabilities (Current)			
Lease incentives	**2,111**	2,144	2,145
Unearned revenue	**1,112**	922	2,403
Total other liabilities (current)	**3,223**	3,066	4,548
18 ■ Provisions (Current)			
Employee entitlements	**15,382**	15,372	15,498
Lease make good	**1,797**	1,397	102
Deferred lease expenses	**932**	832	603
Onerous lease costs	**970**	3,072	-
Other	**507**	574	-
Total provisions (current)	**19,588**	21,247	16,203
19 ■ Interest-Bearing Loans and Borrowings (Non-current)			
Secured:			
Non trade amounts owing to:			
Other borrowings (a)	**381,500**	-	-
Commercial investors F.A.S.T	**-**	-	1,882
Secured bills payable	**5,285**	11,402	23,340
Derivatives payable	**272**	151	280
Lease liabilities	**136**	161	119
Total interest-bearing loans and borrowings (non-current)	**387,193**	11,714	25,621

(a) Non-Current Borrowings – Syndicated Facility Agreement

1) 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") in relation to a loan facility of $435,000,000 ("Facility") made available by the Financiers to the Borrower ("Syndicated Facility Agreement").
2) The Facility is secured by:
   (a) a fixed and floating charge granted by the Company and each of the Guarantors in favour of a security trustee for the Financiers; and
   (b) real estate mortgages granted by certain Guarantors in favour of the security trustee for the Financiers over various real properties owned by those Guarantors.
3) The Facility is repayable:
   (a) on 3 December 2012; or
   (b) 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 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.

	CONSOLIDATED		
	December 2009 $000	June 2009 $000	December 2008 $000

20 ■ Provisions (Non-Current)

	December 2009 $000	June 2009 $000	December 2008 $000
Employee entitlements	**1,816**	1,983	2,492
Lease make good	**1,459**	2,246	4,126
Deferred lease expenses	**5,467**	5,387	5,251
Total provisions (non-current)	**8,742**	9,616	11,869

21 ■ Other Liabilities (Non-Current)

	December 2009 $000	June 2009 $000	December 2008 $000
Lease incentives	**21,485**	22,749	23,693
Unearned revenue	**2,987**	3,263	3,755
Total other liabilities (non-current)	**24,472**	26,012	27,448

22 ■ Contributed Equity

	December 2009 $000	June 2009 $000	December 2008 $000
Ordinary shares	**259,610**	259,610	259,610
Total contributed equity	**259,610**	259,610	259,610

	December 2009 Number	June 2009 Number	December 2008 Number
Ordinary shares:			
Number of ordinary shares issued and fully paid	**1,062,316,784**	1,062,316,784	1,062,316,784

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

	CONSOLIDATED No.	CONSOLIDATED $000
Movements in ordinary shares on issue		
At 1 July 2009	1,062,316,784	259,610
Issue of shares under executive share option plan	-	-
At 31 December 2009	1,062,316,784	259,610

23 ■ Reserves

	CONSOLIDATED $000					
	Asset revaluation reserve	Foreign currency translation reserve	Available for sale reserve	Cash flow hedge reserve	Employee equity benefits	Total
At 1 July 2008	52,508	(30,663)	(176)	3,539	8,066	**33,274**
Revaluation of land and buildings	19,287	-	-	-	-	**19,287**
Tax effect of revaluation of land and buildings	(3,716)	-	-	-	-	**(3,716)**
Unrealised gains on available-for-sale investments	-	-	(396)	-	-	**(396)**
Transfer realised gains on interest rate swap to other income	-	-	-	(174)	-	**(174)**
Realised gains on matured forward foreign exchange contracts	-	-	-	(5)	-	**(5)**
Unrealised losses on interest rate swaps	-	-	-	(6,621)	-	**(6,621)**
Tax effect of unrealised losses on interest rate swap	-	-	-	1,986	-	**1,986**
Unrealised gains on forward foreign exchange contracts	-	-	-	223	-	**223**
Tax effect of unrealised gains on forward foreign exchange contracts	-	-	-	(51)	-	**(51)**
Currency translation differences	-	20,851	-	-	-	**20,851**
Share based payment	-	-	-	-	1,130	**1,130**
At 31 December 2008	68,079	(9,812)	(572)	(1,103)	9,196	**65,788**
At 1 July 2009	64,928	(21,715)	373	(460)	9,419	**52,545**
Revaluation of land and buildings	45	-	-	-	-	**45**
Tax effect of revaluation of land and buildings	(109)	-	-	-	-	**(109)**
Unrealised gains on available-for-sale investments	-	-	935	-	-	**935**
Reverse expired or realised cash flow hedge reserves	-	-	-	518	-	**518**
Net gains on forward foreign exchange contracts	-	-	-	(26)	-	**(26)**
Tax effect of net gains on forward foreign exchange contracts	-	-	-	8	-	**8**
Currency translation differences	-	(176)	-	-	(25)	**(201)**
Share based payment	-	-	-	-	639	**639**
At 31 December 2009	64,864	(21,891)	1,308	40	10,033	**54,354**

■ Nature and purpose of reserves:

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

	CONSOLIDATED		
	December 2009 $000	June 2009 $000	December 2008 $000

24 ■ Retained Profits and Dividends

Movements in retained earnings were as follows:

Balance 1 July	**1,693,888**	1,607,015	1,607,015
Profit for the period	**158,857**	214,351	99,329
Dividends	**(63,739)**	(127,478)	(74,362)
Balance at end of the period	**1,789,006**	1,693,888	1,631,982

Dividends declared and paid during the year:

Dividends on ordinary shares:			
Final franked dividend for 2009: 6.0 cents (2008: 7.0 cents)	**63,739**	74,362	74,362
Interim franked dividend for 2010: 7.0 cents (2009: 5.0 cents)	**-**	53,116	-
Total dividends paid	**63,739**	127,478	74,362

The final dividend for the year ended 30 June 2009 was paid on 7 December 2009.

The interim divided for the year ended 30 June 2010 will be paid on 3 May 2010.

Franking credit balance
The amount of franking credits available for the subsequent financial years are:

- franking account balance as at the end of the financial period at 30%	**591,892**	558,093	528,455
- franking credits that will arise from the payment of income tax payable as at the end of the financial period	**40,723**	35,852	36,812
- franking credits that will be utilised in the payment of proposed final dividend	**(31,870)**	(27,317)	(53,116)
The amount of franking credits available for future reporting periods	**600,745**	566,628	512,151

	CONSOLIDATED		
	December 2009 $000	June 2009 $000	December 2008 $000

25 ■ Non-Controlling Interests

Interest in:			
- Ordinary shares	**35,050**	35,050	35,204
- Reserves	**(5,725)**	(2,194)	7,044
- Retained earnings	**19,378**	20,283	18,738
Total non-controlling interests	**48,703**	53,139	60,986

26 ■ Cash and Cash Equivalents

(a) Reconciliation to Cash Flow Statement

Cash and cash equivalents comprise the following at end of the period:			
Cash at bank and on hand	**133,625**	125,269	118,078
Short term money market deposits	**32,721**	32,638	41,589
	166,346	157,907	159,667
Bank overdraft (Note 16)	**(70,978)**	(96,532)	(129,161)
Cash and cash equivalents at end of the period	**95,368**	61,375	30,506

26 ■ Cash and Cash Equivalents (continued)

	CONSOLIDATED	
	December 2009 $000	December 2008 $000
(b) Reconciliation of profit after income tax to net operating cash flows:		
Profit after tax	**160,531**	100,934
Adjustments for:		
Net foreign exchange gains	**(3)**	(573)
Bad and doubtful debts	**105**	1,338
Provision for inventory obsolescence	**812**	3,398
Share of joint ventures	**(148)**	(22,482)
Depreciation of property, plant and equipment	**38,566**	41,997
Amortisation	**3,453**	4,029
Impairment of fixed assets	**970**	17,000
Impairment of assets held in joint venture entities	**155**	-
Revaluation of investment properties and properties held under joint ventures	**15,745**	5,450
Deferred lease expenses	**301**	140
Provision for onerous leases	**(873)**	-
Discount on interest-free long term receivables	**125**	98
Accretion of interest-free long term receivables	**(219)**	(646)
Shares and options expense	**639**	1,030
Realised / unrealised loss/(gain) on interest-rate swap	**(209)**	4,355
Transfers to provisions:		
- Employee entitlements	**(157)**	2,895
- Doubtful debts	**(3,475)**	300
(Profit)/loss on disposal and revaluation of:		
- Property, plant and equipment, and listed securities	**(12,989)**	8,388
Changes in assets and liabilities net of effects from purchase and sale of controlled entities:		
(Increase)/decrease in assets:		
Receivables	**(121,311)**	(138,614)
Inventory	**(37,066)**	(85,171)
Other current assets	**(11,884)**	14,254
Deferred tax assets	**4,934**	(4,732)
Increase/(decrease) in liabilities:		
Payables and other current liabilities	**91,256**	266,511
Non trade amounts owing to FAST	**-**	(3)
Income tax payable	**3,196**	(4,549)
Net cash from operating activities	**132,454**	215,347

	CONSOLIDATED Investment		CONSOLIDATED Share of net profit/(loss)	
	December 2009 $000	June 2009 $000	**December 2009 $000**	December 2008 $000

27 ■ Investments Accounted for Using Equity Method

Joint venture entities	**190,287**	189,571	**3,957**	2,795
Total accounted for using equity method	**190,287**	189,571	**3,957**	2,795

Details of material interests in joint venture entities are as follows:

Name and Principal activities	Ownership Interest		Contribution to Net Profit (Loss)		Contribution to Property revaluation	
	December 2009 %	December 2008 %	**December 2009 $000**	December 2008 $000	**December 2009 $000**	December 2008 $000
NZ						
- Lincoln Junction	**50%**	50%	**(130)**	(14)	**-**	-
Noarlunga						
- Shopping complex	**50%**	50%	**336**	132	**1,067**	-
Perth City West						
- Shopping complex	**50%**	50%	**1,717**	922	**-**	-
Kelso						
- Development of land for resale	**50%**	50%	**43**	67	**-**	-
Tweed Heads – Stage 1						
- Shopping complex	**50%**	50%	**469**	428	**(1,295)**	-
Warrawong King St (a)						
- Shopping complex	**62.5%**	62.5%	**489**	483	**-**	-
Tweed Heads Traders Way						
- Building development	**50%**	50%	**31**	53	**-**	-
Sylvania						
- Residential development	**40%**	40%	**(78)**	(59)	**-**	-
Mentone						
- Shopping complex/residential development	**50%**	50%	**(98)**	(94)	**-**	-
Byron Bay						
- Residential/convention development	**50%**	50%	**(465)**	(429)	**-**	-
Byron Bay - 2						
- Resort operations	**50%**	50%	**451**	446	**-**	-
Dubbo						
- Shopping complex / building development	**50%**	50%	**280**	276	**(411)**	-
Cubitt						
- Showroom and warehouse	**50%**	50%	**31**	40	**-**	-
Cambridge						
- Building and office complex/building	**50%**	50%	**881**	544	**-**	-
			3,957	2,795	**(639)**	-

(a) These joint ventures have 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.

■ Non-Cash Financing and Investing Activities

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

	CONSOLIDATED	
	December 2009	December 2008
■ Net Tangible Assets Per Security		
Net tangible asset backing per ordinary security	**2.10**	1.95

■ Control Gained Over Entities Having Material Effect

Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from continuing operations after tax of the controlled entity (or group of entities) 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) from continuing operations after tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	N/A	N/A

■ Loss of Control of Entities Having Material Effect

Name of entity (or group of entities)	N/A	N/A
Consolidated profit/(loss) from discontinued operations after tax of the controlled entity (or group of entities) for the current period to the date of loss of control	N/A	N/A
Date from which such profit/(loss) has been calculated	N/A	N/A
Profit (loss) from discontinued operations after tax of the controlled entity (or group of entities) while controlled during the whole of the previous corresponding period	N/A	N/A

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

In the opinion of the directors:

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

   (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of their performance for the half-year ended on that date.

   (ii) Complying with Accounting Standards and Corporations Regulations 2001.

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

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the half-year ending 31 December 2009.

On behalf of the Board.

G. HARVEY	**K.L. PAGE**
Chairman	Chief Executive Officer
Sydney	Sydney
26 February 2010	26 February 2010

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To the members of Harvey Norman Holdings Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Harvey Norman Holdings Limited (the company), which comprises the statement of financial position as at 31 December 2009, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes, other information as set out in Appendix 4D to the Australian Stock Exchange (ASX) Listing Rules and the directors' declaration of the consolidated entity but excludes the following sections Results for Announcement to the Market and Chairman's Report. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act* 2001 and the ASX Listing Rules as they relate to Appendix 4D. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and the ASX Listing Rules as they relate to Appendix 4D. As the auditor of Harvey Norman Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Conclusion

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

(a) the Corporations Act 2001, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 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) the ASX Listing Rules as they relate to Appendix 4D.

Ernst & Young

Christopher George
Partner
Sydney
26 February 2010