LOVISA HOLDINGS LIMITED

2016 APPENDIX 4E

PRELIMINARY FINAL REPORT

ACN 602 304 503

Lovisa

APPENDIX 4E

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Lovisa Holdings Limited
Appendix 4E
Preliminary Final Report
For the year ended 3 July 2016

The following sets out the requirements of Appendix 4E with the stipulated information either provided here or cross referenced to the 2016 Preliminary Final Report which is attached.

1. Company details

Company Name	Lovisa Holdings Limited
ACN	602 304 503
Reporting Period	53 weeks ended 3 July 2016
Prior Period	52 weeks ended 28 June 2015

2. Results for announcement to the market

Comparison to the prior period (Appendix 4E items 2.1 to 2.3)	Increase/ Decrease	Change %	To A$'000s
Revenue from ordinary activities	Increase	14.3%	153,461
Profit before tax	Decrease	36.7%	23,548
Profit after tax attributable to the members	Decrease	45.9%	16,553

Dividends / distributions (Appendix 4E item 2.4)	Amount per security	Franked amount per security
Final dividend for the year ended 3 July 2016 to be paid on 27 October 2016	2.00 cents	2.00 cents

Record date for determining entitlement to the dividend (Appendix 4E item 2.5)	15 September 2016

Brief explanation of the figures reported above necessary to enable the figures to be understood (Appendix 4E item 2.6)

For the year ended 3 July 2016 the Company reported net profit after tax of $16.5m following continued strong same store sales growth of 5.5% and the addition of 43 stores across the globe offset by higher cost of sales due to the weakening Australian dollar and a higher level of markdowns.

This result reflects a decrease of 46% on the Company's 2015 statutory net profit after tax and a 6% decrease on the Company's 2015 proforma net profit after tax after taking into account the reversal of the put option and other costs associated with the IPO.

The FY15 statutory result includes the release of a $14,756k provision for the buy back of shares from Centreville Pty Ltd, a company owned by the CEO and Director, Shane Fallscheer. The FY15 result also includes costs of $2,112k associated with the IPO (before tax).

3. Income statement with notes to the statement

Please refer to the attached preliminary final report for the income statement for the 53 weeks ended 3 July 2016.

4. Balance sheet with notes to the statement

Please refer to the attached preliminary final report for the balance sheet for the period ended 3 July 2016.

5. Cash flow statement with notes to the statement

Please refer to the attached preliminary final report for the cash flow statement for the 53 weeks ended 3 July 2016.

6. Dividends

Please refer to note A5 of the attached preliminary final report for details of dividends paid in the reporting period and prior period.

7. Dividend reinvestment plans

Not applicable.

8. Statement of changes in equity

Please refer to the attached preliminary final report for the statement of retained earnings for the period ended 3 July 2016.

9. Net tangible asset per security

	Current period	Previous period
Net tangible asset backing per ordinary share	**$0.09**	**$0.05**

10. Entities over which control has been gained or lost during the period

Not applicable.

11. Details of associates and joint ventures

Not applicable.

12. Other significant information

All significant information has been included within this Appendix, or the preliminary final report which should be read in conjunction with this document.

13. For foreign entities, which set of accounting standards has been used in compiling the report

The results of all foreign entities have been compiled using International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

14. Commentary on the results

Please refer to the Directors' Report in the preliminary final report for commentary on the results for the period.

15. Status of the audit

This report should be read in conjunction with the preliminary final report. The financial statements in the preliminary final report have been audited and an unqualified audit opinion has been issued.

16. Dispute or qualification arising from audit

Not applicable.

Signed on behalf of Lovisa Holdings Limited, on 22 August 2016

Graeme Fallet
Company Secretary

DIRECTOR'S REPORT

DIRECTORS' REPORT

Details of the qualifications and experience of each Director in accordance with the requirments of the Corporation Act have been included below.

MICHAEL KAY

INDEPENDENT NON–EXECUTIVE DIRECTOR & CHAIRMAN

Appointed 13 April 2016

- *Chairman of the Board*
- *Chairman of the Remuneration and Nomination Committee*
- *Member of the Audit, Business Risk and Compliance Committee*

A qualified lawyer, Michael Kay brings a wealth of commercial experience to Lovisa. Michael was CEO and Managing Director of listed salary packaging business McMillan Shakespeare, a position he held for six years. Previously, Michael was CEO of national insurer AAMI after serving in a variety of senior roles with that firm. Prior to joining AAMI, he spent 12 years in private legal practice. Michael became Chairman of ASX listed litigation funder, IMF Bentham Ltd (ASX : IMF) in July 2015 and is Chairman of Apply Direct Ltd (ASX : AD1). Michael has also been a non-executive Director of TFS Corporation (ASX : TFC) since February 2015 and is a non-executive Director of Royal Automotive Insurance Pty Limited.

SHANE FALLSCHEER

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

Appointed 6 November 2014

Shane Fallscheer is the Chief Executive Officer, Managing Director and founder of Lovisa. He has 29 years of experience in retailing operations across Australia, UK and US markets. He was previously in senior management roles with retailers including: General Manager, Sanity Australia; Chief Executive Officer, Sanity UK; Chief Executive Officer, Diva; and Global Retail Chairman and Chief Operating Officer, Rip Curl USA.

TRACEY BLUNDY

NON-EXECUTIVE DIRECTOR

Appointed 6 November 2014

- *Member of the Audit, Business Risk and Compliance Committee*
- *Member of the Remuneration and Nomination Committee*

Tracey joined BB Retail Capital in 1981 and is the nominated representative of BB Retail Capital on the Board of Lovisa. Over the past 35 years, she has held a number of senior executive positions across BB Retail Capital's brands, including Chief Executive Officer of Sanity Entertainment and Bras n Things. She is a Board-level advisor across the BB Retail Capital portfolio bringing in-depth knowledge and expertise on retail operations and roll-out strategy.

Tracey was a founding shareholder of Lovisa in 2010, and has since been a senior advisor to the Company's management team. Tracey is currently a Director of BB Retail Capital Pty Limited, Bras N Things Pty Limited and BB Retail Property Pty Limited.

PAUL CAVE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 6 November 2014

- *Member of the Audit, Business Risk and Compliance Committee*
- *Member of the Remuneration and Nomination Committee*

Paul is a Non-Executive Director of Domino's Pizza Enterprises Ltd since 2005 and the Chairman and Founder of BridgeClimb. Paul was made a Member of the Order of Australia in 2010 for his services to the tourism industry. Paul has previously worked in marketing and general management roles for B&D Roll A-Door and also founded the Amber Group in 1974, which he sold in 1996. Paul was a founding Director of Chris O'Brien Lifehouse at the Royal Prince Alfred Hospital, and founding Director of InterRisk Australia Pty Ltd. He is a patron of the Hunter Melanoma Foundation, and holds a Bachelor of Commerce from the University of New South Wales.

JAMES KING

INDEPENDENT NON-EXECUTIVE DIRECTOR

Appointed 17 May 2016

- *Chairman of the Audit, Business Risk and Compliance Committee*
- *Member of the Remuneration and Nomination Committee*

James has over 30 years' experience as a Director and an Executive in major multinational corporations in Australia and internationally. He was previously with Foster's Group Limited as Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's, he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific). He is currently a non-executive Director of Pacific Brands, Navitas Ltd and a member of Global Coaching Partnership. Previously James was a Director of JB Hi-Fi Limited, Trust Company Ltd, a member of the Council of Xavier College and Chairman of Juvenile Diabetes Research Foundation (Victoria).

1. DIRECTORS'

The Directors of Lovisa Holdings Limited (the 'Company') present their report together with the Consolidated Financial Statements of the Company and its controlled entities (the 'Group' or 'Consolidated Entity') for the financial year ended 3 July 2016.

	Board		Audit and Risk		Remuneration & Nomination	
Director	Number attended	Number held	Number attended	Number held	Number attended	Number held
M Kay	2	2	1	1	1	2
T Blundy	12	12	5	5	6	6
P Cave	12	12	5	5	6	6
S Fallscheer	11	12	-	-	-	-
J King	1	1	1	1	-	-
N Osborne	4	4	2	2	2	2

- Neil Osborne was a Director of Lovisa Holdings Limited from his appointment on 1 April 2015 until his resignation on 17 November 2015.
- Graeme Fallet was appointed Company Secretary on 14 April 2016. He is also the company's Chief Financial Officer. Mr Fallet is a Chartered Accountant and a Member of the Institute of Company Directors.
- Iain Sadler was Company Secretary of Lovisa Holdings Limited from 6 November 2014 until his resignation on 13 April 2016.
- Michael Kay was appointed as Chairman and independent non-executive Director on 13 April 2016.
- James King was appointed as an independent non-executive Director on 17 May 2016.

1.1 Directors Interests in Shares

The relevant interest of each Director in the Company at the date of the report is as follows:

Director	Ordinary Shares in the Company
M Kay (1)	250,000
P Cave (2)	1,000,000
T Blundy (3)	1,153,005
S Fallscheer (4)	4,490,000
J King	-

(1) Shares held by Doveton Kay Investments Pty Ltd ATF Doveton Kay Investments Trust and M&S Kay Superannuation Fund Pty Ltd ATF M&S Kay Superannuation Fund
(2) Shares held by P.B.C. Investments Pty Limited
(3) Shares held by Coloskye Pty Ltd
(4) Shares held by Centerville Pty Ltd

2. PRINCIPAL ACTIVITIES

The principal activity of the Group during the financial year was the retail sale of fashion jewellery and accessories.

The business has 250 retail stores in operation at 3 July 2016 including 16 franchise stores.

The Group opened an additional 43 stores during the year and closed 32 stores.

There was no significant change in the nature of the activities of the Company during the period.

3. DIVIDENDS

Dividends paid to members during the financial year were as follows:

	2016	2015
	$000's	$000's
Final ordinary dividend for the year ended 30 June 2015 of 4.07 cents (2014- 758.73 cents) per fully paid share fully franked paid on 30 October 2015	4,273	7,587
Interim ordinary dividend for the year ended 30 June 2016 of 6.67 cents (2015- 6.67 cents) per fully paid share 75% franked (2015: fully franked) paid on 29 April 2016	7,004	7,004
Total dividends paid	11,277	14,591

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final dividend of $2,100,000 (2.00 cents per fully paid share) expected to be paid on 27 October 2016. The dividend will be fully franked.

4. REVIEW OF OPERATIONS

The analysis below reflects the Group's performance at a statutory level. Actual FY2016 and Actual FY2015 results relate to the performance of all Lovisa group companies for the entirety of both years.

The following summary of operating results and operating metrics reflects the Group's performance for the year ended 3 July 2016:

Proforma Consolidated $000	2016	2015
Gross Margin %	74%	77%
EBITDA (Proforma)	30,256	30,830
NPAT (Proforma)	16,553	17,602
NPAT (Statutory)	16,553	30,598
Basic Earnings per share (Proforma)	15.76c	17.10c
Basic Earnings per share (Statutory)	15.76c	29.14c

4.1 Financial Performance

For the year ended 3 July 2016 the Company reported a net profit after tax of $16.5 million following continued strong same store sales growth of 5.5% and the addition of a further 43 stores across the globe offset by higher cost of sales due to the weakening Australia dollar and a higher level of markdowns.

This result reflects a decrease of 6% on the Company's 2015 Proforma net profit after taking into account the reversal of the put option and other costs associated with the IPO.

During the year the Company suffered headwinds associated with the decreasing Australian dollar and the devaluation of the South African Rand.

The analysis below reflects the Group's performance on a 'proforma' basis and a statutory basis.

Proforma Consolidated $000	FY2016	FY2015	Change
Sales	153,461	134,260	14.3%
Gross profit	113,562	103,461	9.8%
Operating expenses	83,306	72,631	14.7%
EBITDA	30,256	30,830	(1.9%)
EBIT	24,222	24,829	(2.4%)
Net profit after tax (NPAT)	16,553	17,602	(6.0%)

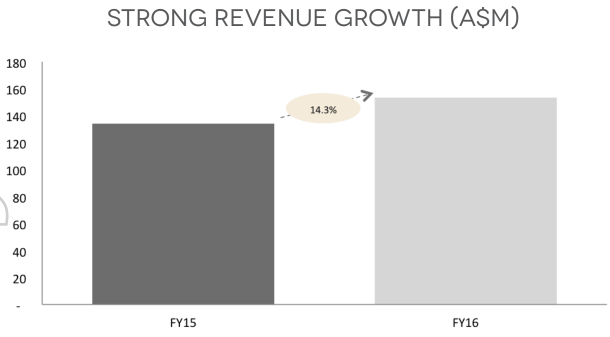
A reconciliation of the statutory and proforma results has been included below.

$'000	FY2015
Consolidated Statutory EBIT	37,470
Change in provision for share buy back	(14,756)
IPO costs	2,115
Proforma EBIT	24,829

Statutory Consolidated $'000	FY2016	FY2015	Change
Sales	153,461	134,260	14.3%
Gross profit	113,562	103,461	9.8%
Operating expenses	83,306	74,746	11.4%
Change in provision for share buy back	-	14,756	(100%)
EBITDA	30,256	43,471	(30.4%)
EBIT	24,222	37,470	(35.4%)
Net profit after tax (NPAT)	16,553	30,598	(45.9%)

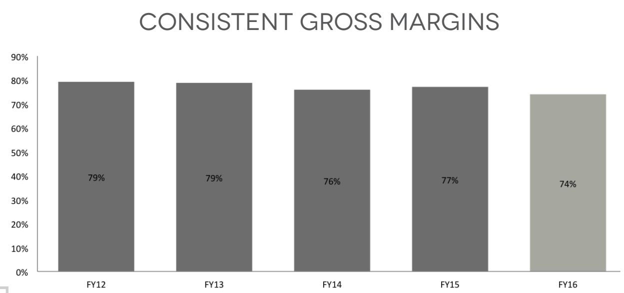
4.1 Financial Performance (continued)

4.1.1 Sales



The Company's reported revenue was $153.5m being a 14.3% increase on the prior period from strong like for like sales of 5.5% and the addition of a net 11 new stores. The offshore expansion continues with a UK pilot program of 3 stores at June to determine the feasibility of the UK market. An additional franchise territory in Vietnam opened in July 2016.

4.1.2 Gross Profit Margin

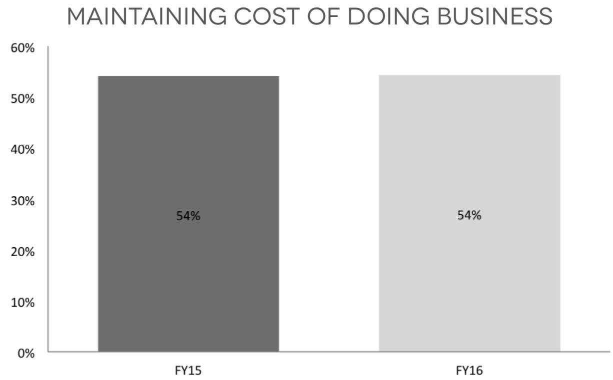


The Company's Gross profit increased by 9.8% to $113.6m against a back drop of a significant weakening of the Australian dollar affecting the Company's stock purchases. The decrease in the Australian dollar resulted in the Company's Gross Margin reducing to 74%.

4.1.3 Change in value of put option liability

In previous years the Company made provision for the buy-back of shares from Centerville Pty Ltd, a private vehicle owned by the CEO. As a result of the IPO, the provision was reversed in FY2015.

4.1.4 Operating Expenses



The Company's Cost of Doing Business was consistent with the prior year and is predominantly from the opening of new stores, additional investment in the Lovisa global rollout working capital and foreign currency losses associated with repatriating cash from its offshore businesses.

During the year Lovisia significantly increased its investment in its offshore rollout and management capacity to facilitate its global expansion. The Board considers it imperative that Lovisa resources itself in anticipation of strong offshore growth during the next three years.

Distribution costs increased in line with the offshore expansion as stock was managed through the Company's Hong Kong Distribution Centre and shipped to South Africa, United Kingdom, Singapore and Malaysia.

Other costs increased predominantly from foreign exchange losses associated with the devaluation of the South African Rand.

4.1.5 Earnings

Earnings before interest and tax was $24.2m being a decrease of 2.4% on underlying EBIT from the prior year after excluding one-off items associated with the IPO.

Financing costs associated with the Company's debt facilities increased due to debt facilities only being in place for the post IPO period in FY15.

Net Profit after Tax after adjusting for one off items associated with the IPO decreased by 6% to $16.5m.

4.1.6 Cash Flow

The Company's operating cash flow improved during the year with $23.3m generated from operations after tax and financing payments. Capital expenditure of $9.3m relates predominantly to new store openings and refurbishments of current stores upon lease renewal. The final payment for the South African acquisition in 2015 of $250,000 was made during the year.

4.2 Financial Position

Statutory Consolidated	Actual FY2016 $'000	Actual FY2015 $'000	Change FY15/FY16 %
Trade receivables and prepayments	2,293	2,147	6.8%
Inventories	15,034	15,012	0.1%
Trade payables and provisions	(14,995)	(16,274)	(7.9%)
Net working capital	2,332	885	163.5%
Property, plant & equipment	13,123	10,400	26.2%
Intangible assets and goodwill	2,073	1,610	28.8%
Total funds employed	17,528	12,895	35.9%
Net debt	(7,271)	(9,657)	(24.7%)
Net derivative liability	(909)	30	(3130.0%)
Net deferred tax balances	1,823	3,541	(48.5%)
Net assets/equity	11,171	6,809	64.1%

Net working capital

The Company's working capital continues to be a focus with inventory levels managed at prior year levels despite the cost of goods increasing due to currency changes and the increase of a net 11 stores after closures. Working capital includes both security deposits for landlords and cash reserved for Bank Guarantees issued to landlords.

Property, plant and equipment

Capital expenditure during the year largely reflects fit-out costs associated with new stores and fixed asset renewal costs for existing stores reaching the end of their lease term. Fit-out costs are depreciated over the lifetime of the store lease.

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016
Australia	45	54	160	166	146	144
New Zealand	6	6	6	14	14	18
Singapore	0	0	6	10	15	19
South Africa	0	0	0	11	36	36
Malaysia	0	0	3	7	15	14
United Kingdom	0	0	0	0	0	3
Middle East*	0	0	0	2	13	16
Total	**51**	**60**	**175**	**210**	**239**	**250**

* Franchise Stores

Net debt

The Company's net debt reduced to $7.2m which reflects a $2.4m reduction on the prior year.

5. BUSINESS STRATEGIES

Lovisa has achieved rapid growth since it was founded, with revenue growing from $25.5 million in FY2011 to $153.5 million in FY2016, representing a compound annual growth rate of 43.2%. This historical growth has been driven by Lovisa's swift store roll out. The Group continues to focus on its key drivers to deliver growth in sales and profit growth.

Growth pillar	Business Strategy Section	Strategy	Risks	Achievements
International expansion	5.2	• Continue to leverage current international territories • Leverage the Company's capital in large international markets • Complete UK pilot program and roll out UK territory • Consider franchise partners for selected territories • Expand into new international markets, targeting one new territory per annum	• Competition (6.2) • Retail environment and general economic conditions (6.3) • Failure to successfully implement growth strategies (6.4)	• Net 13 stores opened outside of Australia during the year including 3 stores in the United Kingdom and 3 franchise stores
Streamline global supply chain	5.3	• Streamline and optimise supply base in Asia • Optimise air and sea freight whilst maintaining speed to market operating model • Consider Northern Hemisphere distribution centre	• Exchange rates (6.5) • Product sourcing or supply chain disruptions	• Over 34% of product was moved through the HK warehouse (30% FY15) • Re-engineering of supply chain to accomodate sea freight
Enhance existing store performance	5.4	• Optimise and improve existing store network • Continue to target high traffic shopping precincts	• Competition (6.2) • Retail environment and general economic conditions (6.3) • Prevailing fashions and consumer preferences may change (6.6)	• 32 stores in sub-optimal locations closed during the year • FY16 LFL sales growth of 5.5%
Brand proliferation	5.5	• Continue to leverage online social media to connect with customers and increase brand loyalty	• Prevailing fashions and consumer preferences may change (6.6) • Privacy breaches	• Increased social media engagement
Lead and pre-empt trends	5.1	• Stay on trend with shifts in jewellery and accessory market • Continue to provide a high quality and diverse product offering	• Prevailing fashions and consumer preferences may change (6.6)	• Continued strong LFL growth being testament in ability to identify trends

5.1 Lead and Pre-Empt Trends

Product innovation is a core component of Lovisa's competitive advantage. Its customers expect a broad range of fashionable products that are in line with the latest global fashion trends. In order to meet this expectation, Lovisa employs a product team of more than 20 people who are responsible for Lovisa's forward range planning, designs, product development, production, visual merchandising and merchandise planning, ensuring Lovisa is continually meeting market demand. Whilst product teams are based in Melbourne and London, its team members travel the world to identify global trends. In addition, its product teams meet with suppliers in China, India, Thailand and other parts of Asia frequently.

As Lovisa is frequently developing new products in response to evolving fashion trends, it does not register patents on its product designs. This is consistent with practices in the fast fashion industry.

5.2 New Store Rollouts & International Expansion

One of the key attributes of the Group's success has been the ability to identify and secure quality retail store sites in locations with high pedestrian traffic. This typically involves securing leases in AA, A or B grade rating shopping centres and malls. Lovisa has refined its global store model based on what it understands to be the optimal store size, location and format. The combination of a 50 square metre floor space and a homogenised layout allows Lovisa to have strict criteria when identifying and securing potential store sites in new regions, facilitating the roll-out of stores quickly, at low cost. On average, it takes approximately 14 days to fit out a new Lovisa store.

The key driver of future growth for Lovisa is the continued international store roll-out. Lovisa has proven it is capable of successfully operating profitably in international territories, having established its initial portfolio of company owned stores in Australia, New Zealand, Singapore, Malaysia and South Africa and supporting franchised stores in Kuwait, the United Arab Emirates, Oman and Saudi Arabia. During the year, Lovisa commenced a pilot program in the UK with the Board approving the continued rollout of the UK market on 22 August 2016.

The Group plans to remain nimble and opportunistic in expanding and moving into new markets, such that if opportunities arise, the Group may accelerate its plans to enter a new market or continue to grow an existing market. Likewise it will defer its entry into a new market if it considers that appropriate opportunities aren't presented at the relevant time.

Lovisa's objective is to fully maximise its footprint in its current territories within the medium term (1-2 years) and target to achieve 20 - 30 new stores per annum.

5.3 Streamline Global Supply Chain

Lovisa's third party suppliers are currently located in mainland China, India and Thailand. Stock is inspected by Lovisa's quality control team in China. Once manufactured, stock is transported to Lovisa's leased warehouse in Melbourne, Australia (for stock to be sold in Australian and New Zealand stores) or its third party operated warehouse in Hong Kong (for stock to be sold in all other countries). There is sufficient capacity in Lovisa's third party operated Hong Kong warehouse to handle further international growth.

Lovisa constantly reviews its supply chain process for potential efficiency gains and cost reductions in order to generate higher gross margins. This includes improvements in its global warehouse and logistics program and the consolidation and rationalisation of its supplier base.

5.4 Enhance Existing Store Performance

Lovisa's store roll-out in Australia is largely complete with 144 stores in operation as at 3 July 2016. Subject to the availability of attractive sites, Lovisa will still seek to open a small number of new stores per year in Australia for the foreseeable future. This growth is expected to be supplemented by store optimisation and improvement initiatives.

Lovisa believes it will be able to enhance profitability through improvements to its store portfolio and operations. This includes the closure of 11 company owned stores in sub-optimal locations in Australia during FY2017 while the rationalisation of stores associated with the April 2015 DCK South Africa acquisition is now complete.

5.5 Brand Proliferation

Lovisa supports the growth in its brand through social media and promotional activity that matches our customer base, and our International footprint. Efforts are focussed on social media, rather than traditional media, as we believe it connects us directly to our customers in a way that suits their lifestyle.

The brand is also developed through the customer in-store experience – on trend product, cleanly merchandised, focussed imagery, and the store "look and feel". Stores are located in high foot traffic areas, in high performing centres.

6. MATERIAL BUSINESS RISKS

6.1 Business Risks

The business risks faced by the Group and how it manages these risks are set out below. Further information surrounding how the Group monitors, assesses, manages and responds to risks identified is included within Principle 7 of the Company's Corporate Governance statement.

6.2 Competition

The fast fashion jewellery sector in which Lovisa operates is highly competitive. While the costs and time that would be required to replicate Lovisa's business model, design team, IT systems, store network, warehouse facilities and level of brand recognition would be substantial, the industry as a whole has relatively low barriers to entry. The industry is also subject to ever changing customer preferences.

Lovisa's current competitors include:

- specialty retailers selling predominately fashion jewellery;
- department stores;
- fashion apparel retailers with a fashion jewellery section; and
- smaller retailers (i.e. less than five stores) that specialise in the affordable jewellery segment.

Competition is based on a variety of factors including merchandise selection, price, advertising, new stores, store location, store appearance, product presentation and customer service.

Lovisa's competitive position may deteriorate as a result of factors including actions by existing competitors, the entry of new competitors (such as international retailers or online retailers) or a failure by Lovisa to successfully respond to changes in the industry.

To mitigate this risk, Lovisa employs a product team of more than 20 people to meet market demands as described in section 5.1. Management believe it would take a number of years for a new entrant to establish a portfolio of leases comparable with Lovisa in premium store locations with substantial barrier to entry costs as detailed above.

6.3 Retail environment and General Economic Conditions

As Lovisa's products are typically viewed by consumers to be 'discretionary' items rather than 'necessities', Lovisa's financial performance is sensitive to the current state of, and future changes in, the retail environment in the countries in which it operates. However with an average retail spend of $20 per transaction macro market performance has minimal impact for Lovisa.

Lovisa's main strategy to overcome any downturn in the retail environment or economic conditions is to continue to offer our customers quality, affordable and ontrend products.

6.4 Failure to Successfully Implement Growth Strategies

Lovisa's growth strategy is based on its ability to increase earnings contributions from existing stores and continue to open and operate new stores on a timely and profitable basis. This includes the opening of new stores in both Australia and overseas.

Lovisa's store roll-out program is dependent on securing stores in suitable locations on acceptable terms, and may be impacted by factors including delays, cost overruns and disputes with landlords.

The following risks apply to the roll out program:

- new stores opened by Lovisa may be unprofitable;
- Lovisa may be unable to source new stores in preferred areas, and this could reduce Lovisa's ability to continue to expand its store footprint;
- new stores may reduce revenues of existing stores; and
- establishment costs may be greater than budgeted for.

Factors mitigating these risks are that fit-out costs are low with minimal standard deviation in set-up costs across sites and territories through our small store format and homogenous store layout, minimising potential downside for new stores. The Group assesses store performance regularly and evaluates store proximity and likely impact on other Lovisa stores as part of its roll-out planning.

When entering new markets, Lovisa assesses the region, which involves building knowledge by leveraging a local network of industry contacts, and aims to secure a portfolio of stores in order to launch an operating footprint upon entry. The Group plans to remain nimble and opportunistic in expanding and moving into new markets, such that if opportunities arise, the Group may accelerate its plans to enter a new market or continue to grow an existing market. Likewise it will defer its entry into a new market if it considers that appropriate opportunities aren't presented at the relevant time. Regular investigation and evaluation of new stores and territories is undertaken by management to ensure that the Group's store footprint continues to expand.

6.5 Exchange Rates

The majority of inventory purchases that are imported by Lovisa are priced in USD. Consequently, Lovisa is exposed to movements in the exchange rate in the markets it operates in. Adverse movements could have an adverse impact on Lovisa's gross profit margin.

The Group's foreign exchange policy is aimed at managing its foreign currency exposure in order to protect profit margins by entering into forward exchange contracts specifically against movements in the USD rate against the AUD. The Group does not currently hedge its foreign currency earnings. The Group monitors its working capital in its foreign subsidiaries to ensure exposure to movements in currency is limited.

6.6 Prevailing Fashions and Consumer Preferences May Change

Lovisa's revenues are entirely generated from the retailing of jewellery, which is subject to changes in prevailing fashions and consumer preferences. Failure by Lovisa to predict or respond to such changes could adversely impact the future financial performance of Lovisa. In addition, any failure by Lovisa to correctly judge customer preferences, or to convert market trends into appealing product offerings on a timely basis, may result in lower revenue and margins. In addition, any unexpected change in prevailing fashions or customer preferences may lead to Lovisa carrying increased obsolete inventory.

To mitigate this risk, Lovisa employs a product team of more than 20 people to meet market demands as described in section 5.1. As the Group responds to trends as they occur, this drives store visits by customers and significantly reduces the risk of obsolete stock.

7. EVENTS SUBSEQUENT TO REPORTING DATE

Since the end of the financial year the Directors have recommended the payment of a final dividend of $2,100,000 (2.00 cents per fully paid share) expected to be paid on 27 October 2016. The dividend will be fully franked.

No other matters or circumstance has arisen since 3 July 2016 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or
(c) the Group's state of affairs in future financial years.

8. LIKELY DEVELOPMENTS

Information on likely developments is contained within the Review of Operations section of this preliminary final report.

9. REMUNERATION REPORT

9.1 Remuneration Overview

The Board recognises that the performance of the Group depends on the quality and motivation of its team members employed by the Group across Australia and internationally. The Group remuneration strategy therefore seeks to appropriately attract, reward and retain team members at all levels of the business, but in particular for management and key executives. The Board aims to achieve this by establishing executive remuneration packages that include a mix of fixed remuneration, short term incentives and long term incentives.

The Board has appointed the Remuneration and Nomination Committee whose objective is to assist the Board in relation to the Group remuneration strategy, policies and actions. In performing this responsibility, the Committee must give appropriate consideration to the Company's performance and objectives, employment conditions and external remuneration relativities.

Further information surrounding the responsibilities of the Remuneration and Nomination Committee is included within Principle 8 of the Company's Corporate Governance statement.

9.2 Principles used to determine the nature and amount of remuneration

Key Management Personnel

Key Management Personnel (KMP) have the authority and responsibility for planning, directing and controlling the activities of the consolidated entity, and comprise;

1. Non-Executive Directors
2. Managing Director and Chief Executive Officer
3. Chief Financial Officer
4. Global General Manager

Non-Executive Director KMP

Michael Kay	Chairman
Paul Cave	Director
James King	Director
Tracy Blundy	Director

Executive KMP

Shane Fallscheer	Managing Director and Chief Executive Officer
Graeme Fallet	Chief Financial Officer (Appointed 14 April 2016)
Iain Sadler	Chief Financial Officer (Resigned 13 April 2016)
Steven Doyle	Global General Manager (Appointed 4 November 2015)

This report has been audited by the Company's Auditor KPMG as required by Section 308 (3C) of the Corporation Act 2001.

The Remuneration and Nomination Committee is governed by its Charter which was developed in line with ASX Corporate Governance Principles and Recommendations. The Charter specifies the purpose, authority, membership and the activities of the Remuneration and Nomination Committee and the Charter is annually reviewed by the Committee to ensure it remains consistent with regulatory requirements.

A. Principles used to determine the nature and amount of remuneration

(a) Non-Executive Directors KMP Remuneration

Non-executive Directors' fees are determined within an aggregate Non-executive Director's pool limit of $600,000. Total Non-executive Directors remuneration including non-monetary benefits and superannuation paid at the statutory prescribed rate for the year ended 3 July 2016 was $280,047.

Michael Kay, the Non-executive Chairman, is entitled to receive annual fees of $150,000, which is inclusive of superannuation. Other Non-executive Directors are entitled to receive annual fees of $80,000 inclusive of superannuation.

The Non-executive Directors fees are reviewed annually to ensure that the fees reflect market rates. There are no guaranteed annual increases in any Directors' fees. None of the non-executive Directors participate in the short or long term incentives.

(b) Executive remuneration

Lovisa's remuneration strategy is to;

- Offer a remuneration structure that will attract, focus, retain and reward highly capable people
- Have a clear and transparent link between performance and remuneration
- Build employee engagement and align management and shareholder interest through ownership of Company shares
- Ensure executive remuneration is set with regard to the size and nature of the position with reference to market benchmarks and the performance of the individual.

Remuneration will incorporate at risk elements to;

- Link executive reward with the achievement of Lovisa's business objectives and financial performance
- Ensure total remuneration is competitive by market standards.

B. Remuneration Structure

The current executive salary and reward framework consists of the following components;

1. Base salary and benefits including superannuation
2. Short term incentive scheme comprising cash
3. Long term incentive scheme comprising options and performance rights

Base salary and benefits

Base pay is structured as a total employment cost package which may be delivered as a combination of cash and non-cash benefits. Retirement benefits are delivered to the employee's choice of Superannuation fund. The company has no interest or ongoing liability to the fund or the employee in respect of retirement benefits.

Short Term Incentive plan

The Company operates a short-term incentive (STI) plan that rewards some Executives and Management on the achievement of pre-determined key performance indicators (KPIs) established for each financial year according to the accountabilities of his/her role and its impact on the organisation's performance. KPIs include company profit targets and personal performance criteria. Using a profit target ensures variable reward is paid only when value is created for shareholders. No STI was payable for the 2016 year as the Company's profit target was not met.

Long Term Incentive plan

The Company operates a long term incentive plan scheme. The plan is designed to align the interests of the employees with the interest of the shareholders by providing an opportunity for the employees to receive an equity interest in Lovisa. The plan provides flexibility for the Company to grant performance rights and options as incentives, subject to the terms of the individual offers and the satisfaction of performance conditions determined by the Board from time to time.

The key terms associated with the Long Term Incentive plan are;

- A Performance Option entitles the holder to acquire a share upon payment of an applicable exercise price at the end of the performance period, subject to meeting specific performance conditions.
- A Performance Right entitles the holder to acquire a share for nil consideration at the end of the performance period, subject to meeting specific performance conditions.
- Options and Performance Rights will be granted for nil consideration.
- No exercise price is payable in respect of the Performance Rights.

Initial Public Offering Grant – Performance Rights

In conjunction with the Initial Public Offering a number of Executives and Management were granted Performance Rights.

The key terms associated with the IPO Grant are;

- The performance period ends 30 June 2017.
- The grant of Performance Rights are subject to performance conditions based on achieving the Company's EPS over the performance period.
- One third of the Performance Rights will vest on the achievement of the Company's EPS Prospectus forecast.
- 50% of the remaining Performance Rights will vest on an aggregate EPS of 37.33 cents over the 2016 and 2017 financial year.
- The remaining 50% will vest on a straight line basis from 37.33 cents to 41.23 cents.

During the year 20,000 Performance Rights lapsed.

Initial Public Offering Grant - Options

In conjunction with the Initial Public Offering the Managing Director Shane Fallscheer was granted 550,000 Options at a face value of $210,000.

The key terms associated with these options are:

- The performance period commences from the time of the Initial Public Offering and ends on 2 July 2017.
- An exercise price of $2.30 is payable on exercise of the Options.

The grant of options were subject to the following performance conditions;

- One third awarded upon achievement of prospectus forecast.
- 50% of the remaining options will vest on an aggregate EPS of 37.33 cents over the 2016 and 2017 financial year.
- The remaining 50% will vest on a straight line basis from 37.33 cents to 41.23 cents.

While the prospectus indicated that the options would be granted at or around listing the options have not in fact been formally issued. Following administrative delays the options were not issued within the 12 month waiver period. Not withstanding that the options were fully disclosed in the prospectus and the 2015 Annual Report the Company will seek shareholder approval for the issue of the options.

FY2017 LTI – Performance Options

In May 2016 a grant of Performance Options was made to Executives and Management as part of the FY2017 LTI. The key terms associated with the 2016 Grant are;

- The performance period commences 4 July 2016 and ends 30 June 2019.
- The exercise price of the Performance Options is $2.10, which represents the 30 day VWAP to the date of grant.
- A total of 3,459,916 Performance Options were granted, 1,687,764 of these options are subject to shareholder approval.
- The expiry of the Performance Options is 12 months following the anniversary of the performance period.
- The grant of Performance Options are subject to performance conditions based on achieving the Company's EPS over the performance period.

The Board has determined the threshold EPS Target as follows;

EPS over the Performance Period	% Exercisable
Less than threshold	Nil
10% compound growth	20% awarded
12.5% compound growth	40% awarded
15% compound growth	60% awarded
17.5% compound growth	80% awarded
20% compound growth	100% awarded

9.3 Details of Remuneration

Details of the remuneration of the Directors and Key Management Personnel (KMPs) is set out below.

	Year	Short Term Employment Benefits			Post-Employment	Long Term Benefits	Share Based Payments	
		Salary & Fees ($)	Non-monetary benefits ($)	Performance based payment ($)	Super Contributions ($)	Annual & Long Service Leave ($)	Options/ Rights ($)	Total ($)
NON-EXEC DIRECTORS								
M Kay (1)	**2016**	**34,247**	**-**	**-**	**3,253**	**-**	**-**	**37,500**
	2015	-	-	-	-	-	-	-
P Cave (2)	**2016**	**111,510**	**-**	**-**	**10,593**	**-**	**-**	**122,103**
	2015	51,751	-	-	4,916	-	-	56,667
T Blundy (3)	**2016**	**58,333**	**-**	**-**	**21,667**	**-**	**-**	**80,000**
	2015	-	-	-	-	-	-	-
J King (4)	**2016**	**9,133**	**-**	**-**	**867**	**-**	**-**	**10,000**
	2015	-	-	-	-	-	-	-
N Osborne (5)	**2016**	**30,444**	**-**	**-**	**-**	**-**	**-**	**30,444**
	2015	20,000	-	-	-	-	-	20,000
D Carter (6)	**2016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	2015	18,265	-	-	1,735	-	-	20,000
TOTAL NON-EXEC DIRECTORS	**2016**	**243,667**	**-**	**-**	**36,380**	**-**	**-**	**280,047**
	2015	90,016	-	-	6,651	-	-	96,667
EXEC DIRECTORS								
S Fallscheer (CEO)	**2016**	**668,454**	**8,425**	**-**	**30,000**	**96,415**	**100,489**	**903,783**
	2015	619,986	20,825	-	30,000	70,983	-	741,794
OTHER KMP								
G Fallet (CFO and Co. Sec) (7)	**2016**	**84,598**	**-**	**-**	**4,291**	**6,493**	**-**	**95,382**
	2015	-	-	-	-	-	-	-
I Sadler (CFO and Co. Sec) (8)	**2016**	**246,045**	**-**	**-**	**15,324**	**13,717**	**-**	**275,086**
	2015	216,988	-	25,909	18,783	21,971	-	283,651
S Doyle (Global GM) (9)	**2016**	**382,519**	**-**	**-**	**12,872**	**29,630**	**-**	**425,021**
	2015	-	-	-	-	-	-	-
TOTAL EXEC	**2016**	**1,381,615**	**8,425**	**-**	**62,487**	**146,255**	**100,489**	**1,699,271**
	2015	836,974	20,825	25,909	48,783	92,954	-	1,025,445

(1) Appointed to the Board of Lovisa Holdings on 13th April 2016
(2) Appointed to the Board of Lovisa Holdings on 6th November 2014
(3) Appointed to the Board of Lovisa Holdings on 6th November 2014
(4) Appointed to the Board of Lovisa Holdings on 17th May 2016
(5) Appointed to the Board of Lovisa Holdings on 1st April 2015. Resigned as a Director on 17 November 2015.
(6) Appointed to the Board of Lovisa Holdings on 6th November 2014. Ceased to be a Director on 27th January 2015.
(7) Appointed on 14th April 2016
(8) Resigned on 13th April 2016
(9) Appointed on 4th November 2015

9.4 Equity Remuneration Analysis - Audited

Analysis of Performance Rights over Equity Instruments granted as compensation

Details of the vesting profile of performance rights awarded as remuneration to each key management person are detailed below.

	Performance Rights/Options granted						
Executive Director	**Number**	**Value**	**Performance period commences**	**Included in Remuneration**	**% vested in the period**	**% forfeited in the period**	**Financial period in which grant vests**
Mr S Fallscheer							
IPO LTIP*	550,000	210,000	18 December 2014	100,489	-	-	2 July 2017
FY17 LTIP*	1,687,764	400,000	4 July 2016	-	-	-	30 June 2019
Mr G Fallet							
FY17 LTIP	506,329	120,000	4 July 2016	-	-	-	30 June 2019
Mr S Doyle							
FY17 LTIP	1,265,823	300,000	4 July 2016	-	-	-	30 June 2019
Mr I Sadler							
IPO LTIP	20,000	40,000	18 December 2014	-	-	100	-

* Subject to shareholder approval.

9.5 Options and Performance Rights Over equity instruments

The movement during the reporting period in the number of performance rights and options over ordinary shares in Lovisa Holdings Limited held directly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 29 June 2015	**Granted**	**Exercised**	**Forfeited**	**Held at 3 July 2016**	**Vested during the year**	**Vested and exercisable at 3 July 2016**
Directors							
Mr S Fallscheer							
- IPO LTIP*	-	550,000	-	-	550,000	-	-
- FY17 LTIP*	-	1,687,764	-	-	1,687,764	-	-
Executive							
Mr G Fallet							
- FY17 LTIP	-	506 329	-	-	506 329	-	-
Mr S Doyle							
- FY17 LTIP	-	1,265,823	-	-	1,265,823	-	-
Mr I Sadler							
- IPO Performance Rights	-	20 000	-	(20 000)	-	-	-

* Subject to shareholder approval.

9.6 Consequences of Performance on Shareholder Wealth

In considering the consolidated entity's performance and the benefits for shareholder wealth, the Remuneration and Nomination Committee has regard to a range of indicators in respect of senior executive remuneration and linked these to the previously described short and long term incentives.

The following table presents these indicators showing the impact of the Company's performance on shareholder wealth, during the financial years:

	FY 2016	FY 2015
Net profit after tax ($000)	16,553	30,598
Dividends paid ($000)	11,277	14,591
Share Price	$2.28	$3.50

10. INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, Lovisa Holdings Limited paid a premium of $37,000 (2015: $35,000) to insure the Directors and officers of the Group.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group.

11. AUDIT SERVICES

11.1 Auditors independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 60 and forms part of this Directors' Report.

11.2 Audit and non-audit services provided by the external auditor

During the financial year ended 3 July 2016, the following fees were paid or were due and payable for services provided by the external auditor, KPMG, of the Consolidated Entity:

Consolidated Entity	**2016 $000**	**2015 $000**
Audit and assurance services		
Audit and review of financial statements	220	180
IPO due diligence	-	342
Other services		
IPO tax related services	-	176
Tax compliance services	47	70
Other accounting services	107	40
	374	808

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

The Board of Directors has considered the position and, in accordance with advice received from the Audit, Business Risk and Compliance Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit, Business Risk and Compliance Committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

12. PROCEEDINGS ON BEHALF OF COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the Corporations Act 2001.

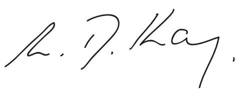
13. ENVIRONMENTAL REGULATION

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Directors believe that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any breach of these environmental requirements as they apply to the entity.

14. ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors



Michael Kay
Non-Executive Chairman

Shane Fallscheer
Chief Executive Officer

Melbourne, 22 August 2016

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 3 July 2016

Consolidated ($000s)	**Note**	**3 July 2016**	**28 June 2015**
Assets			
Cash and cash equivalents	C5	8,295	4,251
Trade and other receivables	B1	2,293	2,147
Inventories	B2	15,034	15,012
Derivatives	C4	-	30
Total current assets		25,622	21,440
Deferred tax assets	A6	1,823	3,541
Property, plant and equipment	B3	13,123	10,400
Intangible assets and goodwill	B4	2,073	1,610
Total non-current assets		17,019	15,551
Total assets		42,641	36,991
Liabilities			
Bank overdraft	C5	3,566	1,908
Trade and other payables	B6	8,350	7,770
Employee benefits - current	B8	1,594	1,382
Derivatives	C4	909	-
Provisions - current	B7	655	612
Current tax liabilities		1,487	3,628
Total current liabilities		16,561	15,300
Employee benefits - non current	B8	401	279
Loans and borrowings	C3	12,000	12,000
Provisions - non current	B7	2,508	2,603
Total non-current liabilities		14,909	14,882
Total liabilities		31,470	30,182
Net assets		11,171	6,809
Equity			
Issued capital	C1	208,526	208,526
Common control reserve		(208,906)	(208,906)
Other reserves		(1,032)	(119)
Retained earnings		12,584	7,308
Total equity		11,171	6,809

The Notes on pages 24 to 56 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 3 July 2016

Consolidated ($000s)	Note	2016	2015
Revenue	A2	153,461	134,260
Cost of sales		(39,899)	(30,799)
Gross profit		113,562	103,461
Salaries and employee benefits expense	A3	(39,980)	(35,119)
Property expenses		(25,881)	(23,261)
Distribution costs		(4,340)	(3,567)
Depreciation and amortisation expense		(6,034)	(6,001)
Loss on disposal of property, plant and equipment		(162)	(77)
IPO transaction costs		-	(2,115)
Reversal of buy back of company shares	A3	-	14,756
Other expenses		(12,943)	(10,607)
Operating profit		24,222	37,470
Finance income		49	34
Finance costs		(723)	(284)
Net finance costs		(674)	(250)
Profit before tax		23,548	37,220
Income tax expense	A6	(6,995)	(6,622)
Profit after tax		16,553	30,598
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cash flow hedges		(772)	-
Foreign operations - foreign currency translation differences		(257)	(275)
		(1,029)	(275)
Other comprehensive income, net of tax		(1,029)	(275)
Total comprehensive income		15,524	30,323
Profit attributable to:			
Owners of the Company		16,553	30,598
		16,553	30,598
Total comprehensive income attributable to:			
Owners of the Company		15,524	30,323
Total comprehensive income for the year		15,524	30,323
Earnings per share			
Basic earnings per share (cents)	A4	15.76	29.14
Diluted earnings per share (cents)	A4	15.74	29.14

The Notes on pages 24 to 56 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 3 July 2016

Consolidated ($000s)	Note	Share Capital	Common Control Reserve	(Accumulated losses)/ Retained Earnings	Share Based Payments Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Total Equity
		Attributable to Equity Holders of the Company						
Balance at 30 June 2014		1,086	7	(8,699)	-	-	156	(7,450)
Total comprehensive income for the year								
Profit		-	-	30,598	-	-	-	30,598
Foreign operations - foreign currency translation differences		-	-	-	-	-	(275)	(275)
Total comprehensive income for the year		-	-	30,598	-	-	(275)	30,323
Transactions with owners of the Company								
Contributions and distributions								
Dividends	A5	-	-	(14,591)	-	-	-	(14,591)
Total contributions and distributions		-	-	(14,591)	-	-	-	(14,591)
Changes in ownership								
Acquisitions of subsidiaries through common control		208,914	(208,914)	-	-	-	-	-
Transaction costs	C1	(1,474)	-	-	-		-	(1,474)
Total changes in ownership		207,440	(208,914)	-	-	-	-	(1,474)
Total transactions with owners of the Company		207,440	(208,914)	(14,591)	-	-	-	(16,065)
Balance at 28 June 2015		208,526	(208,907)	7,308	-	-	(119)	6,808
Balance at 29 June 2015		208,526	(208,907)	7,308	-	-	(119)	6,808
Total comprehensive income for the year								
Profit		-	-	16,553	-	-	-	16,553
Cash flow hedges		-	-	-	-	(772)	-	(772)
Foreign operations - foreign currency translation differences		-	-	-	-	-	(257)	(257)
Total comprehensive income for the year		-	-	16,553	-	(772)	(257)	15,524
Transactions with owners of the Company								
Contributions and distributions								
Employee share schemes	D4	-	-	-	116	-	-	116
Dividends	A5	-	-	(11,277)	-	-	-	(11,277)
Total contributions and distributions		-	-	(11,277)	116	-	-	(11,161)
Total transactions with owners of the Company		-	-	(11,277)	116	-	-	(11,161)
Balance at 3 July 2016		208,526	(208,907)	12,584	116	(772)	(376)	11,171

The Notes on pages 24 to 56 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 3 July 2016

Consolidated ($000s)	Note	2016	2015
Cash flows from operating activities			
Cash receipts from customers		169,891	147,834
Cash paid to suppliers and employees		(137,475)	(122,166)
Cash generated from operating activities		32,416	25,668
Interest received		49	34
Interest paid		(723)	(284)
Income taxes paid		(8,404)	(5,958)
Net cash from operating activities	C5	23,338	19,460
Cash flows from investing activities			
Acquisition of fixed assets	B3	(9,282)	(4,686)
Proceeds from sale of property, plant and equipment		21	206
Acquisition of subsidiary, net of cash acquired	A7	(250)	(2,323)
Net cash used in investing activities		(9,511)	(6,803)
Cash flows from financing activities			
Repayment of shareholder loans		-	(5,524)
Proceeds from cash advance facility		-	12,000
Share issue costs		-	(4,222)
Dividends paid	A5	(11,277)	(14,591)
Net cash used in financing activities		(11,277)	(12,337)
Net increase in cash and cash equivalents		2,550	320
Cash and cash equivalents at the beginning of the year	C5	2,343	1,845
Effect of movement in exchange rates on cash held		(164)	178
Cash and cash equivalents at the end of the year	C5	4,729	2,343

The Notes on pages 24 to 56 are an integral part of these consolidated financial statements.

SETTING THE SCENE

Lovisa Holdings Limited (the "Company") is a for-profit company incorporated and domiciled in Australia with its registered office at 41-45 Camberwell Road, Hawthorn East, Victoria 3123. The consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually the "Group companies"). The Group is primarily involved in the retail sale of fashion jewellery and accessories.

Lovisa Holdings Limited reports within a retail financial period. The current financial year represents a 53 week period ended on the 3 July 2016 (2015: 52 week period ended 28 June 2015). This treatment is consistent with section 323D of Corporations Act 2001.

The consolidated financial statements of the Group for the financial year ended 3 July 2016 were authorised for issue by the Board of Directors on 22 August 2016.

Basis of accounting

The consolidated financial statements and supporting notes form a general purpose financial report. It:

- Has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards (AASBs) including Australian Accounting Interpretations, adopted by the Australian Accounting Standards Board (AASB) and International Financial reporting Standards (IFRS) and Interpretations as issued by the International Accounting Standards Board;
- Has been prepared on a historical cost basis except for derivative financial instruments which are measured at fair value. Non-current assets are stated at the lower of carrying amount and fair value less costs to sell;
- Presents reclassified comparative information where required for consistency with the current year's presentation;
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2015. Refer to note D9 for further details; and
- Does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective except as disclosed in note D10.

Use of judgements and estimates

In preparing these consolidated financial statements, management has made a number of judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Judgements and estimates which are material to the financial statements are outlined below:

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the financial year ended 3 July 2016 are included in the following notes:

- Note A6 – recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used;
- Note B5 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of goodwill; and
- Notes B7 and D3 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see note B5). Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see note C1).

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Acquisition of entities under common control

Lovisa Holdings Limited was incorporated on 6 November 2014. On 18 December 2014, as part of a reorganisation of the corporate structure of the Group, Lovisa Holdings Limited became the new holding company and parent company of the Group. As part of this restructure, Lovisa Pty Limited and Lovisa International Pte. Limited became subsidiaries of Lovisa Holdings Limited.

The acquisition of Lovisa Pty Limited and Lovisa International Pte. Limited by Lovisa Holdings Limited falls outside the scope of IFRS 3 'Business Combinations' as a common control transaction. There was no change in control of the Group as a result of the internal reorganisation. In order to reflect the economic substance of the transaction, the consolidated financial statements of Lovisa Holdings Limited have been presented as a continuation of business with the pre-existing accounting book values of assets and liabilities of Lovisa Pty Limited and Lovisa International Pte. Limited as at 18 December 2014.

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct activities of the entity.

The financial results of subsidiaries are included in the consolidated financial information from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

Foreign currency

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the majority of the Group.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Translation of foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Lovisa at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the exchange rates at the end of the reporting period.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign currency operation is disposed of, the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss on disposal of the entity.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

About the Notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- The amount with respect to the information is significant because of its size or nature;
- The information is important for understanding the results of the Group;
- It helps to explain the impact of significant changes in the Group's business; or
- It relates to an aspect of the Group's operations that is important to its future performance.

Subsequent events

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the result of those operations, or the state of affairs of the Group in future financial years.

BUSINESS PERFORMANCE

This section highlights key financial performance measures of the Lovisa Group's operating segments, as well as Group financial metrics incorporating revenue, earnings, taxation and dividends.

A1 OPERATING SEGMENTS

(a) Basis for segmentation

The Chief Operating Decision Maker (CODM) for Lovisa Holdings Limited and its controlled entities, is the Managing Director (MD). The Group has the following strategic divisions, which are its reportable segments. These divisions offer similar products and services, but are managed separately due to the allocation of management resources between these regional areas and assessed separately based on information provided to the MD and the Group's management team. Internal sales reports of each segment are reviewed on a daily basis to monitor and evaluate segmental performance.

The following summary describes the operations of each reportable segment.

Reportable segments	Operations
Australia & New Zealand	Retail of women's jewellery and accessories
Rest of World	Retail of women's jewellery and accessories

(b) Information about reportable segments

Information related to each reportable segment is set out below.

	Reportable Segments							
($000s)	Australia & NZ		Rest of World		Eliminations		Total consolidated	
	2016	Restated 2015	2016	Restated 2015	2016	Restated 2015	2016	2015
External revenues	108,401	102,212	45,060	32,048	-	-	153,461	134,260
Inter-segment revenue	5,691	6,256	1,798	2,222	(7,489)	(8,478)	-	-
Segment revenue	114,092	108,468	46,858	34,270	(7,489)	(8,478)	153,461	134,260
Interest income	1	4	48	30	-	-	49	34
Interest expense	(722)	(283)	(1)	(1)	-	-	(723)	(284)
Depreciation and amortisation	(4,116)	(4,522)	(1,918)	(1,479)	-	-	(6,034)	(6,001)
Segment profit (loss) before tax and reversal of buy-back	17,702	16,292	5,846	6,091	-	80	23,548	22,463
Reversal of buy-back of company shares	-	14,756	-	-	-	-	-	14,756
Segment profit (loss) before tax	17,702	31,048	5,846	6,091	-	80	23,548	37,219

All intra-segment revenue and expenses have been eliminated on consolidation in the information above.

There are no differences in the measurements of the reportable segments' assets and liabilities and the entity's assets and liabilities.

The 2015 result has been adjusted to reflect the updated transfer pricing policy implemented during the year.

A1 OPERATING SEGMENTS (CONTINUED)

(c) Geographic information

The segments are managed on a regional basis, operating in Australia and New Zealand with the Rest of the World consisting of Singapore, South Africa, Malaysia, the United Kingdom and the Group's franchise stores in the Middle East. Geographic revenue information is included in Note A2.

In presenting the following information, segment assets were based on the geographic location of the assets.

	2016	2015
($000s)	**Non-current assets (i)**	**Non-current assets (i)**
a) Australia	6,876	6,125
b) New Zealand	1,132	377
c) Singapore	1,389	1,292
d) South Africa	2,344	1,823
e) Malaysia	657	782
f) United Kingdom	725	-
Total	13,123	10,400

(i) Excluding financial instruments, deferred tax assets, employee benefit assets and intangible assets.

A2 REVENUE

Revenue by nature and geography

The geographic information below analyses the Group's revenue by the country of domicile. In presenting the following information, segment revenue has been based on the geographic location of customers.

	2016			2015		
($000s)	**Sale of Goods**	**Franchise Income**	**Total**	**Sale of Goods**	**Franchise Income**	**Total**
a) Australia	98,823	-	98,823	94,839	-	94,839
b) New Zealand	9,578	-	9,578	7,373	-	7,373
c) Singapore	17,551	-	17,551	14,312	-	14,312
d) South Africa	18,182	-	18,182	10,659	-	10,659
e) Malaysia	7,949	-	7,949	6,470	-	6,470
f) United Kingdom	530	-	530	-	-	-
g) Middle East	-	848	848	-	607	607
Total	152,613	848	153,461	133,653	607	134,260

a) Revenue recognition and measurement

Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue is measured net of returns and trade discounts. The following specific recognition criteria must also be met before revenue is recognised:

Sale of Goods

Revenue from the sale of fashion jewellery is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Franchise income

Franchise income, which is generally earned based upon a percentage of sales is recognised on an accrual basis.

A3 EXPENSES

Expenses by nature

Consolidated ($000s)	**2016**	**2015**
Lease expense	24,516	22,087
Salaries and employee benefits expense		
Wages and salaries	36,362	32,252
Compulsory social security contributions	3,380	2,793
Increase in liability for long-service leave	122	74
Share-based payment expense	116	-
Total salaries and employee benefits expense	39,980	35,119

Reversal of/(provision for) buy-back of company shares

In previous years the Group made provision for the buy-back of shares from Centerville Pty Ltd, a private vehicle owned by the CEO. As a result of the IPO, and in accordance with the prospectus disclosures, the provision was reversed in FY2015.

A4 EARNINGS PER SHARE (EPS)

Calculation methodology

The calculation of basic earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding.

The calculation of diluted earnings per share has been based on the following profit attributable to ordinary shareholders and weighted-average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

EPS for profit attributable to ordinary shareholders of Lovisa Holdings Limited

	2016	**2015**
Basic EPS (cents)	15.76	29.14
Diluted EPS (cents)	15.74	29.14
Profit attributable to ordinary shareholders ($000s)	16,553	30,598
Weighted average number of ordinary shares for basic EPS (shares)[1]	105,000,000	105,000,000
Weighted average number of ordinary shares and potential ordinary shares for diluted EPS (shares)[1]	105,193,666	105,000,000

[1]Due to the number of ordinary shares increasing subsequent to the reorganisation of the Group and associated capital, the calculation of basic and diluted earnings per share for FY2015 has been adjusted as if the transaction took place 12 months prior.

	2016	**2015**
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	105,000,000	105,000,000
Adjustments for calculation of diluted earnings per share:		
Options	188,333	-
Performance Rights	5,333	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	105,193,666	105,000,000

Information concerning the classification of securities

i) Options and performance rights

Options and performance rights granted to employees under the Lovisa Holdings Long Term Incentive Plan are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required hurdles would have been met based on the company's performance up to the reporting date, and to the extent to which they are dilutive. The options and performance rights have not been included in the determination of basic earnings per share. Details relating to the options are set out in note D4.

A5 DIVIDENDS

The Board may pay any interim and final dividends that, in its judgement, the financial position of the Company justifies. The Board may also pay any dividend required to be paid under the terms of issue of a Share, and fix a record date for a dividend and the timing and method of payment.

The following dividends were declared and paid by the Company for the year.

Consolidated ($000s)	**2016**	**2015**
4.07 cents per qualifying ordinary share (2015: 758.73 cents)	4,273	7,587
6.67 cents per qualifying ordinary share (2015: 6.67 cents)	7,004	7,004
	11,277	14,591

Dividends in relation to FY2014 of $7,587,000 were paid to shareholders of Lovisa Pty Ltd (share capital: $1,000,000), prior to the reorganisation of the Group.

After the reporting date, the following dividends were proposed by the Board of Directors. The dividends have not been recognised as liabilities and there are no tax consequences.

Consolidated ($000s)	**2016**	**2015**
2.00 cents per qualifying ordinary share (2015: 4.07 cents)	2,100	4,274
	2,100	4,274

Consolidated ($000s)	**2016**	**2015**
Dividend franking account		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2015: 30%)	2,308	2,543

A6 INCOME TAXES

Recognition and measurement

Income tax on the profit or loss for the years presented comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following differences are not provided for: reversal of buy back of company shares, goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

(a) Amounts recognised in profit or loss

Consolidated ($000s)	**2016**	**2015**
Current tax expense		
Current period	6,218	7,369
	6,218	7,369
Deferred tax benefit		
Origination and reversal of temporary differences	777	(748)
	777	(748)
Total income tax expense	6,995	6,622

(b) Reconciliation of effective tax rate

Consolidated ($000s)	**2016**	**2015**
Profit before tax from continuing operations	23,548	37,219
Tax at the Australian tax rate of 30% (2015: 30%)	7,064	11,166
Effect of tax rates in foreign jurisdictions	(384)	(577)
Non-deductible expenses	225	460
Tax exempt income	(8)	(4,427)
Utilisation of carried-forward tax losses	(24)	-
Current year losses for which no deferred tax asset is recognised	122	-
	6,995	6,622

(c) Deferred tax assets and liabilities reconciliation

	Statement of financial position		**Statement of profit or loss**	
Consolidated ($000s)	**2016**	**2015**	**2016**	**2015**
Property, plant and equipment	(397)	217	563	(75)
Employee benefits	719	667	(160)	(170)
Provisions	754	843	92	(288)
Other items	43	(75)	(27)	92
Transaction costs	704	1,013	309	(381)
Carry forward tax losses	-	876	-	74
Deferred tax expense			777	(748)
Net deferred tax assets	1,823	3,541		
Presented in the Statement of financial position as follows:				
Deferred tax assets	1,823	3,541		

The defered tax assets recognised in 2015 based on provisional numbers of an acquisition have been derecognised when final numbers were trued up at 3 July 2016.

Unused tax losses for which no deferred tax asset has been recognised total $907,000 (2015: nil).

(d) Expected settlement of deferred tax balances

Consolidated ($000s)	**2016**	**2015**
Deferred tax assets expected to be settled within 12 months	1,604	1,796
Deferred tax assets expected to be settled after 12 months	863	1,897
	2,467	3,693
Deferred tax liabilities expected to be settled within 12 months	302	151
Deferred tax liabilities expected to be settled after 12 months	342	-
	644	151
Net deferred tax assets	1,823	3,541

A7 ACQUISITION OF SUBSIDIARY

On 10 April 2015 the Group acquired 100% of the stores and voting interests in DCK Jewellery South Africa (Pty) Ltd.

(a) Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred.

Consolidated ($000s)	
Cash	2,153
Deferred consideration	250
Total consideration transferred	2,403

(b) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

In thousands of dollars	**Note**	**Revised**
Property, plant and equipment	B3	19
Inventories		434
Trade and other receivables		234
Cash and cash equivalents		(171)
Deferred tax assets		-
Trade and other payables		(455)
Total identifiable net assets acquired		61

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	**Valuation technique**
Property, plant and equipment	Items have been written-down to their net recoverable value based on whether the fixed assets would continue to be utilised by the business or replaced. Remaining asset values have been assessed by the Company to ensure valuation is in line with the expected benefits to accrue to the business over the remaining useful lives of the assets.
Deferred tax assets	Revised - Deferred tax assets of $984,000 have not been recorded on the basis the utilisation of carried forward tax losses is not expected to be fully realised in the immediate course of business due to the isolation of tax losses within the legal entity in accordance with provisional fair value acquisition accounting principles.
Inventories	The fair value was determined based on the estimated selling price in the ordinary course of business.

All trade and other receivable balances were valued at cost and are fully recoverable.

(c) Goodwill

Goodwill arising from the acquisition has been recognised as follows:

Consolidated ($000s)	**Note**	
Consideration transferred	(a)	2,403
Fair value of identifiable assets		(1,045)
Goodwill recognised at 28 June 2015		1,358
Revision of fair value of identifiable assets		984
Goodwill		2,342

This adjustment relates to the acquisition of DCK Jewellery South Africa (Pty) Ltd, moving provisional numbers that were initially booked on acquisition through to final fair values.

ASSET PLATFORM

This section outlines the key operating assets owned and liabilities incurred by the Group.

B1 TRADE AND OTHER RECEIVABLES

Recognition and measurement

Trade and other receivables are initially recognised at fair value and subsequently stated at their amortised cost using the effective interest method, less impairment losses.

Consolidated ($000s)	Note	2016	2015
Trade receivables		375	752
Deposits		1,214	951
Prepayments		610	367
Other receivables		94	77
		2,293	2,147

Impairment of receivables

Recoverability of receivables is assessed monthly to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Significant receivables are individually assessed for impairment. Receivables with a short duration are not discounted.

Information about the Group's exposure to credit and market risks, and impairment losses for trade and other receivables is disclosed in Note C4.

B2 INVENTORIES

Recognition and measurement

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes the product purchase cost, import freight and duties together with other costs incurred in bringing inventory to its present location and condition using the weighted average cost method. All stock on hand relates to finished goods.

Costs of goods sold comprises purchase price from the supplier, cost of shipping product from supplier to warehouse, shrinkage and obsolescence. Warehouse and outbound freight costs are reported as distribution expenses. Inventories recognised as expenses during 2016 and included in cost of sales amount to $34,564,000 (2015: $26,764,000).

During 2016 inventories of $4,801,000 (2015: $3,854,000) were written down to net realisable value and included in cost of sales.

B3 PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Owned Assets

Items of property, plant and equipment are stated at cost less accumulated depreciation. Cost includes expenditures that are directly attributable to the acquisition of the assets. The cost of acquired assets includes estimates of the costs of dismantling and removing the items and restoring the site on which they are located where it is probable that such costs will be incurred.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the entity and the cost of the item can be measured reliably. All other costs are recognised in the profit or loss as an expense as incurred.

Depreciation and amortisation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful life on all property, plant and equipment. Land is not depreciated.

The residual value, the useful life and the depreciation method applied to an asset are re-assessed at least annually.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing disposal proceeds with the carrying amount of the disposed asset and are recognised in the profit or loss in the year the disposal occurs.

B3 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliation of carrying amount

Consolidated ($000s)	Note	Leasehold improvements	Hardware and software	Fixtures and fittings	Office equipment	Total
Depreciation policy		Lease term	3 years	3 years	3 years	
Cost						
Balance at 30 June 2014		20,621	1,879	431	17	22,948
Additions		4,012	634	4	36	4,686
Acquisitions through business combinations	A7	-	19	-	-	19
Disposals		(1,502)	(67)	-	-	(1,568)
Effect of movements in exchange rates		269	16	-	-	285
Balance at 28 June 2015		23,400	2,482	436	53	26,371
Balance at 29 June 2015		23,400	2,482	436	53	26,371
Additions		8,379	620	283	-	9,282
Disposals		(3,320)	(94)	-	-	(3,414)
Effect of movements in exchange rates		(306)	(21)	-	-	(327)
Balance at 3 July 2016		28,153	2,987	719	53	31,912

Consolidated ($000s)	Note	Leasehold improvements	Hardware and software	Fixtures and fittings	Office equipment	Total
Accumulated depreciation and impairment losses						
Balance at 30 June 2014		(9,702)	(1,251)	(207)	(10)	(11,170)
Depreciation		(5,475)	(447)	(61)	(18)	(6,001)
Disposals		1,238	48	-	-	1,286
Effect of movements in exchange rates		(79)	(7)	-	-	(86)
Balance at 28 June 2015		(14,017)	(1,657)	(269)	(27)	(15,971)
Balance at 29 June 2015		(14,017)	(1,657)	(269)	(27)	(15,971)
Depreciation		(5,356)	(535)	(127)	(16)	(6,034)
Disposals		3,148	83	-	-	3,231
Effect of movements in exchange rates		(20)	5	-	-	(15)
Balance at 3 July 2016		(16,245)	(2,104)	(396)	(43)	(18,789)
Carrying amounts						
At 30 June 2014		10,919	628	224	7	11,778
At 28 June 2015		9,382	825	167	25	10,400
At 3 July 2016		11,908	883	323	10	13,123

B4 INTANGIBLE ASSETS AND GOODWILL

Recognition and measurement

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Amortisation

Goodwill is not amortised.

(a) Reconciliation of carrying amount

Consolidated ($000s)	Note	Goodwill
Cost		
Balance at 30 June 2014		259
Acquisitions through business combination		1,358
Effect of movements in exchange rates		(7)
Balance at 28 June 2015		1,610
Balance at 29 June 2015		1,610
Finalisation of purchase price adjustment from previous business combination		984
Effect of movements in exchange rates		(522)
Balance at 3 July 2016		2,073

B5 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AND GOODWILL

Recognition and measurement

Impairment

The carrying amounts of the Group's property, plant and equipment, and intangible assets and goodwill, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated in line with the calculation methodology listed below.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment test

Impairment testing for CGUs containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's CGUs identified by country.

The recoverable amount of each CGU was based on its value in use, determined by discounting the future cash flows to be generated from the continuing use of the CGU.

Key assumptions used in the calculation of value in use were as follows:

In Percent	2016	2015
Discount rate	12.7%	12.7%
Budgeted EBITDA growth rate (average of next five years)	5.0%	5.0%

The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities generally and the systemic risk of the specific CGU.

Five years of cash flows were included in the discounted cash flow model with a long-term growth rate into perpetuity determined as the lower of the nominal GDP rates for the countries in which the CGU operates and the long-term compound annual EBITDA growth rate estimated by management.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth with FY17 balances based on budgeted results. Beyond this period, revenue growth was projected taking into account the growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years.

If no growth was budgeted to occur no impairment would result.

B5 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Reversals of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in previous years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

There were no material reversals of impairment in the current or prior year.

B6 TRADE AND OTHER PAYABLES

Recognition and measurement

Liabilities for trade creditors and other amounts are carried at their amortised cost.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

Consolidated ($000s)	**2016**	**2015**
Trade payables	4,292	4,677
Non-trade payables and accrued expenses	4,058	3,093
	8,350	7,770

Trade payables are unsecured and are usually paid within 30 days of recognition.

Information about the Group's exposure to currency and liquidity risk is included in Note C4.

B7 PROVISIONS

Recognition and measurement

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the reporting date.

Consolidated ($000s)	**Site restoration**	**Straight line rent and lease incentive**	**Onerous lease**	**Other provisions**	**Total**
Balance at 29 June 2015	1,500	916	799	-	3,215
Provisions made during the year	557	112	-	240	909
Provisions used during the year	(319)	(232)	(388)	-	(939)
Provisions released during the year	-	-	-	-	-
Effect of movement in exchange rates	(17)	(5)	-	-	(22)
Balance at 3 July 2016	1,721	791	411	240	3,163
Current	109	82	224	240	655
Non-current	1,612	709	187	-	2,508
	1,721	791	411	240	3,163

B7 PROVISIONS (CONTINUED)

Recognition and measurement (continued)

(a) Site restoration

Description	Key Estimates
In accordance with the Group's legal requirements, a provision for site restoration in respect of make good of leased premises is recognised when the premises are occupied. The provision is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal requirements and technology. Future restoration costs are reviewed annually and any changes are reflected in the present value of the restoration provision at the end of the reporting period. The amount of the provision for future restoration costs is capitalised and is depreciated in accordance with the policy set out above. The unwinding of the effect of discounting on the provision is recognised as a finance cost.	Expenditure to settle the restoration obligation at the end of the lease term is based on the Company's best estimate.

(b) Straight line rent and lease incentive

Description	Key Estimates
Lease payments are recognised on a straight-line basis over the lease term. The lease incentive liability in relation to non-cancellable operating leases are offset against lease rental expense on a straight line basis over the lease term (generally three to five years).	No major estimation required in the calculation of these provisions.

c) Onerous leases

Description	Key Estimates
Onerous leases arise when the cost of exiting an existing lease is greater than the loss on the sub-lease arrangement. In these circumstances, the best estimate is made of the expenditure required to settle the present obligation at the end of the reporting period with a provision made based on the least net cost alternative of exiting the lease. Provisions are based on the excess of the cash flows for the unavoidable costs in meeting the obligations under the lease over the unrecognised estimated future economic benefits from the lease. Where the Group has agreed to exit an existing lease early, these balances have been accrued for at year-end.	• Sub-lease party to undertake rental in line with agreements • Expenditure to settle the lease at the end of the lease term is based on the Company's best estimate

B8 EMPLOYEE BENEFITS

Recognition and measurement

Long-term service benefits

The Group's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using high quality Australian corporate bond rates at the balance sheet date which have maturity dates approximating to the terms of the Group's obligations.

Short-Term Benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance and payroll tax.

B8 EMPLOYEE BENEFITS (CONTINUED)

Recognition and measurement (continued)

Consolidated ($000s)	**2016**	**2015**
Current		
Liability for annual leave	1,594	1,382
Total employee benefit liabilities	1,594	1,382

Consolidated ($000s)	**2016**	**2015**
Non-Current		
Liability for long-service leave	401	279
Total employee benefit liabilities	401	279

For details on the related employee benefit expenses, see Note A3.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

RISK AND CAPITAL MANAGEMENT

This section discusses the Group's capital management practices, as well as the instruments and strategies utilised by the Group in minimising exposures to and impact of various financial risks on the financial position and performance of the Group.

C1 CAPITAL AND RESERVES

Recognition and measurement

Ordinary shares

Initially, share capital is recognised at the fair value of the consideration received by the Company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(a) Share capital

	No. of Ordinary Shares		Value of Ordinary Shares	
	2016	**2015**	**2016**	**2015**
	'000's	**'000's**	**'$000's**	**'$000's**
On issue at beginning of year	105,000	1,100	208,526	1,086
Reallocation as part of business reorganisation	-	(1,100)	-	(1,086)
Issued as part of business reorganisation	-	105,000	-	210,000
Transaction costs	-	-	-	(1,474)
On issue at end of year	105,000	105,000	208,526	208,526

All ordinary shares rank equally with regard to the Company's residual assets.

Share capital reallocated for statutory reporting purposes from being the share capital of Lovisa Pty Ltd and Lovisa International Pte Ltd in 2014 to being the share capital of Lovisa Holdings Limited, created as part of the internal reorganisation during the previous financial year.

(i) Ordinary shares

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

The holders of these shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

(b) Nature and purpose of reserves

(i) Common control reserve

The Group's accounting policy is to use book value accounting for common control transactions. The book value used is the book value of the transferor of the investment. Book value accounting is applied on the basis that the entities are part of a larger economic group, and that the figures from the larger group are the relevant ones. In applying book value accounting, no entries are recognised in profit or loss; instead, the result of the transaction is recognised in equity as arising from a transaction with shareholders.

The book value (carry-over basis) is accounting on the basis that the investment has simply been moved from one Group owner to a new Group Company. In applying book value accounting, an adjustment may be required in equity to reflect any difference between the consideration received and the aggregated capital of the transferee. The adjustment is reflected in the 'common control reserve' capital account.

(ii) Translation reserve

The translation reserve reflects all foreign currency differences of the international entities upon translation to the Group's functional currency.

(iii) Hedging Reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

The amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

C1 CAPITAL AND RESERVES (CONTINUED)

(b) Nature and purpose of reserves (continued)

(iv) Share-based payments reserve

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised
- the grant date fair value of shares issued to employees
- the grant date fair value of deferred shares granted to employees but not yet vested

C2 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

C3 LOANS AND BORROWINGS

Recognition and measurement

Loans and borrowings are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method.

Consolidated ($000s)	Note	2016	2015
Current liabilities			
Bank overdraft		3,566	1,908
Non-current liabilities			
Secured bank loans		12,000	12,000

Information about the Group's exposure to interest rate, foreign currency and liquidity risk is included in Note C4.

(a) Terms and debt repayment schedule

Terms and conditions of outstanding loans are as follows:

				3 July 2016		28 June 2015	
Consolidated ($000s)	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Cash advance facility	AUD	3.89%	2017	12,000	12,000	12,000	12,000
Multi-option facility	AUD	6.86%	2016	3,566	3,566	1,908	1,908
Corporate card facility	AUD	17.99%	2016	-	-	78	78
Total interest-bearing liabilities				15,566	15,566	13,986	13,986

The secured bank loans are secured by security interests granted by Lovisa Pty Ltd over all of its assets and the assets of Lovisa New Zealand Pty Ltd and Lovisa Singapore Pte Ltd in favour of the Commonwealth Bank of Australia (CBA). In addition, Lovisa Pty Ltd must ensure that the 'EBITDA' and 'Total Assets' of those members of the Group equal at least 75% of the 'EBITDA' and 'Total Assets' of the Group. Any such guarantor must grant security over all of their respective assets in favour of the CBA.

C4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

(a) Fair values

Recognition and measurement

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has begun to establish a control framework with respect to the measurement of fair values. This includes overseeing all significant fair value measurements, including Level 3 fair values, by the CFO.

The Group periodically reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Group assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group Audit, Business Risk and Compliance Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the financial year during which the change has occurred.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

3 July 2016		Carrying Amount				Fair Value			
Consolidated ($000s)	**Note**	**Hedging instruments**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value									
Derivatives		909	-	-	909	-	909	-	909
		909	-	-	909	-	909	-	909
Financial assets not measured at fair value									
Trade and other receivables	B1	-	2,293	-	2,293	-	-	-	-
Cash and cash equivalents	C5	-	8,295	-	8,295	-	-	-	-
		-	10,588	-	10,588	-	-	-	-
Financial liabilities not measured at fair value									
Bank overdrafts	C5	-	3,566	-	3,566	-	-	-	-
Secured bank loans	C3	-	12,000	-	12,000	-	-	-	-
Trade and other payables	B6	-	-	8,350	8,350	-	-	-	-
		-	15,566	8,350	23,916	-	-	-	-

C4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(a) Fair values (continued)

Recognition and measurement (continued)

28 June 2015		**Carrying Amount**				**Fair Value**			
Consolidated ($000s)	**Note**	**Hedging instruments**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities measured at fair value									
Derivatives		(30)	-	-	(30)	-	(30)	-	(30)
		(30)	-	-	(30)	-	(30)	-	(30)
Financial assets not measured at fair value									
Trade and other receivables	B1	-	2,147	-	2,147	-	-	-	-
Cash and cash equivalents	C5	-	4,251	-	4,251	-	-	-	-
		-	6,397	-	6,397	-	-	-	-
Financial liabilities not measured at fair value									
Bank overdrafts	C5	-	1,908	-	1,908	-	-	-	-
Secured bank loans	C3	-	12,000	-	12,000	-	-	-	-
Trade and other payables	B6	-	-	7,770	7,770	-	-	-	-
		-	13,908	7,770	21,678	-	-	-	-

(i) Valuation technique and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value.

Type	**Valuation technique**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Forward exchange contracts	Market comparison technique: Fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date. These over-the-counter derivatives utilise valuation techniques maximising the use of observable market data where it is available.	Not applicable.	Not applicable.

Financial instruments not measured at fair value

Type	**Valuation technique**	**Significant unobservable inputs**
Secured bank loans	Discounted cash flows.	Not applicable.

(ii) Transfers between Level 1 and 2

There were no transfers between Level 1 and Level 2 during the year.

(iii) Level 3 fair values

Transfer out of Level 3

There were no transfers out of Level 3 during the year.

C4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk (see (b)(ii))
- liquidity risk (see (b)(iii))
- market risk (see (b)(iv))

(i) Risk Management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Audit, Business Risk and Compliance Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit, Business Risk and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Committee's specific function with respect to risk management is to review and report to the Board that:

a) the Group's ongoing risk management program effectively identifies all areas of potential risk;

b) adequate policies and procedures have been designed and implemented to manage identified risks;

c) a regular program of audits is undertaken to test the adequacy of and compliance with prescribed policies; and

d) proper remedial action is undertaken to redress areas of weakness.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and deposits placed for leased outlets.

The Group's credit risk on its receivables is recognised on the consolidated statement of financial position at the carrying amount of those receivable assets, net of any provisions for doubtful debts. Receivable balances and deposit balances are monitored on a monthly basis with the result that the Group's exposure to bad debts is not considered to be material.

Credit risk also arises from cash and cash equivalents and derivatives with banks and financial institutions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted by Lovisa.

At the reporting date, the carrying amount of financial assets recorded in the financial statements, net of any allowances for impairment losses, represents the Group's maximum exposure to credit risk. There were no significant concentrations of credit risk.

Past due but not impaired

As at 3 July 2016, no trade receivables were past due but not impaired (2015: nil). The other classes within trade and other receivables do not contain impaired assets and are not past due.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. Cash flow forecasts are updated and monitored weekly.

In addition, the Group maintains the following lines of credit:

- $12 million revolving cash advance facility that is secured by security interests granted by Lovisa Pty Ltd over all of its assets and the assets of Lovisa New Zealand Pty Ltd and Lovisa Singapore Pte Ltd in favour of the Commonwealth Bank of Australia (CBA).
- $6 million multi option overdraft facility that is secured by security interests granted by Lovisa Pty Ltd over all of its assets in favour of the CBA.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

3 July 2016			**Contractual cash flows**				
Consolidated ($000s)	**Carrying amount**	**Total**	**2 mths or less**	**2-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Trade payables	4,292	4,292	4,292	-	-	-	-
Bank overdrafts	3,566	3,566	-	3,566	-	-	-
Secured bank loans	12,000	12,000	-	-	12,000	-	-
	19,858	19,858	4,292	3,566	12,000	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
- Outflow	-	25,633	6,861	18,772	-	-	-
- Inflow	-	(24,724)	(6,532)	(18,192)	-	-	-
Total	909	909	329	580	-	-	-

28 June 2015			**Contractual cash flows**				
Consolidated ($000s)	**Carrying amount**	**Total**	**2 mths or less**	**2-12 mths**	**1-2 years**	**2-5 years**	**More than 5 years**
Non-derivative financial liabilities							
Trade payables	4,677	4,677	4,677	-	-	-	-
Bank overdrafts	1,908	1,908	-	1,908	-	-	-
Secured bank loans	12,000	12,000	-	-	-	12,000	-
	18,585	18,585	4,677	1,908	-	12,000	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
- Outflow	-	19,565	5,175	14,390	-	-	-
- Inflow	-	(19,595)	(5,225)	(14,370)	-	-	-
	(30)	(30)	(50)	20	-	-	-

The gross inflows/(outflows) disclosed in the above table represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes and which are usually not closed out before contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled and gross cash inflow and outflow amounts for derivatives that have simultaneous gross cash settlement.

As disclosed in Notes C3, the Group has a secured bank loan which contains a loan covenant. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. The interest payments on bank overdrafts and secured bank loans in the table above reflect market forward interest rates at the reporting date and these amounts may change as market interest rates change. The future cash flows on trade payables may be different from the amount in the above table as exchange rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(b) Financial risk management (continued)

(iv) Market risk

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Audit, Business Risk and Compliance Committee. The group also has begun to apply hedge accounting during the year in order to manage volatility in profit or loss.

Currency risk

The Group is exposed to currency risk to the extent that there is a mismatch between the currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of Group companies. The presentation currency of the Group companies is the Australian dollar (AUD) which is the functional currency of the majority of Lovisa. The currencies in which transactions are primarily denominated are Australian dollars, Singapore dollars, US dollars and South African Rand.

The Company's foreign exchange policy is aimed at managing its foreign currency exposure in order to protect profit margins by entering into forward exchange contracts and currency options, specifically against movements in the USD rate against the AUD.

The following table defines the range of cover that has been authorised by the Board relating to purchases over a defined period:

Exposure	Minimum Hedge Position	Neutral Hedge Position	Maximum Hedge Position
Purchases 0 to 6 months	60%	80%	100%
Purchases 7 to 9 months	40%	50%	75%
Purchases 10 to 12 months	30%	40%	50%

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk as reported to the management of the Group is as follows:

	3 July 2016			28 June 2015		
In thousands of	**SGD**	**USD**	**ZAR**	**SGD**	**USD**	**ZAR**
Cash and cash equivalents	1,920	-	1,951	1,190	-	1,565
Trade receivables	-	108	10	-	548	-
Trade payables	(127)	(2,876)	(12)	(129)	(3,521)	(166)
Net statement of financial position exposure	1,793	(2,768)	1,949	1,061	(2,972)	1,398

Sensitivity analysis

A reasonably possible strengthening (weakening) of the USD, the SGD, or ZAR against all other currencies would have affected the measurement of financial instruments denominated in a foreign currency and affected profit or loss by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The translation of the net assets in subsidiaries with a functional currency other than the Australian dollar has not been included in the sensitivity analysis as part of the equity movement.

There is no impact on equity as the foreign currency denominated assets and liabilities represent cash, receivables and payables.

(b) Financial risk management (continued)

(iv) Market risk (continued)

Sensitivity Analysis (continued)

	Profit or loss	
Effect in thousands of dollars	**Strengthening**	**Weakening**
3 July 2016		
SGD (5 percent movement)	(85)	94
USD (5 percent movement)	132	(146)
ZAR (5 percent movement)	(93)	103
28 June 2015		
SGD (5 percent movement)	(51)	56
USD (5 percent movement)	142	(156)
ZAR (5 percent movement)	(67)	74

Interest rate risk

The Group is subject to exposure to interest rate risk as changes in interest rates will impact borrowings which bear interest at floating rates. Any increase in interest rates will impact Lovisa's costs of servicing these borrowings which may adversely impact its financial position. This impact is not assessed to be material.

Increases in interest rates may also affect consumer sentiment and the level of customer demand, potentially leading to a decrease in consumer spending.

Exposure to interest rate risk

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	Nominal amount	
Consolidated ($000s)	**2016**	**2015**
Variable-rate instruments		
Financial liabilities	15,566	13,908
	15,566	13,908

Cash flow sensitivity analysis for variable rate instruments

At 3 July 2016, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, pre tax profit for the year would have been $122,000 lower/higher (28 June 2015 - $55,000 lower/higher), as a result of higher/lower interest expense from variable rate borrowings. There is no additional impact on equity.

(c) Derivative assets and liabilities

The Group holds derivative financial instruments to manage its foreign currency risk exposures.

Recognition and measurement

Derivative financial instruments are recognised initially at fair value; any directly attributable transaction costs are recognised in profit or loss as they are incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are generally recognised in profit or loss.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods.

Forward rate contracts

The fair value of forward exchange contracts is based on their quoted price, if available. If a quoted price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a credit-adjusted risk-free interest rate (based on government bonds).

C4 FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (CONTINUED)

(c) Derivative assets and liabilities (continued)

Forward rate contracts (continued)

The following table provides details of the derivative financial assets and liabilities included on the balance sheet:

Consolidated ($000s)	2016	2015
Current Investments		
Forward exchange contracts	(909)	30
	(909)	30

The following table indicates the periods in which the cash flows associated with cash flow hedges are expected to occur and the carrying amounts of the related hedging instruments.

	2016				2015			
		Expected Cash Flows				Expected Cash Flows		
Consolidated ($000s)	Carrying Amount	Total	12 mths of less	More than 1 year	Carrying Amount	Total	12 mths of less	More than 1 year
Forward exchange contracts:								
Assets	-	-	-	-	-	-	-	-
Liabilities	(909)	(909)	(909)	-	-	-	-	-
	(909)	(909)	(909)	-	-	-	-	-

A loss of $3,000 was included in other expenses on foreign currency derivatives not qualifying as hedges.

C5 CASH FLOWS

Recognition and measurement

Cash and cash equivalents comprise cash balances, and cash in transit and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the entity's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Consolidated ($000s)	2016	2015
Bank balances		
Cash and cash equivalents in the statement of financial position	8,295	4,251
Bank overdrafts used for cash management purposes	(3,566)	(1,908)
Cash and cash equivalents in the statement of cash flows	4,729	2,343

C5 CASH FLOWS (CONTINUED)

Consolidated ($000s)	Note	2016	2015
Cash flows from operating activities			
Profit		16,553	30,598
Adjustments for:			
Depreciation		6,034	6,001
Loss on sale of property, plant and equipment		162	77
(Reversal of)/provision for buy back of company shares	A3	-	(14,756)
Transaction costs taken to profit and loss		-	2,115
Share based payments		116	-
Fair value adjustment to derivatives	C4	3	-
Exchange differences		1,154	933
		24,022	24,968
Change in inventories		(146)	(6,761)
Change in trade and other receivables		(23)	(113)
Change in deferred tax assets		734	(2,330)
Change in derivatives		30	(30)
Change in trade and other payables		580	1,562
Change in current tax liabilities		(2,141)	1,440
Change in provisions and employee benefits		282	724
Net cash from operating activities		23,338	19,460

OTHER INFORMATION

This section includes mandatory disclosures to comply with Australian Accounting Standards, the Corporations Act 2001 and other regulatory pronouncements.

D1 LIST OF SUBSIDIARIES

Set out below is a list of material subsidiaries of the Group. All subsidiaries are wholly owned, unless otherwise stated.

Name	**Principal place of business**
Lovisa Australia Pty Ltd	Australia
Lovisa Pty Ltd	Australia
Lovisa International Pte Ltd	Singapore
Lovisa Singapore Pte Ltd	Singapore
Lovisa Accessories Pty Ltd	South Africa
DCK Jewellery South Africa (Pty) Ltd	South Africa
Lovisa New Zealand Pty Ltd	New Zealand
Lovisa Malaysia Sdn Bhd	Malaysia
Lovisa UK Ltd	United Kingdom
Lovisa Global Pte Ltd	Singapore

D2 OPERATING LEASES

Recognition and measurement

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

The lease incentive liability in relation to the non-cancellable operating leases are offset against lease rental expense on a straight line basis over the lease terms (generally three to five years).

(a) Leases as lessee

The Group has a number of lease commitments related to the operation of its retail stores. The leases typically run for a period of 3 to 5 years, with an option to renew the lease after that date. Leases typically have an annual rental increase linked to CPI or a fixed annual increase.

(i) Future minimum lease payments

The future minimum lease payments under non-cancellable leases are payable as follows:

Consolidated ($000s)	**2016**	**2015**
Less than one year	14,574	14,454
Between one and five years	21,280	19,039
More than five years	364	83
	36,218	33,576

D3 COMMITMENTS AND CONTINGENCIES

(a) Guarantees

Lovisa has guarantees outstanding to landlords and other parties to the value of $670,000 at 3 July 2016.

(b) Capital commitments and contingent liabilities

There are no capital commitments or contingent liabilities that exist at 3 July 2016 and 28 June 2015.

D4 SHARE-BASED PAYMENT ARRANGEMENTS

The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(a) Descriptions of the share-based payment arrangements

The Board has issued share option programmes that entitle key management personnel and senior management to purchase shares in the Company. Under these programmes, holders of vested options are entitled to purchase shares at the market price of the shares at the grant date. Currently, these programmes are limited to key management personnel and senior management.

The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by physical delivery of shares.

At 3 July 2016 the Group has the following share-based payment arrangements:

(i) Share option programmes (equity-settled)

FY2017 LTI - Performance Options

Grant date/employee entitiled	Number of instruments (000's)	Vesting conditions	Contractual life of options
Options granted			
On 18 May 2016	3,460	20% compound increase in EBIT over 3 years, with a decrease in the number of options vesting down to a minimum of 10% compound EBIT growth over the 3 year period in line with the table below.	3 years
Total share options	3,460		

The Board has determined that the threshold EPS target is 10% compound growth over the 3 year period and the stretch EPS target is 20% compound growth over the 3 year period.

Company's EPS over the Performance Period	% of Performace Options that become exercisable
Less than threshold	Nil
Equal to threshold	10% compound growth - 20% awarded
Between threshold and stretch	12.5% compound growth - 40% awarded 15% compound growth - 60% awarded 17.5% compound growth - 80% awarded
Stretch	20% compound growth - 100% awarded

No expense has been recognised in relation to these options as the performance period is the period from 4 July 2016 through to 30 June 2019, with the expense to be recognised over the vesting period as service is provided. 1,687,764 of these options are subject to shareholders approval.

Initial Public Offering - Performance Options

Grant date/employee entitiled	Number of instruments (000's)	Vesting conditions	Contractual life of options
Options granted			
On 23 December 2014	550	As per table below	2.5 years
Total share options	550		

The achievement of forecast EPS for FY15 (15.62c) will result in the award of one third of the options.

The remaining two thirds of Options are subject to a performance condition based on the Company's EPS over FY16 and FY17 (EPS Hurdle). The Board has determined that the threshold EPS target is 37.33c and the stretch EPS target is 41.23c over FY16 and FY17.

D4 SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

(a) Descriptions of the share-based payment arrangements (continued)

i) Share option programmes (equity-settled) (continued)

Company's EPS over the Performance Period	% of Performace Options that become exercisable
Less than threshold	Nil
Equal to threshold	50% awarded
Between threshold and stretch	50% - 100%, on a straight-line sliding scale
Stretch	100% awarded

These options are subject to shareholder approval.

(ii) Performance rights (equity-settled)

On 18 November 2015, the Group granted 20,000 and 16,000 performance rights to the former CFO and Head of Product respectively, which entitle them to acquire a Share for nil consideration at the end of the performance period, subject to satisfaction of specific performance conditions.

The 20,000 performance rights were cancelled upon the resignation of the former CFO.

(b) Measurement of fair values

(i) Equity-settled share-based payment arrangements

The fair value of the employee share options and performance rights (see (a)(i) and (a)(ii)) have been measured using the Black-Scholes formula. Service and non-market performance conditions attached to the transactions were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at grant date of the equity-settled share-based payment plans were as follows.

	Share option programme	
	IPO LTI	FY2017 LTI
Fair value at grant date	$0.386	$0.237
Share price at grant date	$2.300	$2.050
30 day VWAP share price at grant date	N/A	$2.100
Exercise price	$2.300	$2.100
Expected volatility (weighted-average)	34%	24.70%
Expected life (weighted-average)	2.5 years	3 years
Expected dividends	4.67%	5.11%
Risk-free interest rate (based on government bonds)	2.23%	1.86%

Expected volatility has been based on an evaluation of the historical volatility of the Company's share price.

(c) Reconciliation of outstanding share options

The number and weighted average exercise prices of share options under the share option programmes (see (a)(i)) and performance rights (see (a)(ii)) were as follows.

	Number of options	Weighted average exercise price	Number of performance rights
	2016	2016	2016
	000's	$	000's
Granted during the year	4,010	$2.13	36
Forfeited during the year	-	-	(20)
Exercised during the year	-	-	-
Outstanding at 3 July	4,010	$2.13	16
Exercisable at 3 July	-	-	-

No options were issued or on issue in FY2015.

(d) Expenses recognised in profit or loss

For details on the related employee benefit expenses, see Note A3.

D5 RELATED PARTIES

(a) Parent and ultimate controlling party

Lovisa Holdings Limited is the parent entity and ultimate controlling party in the Group comprising itself and its subsidiaries. Material subsidiaries of the Group are listed in note D1.

(b) Transactions with key management personnel

(i) Key management personnel compensation

The key management personnel compensation comprised the following:

Consolidated ($000s)	**2016**	**2015**
Short-term employee benefits	1,390	884
Post-employment benefits	62	49
Share based payment	100	-
Other long term benefits	146	93
	1,699	1,025

Compensation of the Group's key management personnel includes salaries and non-cash benefits (see Note A3).

Detailed remuneration disclosures are provided in the Remuneration report on pages 13 to 17.

(ii) Key management personnel and Director transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or joint control over these companies.

The aggregate value of outstanding balances relating to key management personnel and entities over which they have control or joint control were as follows:

Consolidated ($000s)		**Transaction values for the year ended**		**Balance outstanding as at**	
Director	**Transaction**	**3 July 2016**	**28 June 2015**	**3 July 2016**	**28 June 2015**
S Fallscheer	Centerville Loan Receivable	-	(593)	-	-
T Blundy	Coloskye Loan Receivable	-	(43)	-	-

Loans receivable from key management personnel were short-term loans over which interest was not charged. Any interest not charged would be trivial given the short-term nature of these loans. No write-downs or allowances for doubtful receivables have been recognised in relation to any loans receivable from key management personnel.

(c) Other related party transactions

	Transaction values for the year ended		**Balance outstanding as at**	
Consolidated ($000s)	**3 July 2016**	**28 June 2015**	**3 July 2016**	**28 June 2015**
a) Loans				
Loan Receivable	-	(65)	-	-
Shareholder loan payable	-	5,524	-	-
b) Expenses				
Expense recharges	394	333	(28)	(22)
c) Sales				
Recharges	3	-	2	-

Transactions between the Lovisa Group and BB Retail Capital and its related parties have been disclosed above due to BB Retail Capital continuing to be in a position of holding significant influence in relation to the Group, with representation on the Board of Directors. Lovisa has, and will continue to benefit from the relationships that its management team and BB Retail Capital have developed over many years of retail operating experience. BB Retail Capital currently provides certain property management services to Lovisa on an arm's length basis including managing negotiations with landlords for new leases and lease renewals. This arrangement provides Lovisa with a strong potential negotiation partner when dealing with landlords, however the arrangement is also flexible as it can be cancelled at Lovisa's discretion, after giving three months' notice. Non property management related expense recharges are also priced on an arm's length basis.

All outstanding balances with other related parties are priced on an arm's length basis and are to be settled in cash within two months post the end of the reporting year. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

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D6 AUDITORS' REMUNERATION

Consolidated ($)	2016	2015
a) KPMG		
Audit and review services		
Auditors of the Company - KPMG Australia		
Audit and review of financial statements	199,240	108,000
Network firms of KPMG Australia		
Audit and review of financial statements	20,760	72,000
Total remuneration for audit and review services	220,000	180,000
Other services		
Auditors of the Company - KPMG Australia		
In relation to other assurance, taxation and due diligence services	137,250	612,600
Network firms of KPMG Australia		
In relation to other assurance, taxation and due diligence services	16,842	15,536
Total remuneration for other services	154,092	628,136
Total remuneration of KPMG	374,092	808,136
b) Non-KPMG audit firms		
Audit and review services		
Audit and review of financial statements	18,978	19,213
Total remuneration for audit and review services	18,978	19,213
Other services		
In relation to other assurance, taxation and due diligence services	165	20,353
Total remuneration for other services	165	20,353
Total remuneration of non-KPMG audit firms	19,143	39,566
Total auditors remuneration	393,235	847,702

D7 DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation, audit and lodgement of financial reports, and Directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Lovisa Australia Pty Ltd
- Lovisa Pty Ltd

Both of these companies became a party to the Deed on 18 June 2015, by virtue of a Deed of Assumption.

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 3 July 2016 is set out as follows.

D7 DEED OF CROSS GUARANTEE (CONTINUED)

Statement of profit or loss and other comprehensive income and retained earnings

Consolidated ($000s)	**2016**	**2015**
Revenue	100,387	96,431
Cost of sales	(26,507)	(24,075)
Gross profit	73,880	72,356
Salaries and employee benefits expense	(32,198)	(29,460)
Property expenses	(17,035)	(16,970)
Distribution costs	(767)	(675)
Depreciation	(3,726)	(4,181)
Loss on disposal of property, plant and equipment	(184)	(76)
IPO transaction costs	-	(2,115)
Reversal of buy-back of company shares	-	14,756
Other expenses	(3,075)	(4,841)
Finance income	1	4
Finance costs	(706)	(283)
Profit before tax	16,189	28,515
Tax expense	(4,736)	(4,551)
Profit after tax	11,453	23,964
Other comprehensive income for the year, net of tax	(772)	-
Total comprehensive income for the year, net of tax	10,681	23,964
Retained earnings at beginning of year	250	(9,123)
Dividends recognised during the year	(11,277)	(14,591)
Retained earnings at end of year	426	250

D7 DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position

Consolidated ($000s)	**3 July 2016**	**28 June 2015**
Assets		
Cash and cash equivalents	2,055	1,107
Trade and other receivables	6,587	14,725
Inventories	10,062	9,256
Derivatives	-	30
Total current assets	18,704	25,118
Deferred tax assets	1,541	2,430
Property, plant and equipment	6,876	6,125
Investments	210,000	210,000
Total non-current assets	218,417	218,555
Total assets	237,121	243,673
Liabilities		
Bank overdraft	3,566	1,908
Trade and other payables	6,474	13,273
Employee benefits - current	1,404	1,225
Current tax liabilities	874	2,471
Derivatives	909	-
Provisions - current	357	595
Total current liabilities	13,584	19,472
Employee benefits - non-current	401	279
Loans and borrowings	12,000	12,000
Provisions - non current	1,916	2,221
Total non-current liabilities	14,317	14,500
Total liabilities	27,901	33,972
Net assets	209,221	209,701
Equity		
Issued capital	208,526	208,526
Common control reserve	925	925
Share based payments reserve	116	-
Cash flow hedge reserve	(772)	-
Retained earnings	426	250
Total equity	209,221	209,701

D8 PARENT ENTITY DISCLOSURES

($000s)	2016	2015
Result of parent entity		
Profit for the year	13,208	5,183
Other comprehensive income	-	-
Total comprehensive income for the year	13,208	5,183
Financial position of parent entity at year end		
Current assets	-	-
Total assets	210,826	211,013
Current liabilities	2,074	4,307
Total liabilities	2,074	4,307
Total equity of parent entity comprising of:		
Share capital	208,526	208,526
Share based payments reserve	116	-
Accumulated losses	110	(1,820)
Total equity	208,752	206,706

(a) Parent entity accounting policies

The financial information for the parent entity, Lovisa Holdings Limited, has been prepared on the same basis as the consolidated financial report, except as set out below.

Investments in subsidiaries
Investments in subsidiaries are accounted for at cost.

(b) Parent entity contingent liabilities

The parent entity did not have any contingent liabilities as at 3 July 2016.

(c) Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of certain subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in Note D7.

D9 NEW STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

The Group has applied the following standards and amendments for the first time for the annual reporting year ending 3 July 2016:

- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015-4 Amendments to Australian Accounting Standards - Financial Reporting Requirements for Australian Group's with a Foreign Parent

The adoption of these standards did not have any impact on the current year or any prior year and are not likely to affect future years.

D10 NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2015; however, the Group has not applied the following new or amended standards in preparing these consolidated financial statements.

New or amended standards	Summary of the requirements	Possible impact on consolidated financial statements
IFRS 9 Financial Instruments	IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9 however the impact of the new standard is not expected to be material.
IFRS 15 Revenue from Contracts with Customers	IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.	Adoption of IFRS 15 is not expected to have a material impact on the Group's future revenue recognition.
IFRS 16 Leases	IFRS 16 removes the classification of leases as either operating or finance leases – for the lessee – effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. This will result in the recognition of a front-loaded pattern of expense for most leases, even when constant annual rentals are paid. Lessor accounting remains similar to current practice.	As a lessee with a substantial portfolio of operating leases, the implementation of IFRS 16 is expected to have a material impact on the future statutory performance of Lovisa Holdings Limited. A summary of the key impacts are as follows: • EBITDA: increases because no operating lease expense is included • Equity: decreases as carrying amount of right-of-use asset reduces faster than the reduction of the lease liability in the early years of the lease • Profit before tax/EPS: Decreases as amortisation and interest expense recognised is greater than operating lease expense in the early years of the lease The overall income statement impact is profit neutral over the course of a lease.

DIRECTORS' DECLARATION

1. In the opinion of the Directors of Lovisa Holdings Limited ('the Company'):

   (a) the consolidated financial statements and notes that are set out on pages 20 to 56 and the Remuneration report in the Directors' report, are in accordance with the Corporations Act 2001, including:

      (i) giving a true and fair view of the Group's financial position as at 3 July 2016 and of its performance, for the financial year ended on that date; and

      (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

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

2. There are reasonable grounds to believe that the Company and the group entities identified in Note D7 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Class Order 98/1418.

3. The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 3 July 2016.

4. The Directors draw attention to the Basis of Accounting for the consolidated financial statements set out on page 24, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.

Shane Fallscheer

Director

Melbourne

22 August 2016

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LOVISA HOLDINGS LIMITED

KPMG

Independent auditor's report to the members of Lovisa Holdings Limited

Report on the financial report

We have audited the accompanying financial report of Lovisa Holdings Limited (the company), which comprises the consolidated statement of financial position as at 3 July 2016, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, basis of accounting set out on page 24, notes A1 to D10 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In the basis of accounting set out on page 24, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LOVISA HOLDINGS LIMITED (CONTINUED)

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 3 July 2016 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed on page 24.

Report on the remuneration report

We have audited the Remuneration Report included in paragraph 9 of the directors' report for the year ended 3 July 2016. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Lovisa Holdings Limited for the year ended 3 July 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne
22 August 2016

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Lovisa Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 3 July 2016 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

22 August 2016
Melbourne

CORPORATE DIRECTORY

Company Secretary

Graeme Fallet, Chief Financial Officer and Company Secretary appointed 14 April 2016.

Principal Registered Office

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41-45 Camberwell Road
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Location of Share Registry

Link Market Services Limited
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Stock Exchange Listing

Lovisa Holdings Limited (LOV) shares are listed on the ASX.

Auditors

KPMG
147 Collins Street
Melbourne Victoria 3000

Website

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