



LOVISA HOLDINGS LIMITED

INTERIM FINANCIAL REPORT

FOR THE 26 WEEKS ENDED
1 JANUARY 2017

ACN 602 304 503



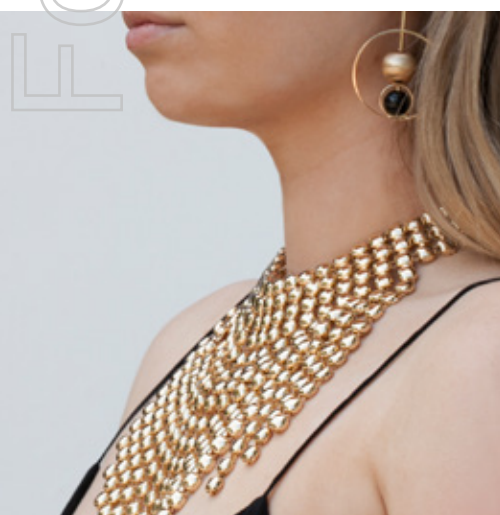
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LOVISA WAS BORN FROM
A DESIRE TO FILL THE
VOID FOR FASHION
FORWARD AND DIRECTIONAL
JEWELLERY THAT IS
BRILLIANTLY AFFORDABLE.

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COMPANY
OVERVIEW

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Lovisa Holdings Limited and the entities it controlled at the end of, or during, the half year ended 1 January 2017.

1. OPERATING AND FINANCIAL REVIEW

Lovisa's revenue for 1H FY2017 was \$99.7m. This is an increase of \$17.1m (20.7%) on 1H FY2016. Revenue growth was achieved through like for like (LFL) sales performance of 12.6%, and the net opening of 16 new company owned stores, and 2 new franchise stores. Lovisa closed the half with 250 company owned stores and 18 franchise stores. The international rollout of stores continued with 7 stores trading in the United Kingdom at Christmas. We continue to do due diligence on other markets and opportunities to accelerate new country growth with our products having global appeal. We continue to be optimistic on Lovisa's global rollout plan.

The gross profit for the half was \$77.6m, an increase of \$15.6m on the prior half. Gross margin for the half was 77.8% compared to 75.0% for the first half of the prior year. Gross margin on a constant currency basis would have been 79.7%.

Cost of doing business (CODB) for the half was 46.9%, compared to 49.8% for the first half of the prior year. Lovisa continues to achieve CODB improvements through leveraging the Australian Support Centre as it expands its global footprint.

Earnings before interest and tax were \$28.2m, an increase of \$10.2m (57.1%) on the prior year. Net profit after tax was \$20.3m an increase of 49.7% on the prior half.

The Company's net debt position has strengthened during the half with net cash of \$18m on hand at balance date.

The Company's cashflow from operations was \$29.6m compared to \$16.2m from the prior period. Capital expenditure after landlord contributions was \$2.5m and the Company repaid \$2m of its cash advance facility.

2. DIRECTORS

The following persons were Directors of Lovisa Holdings Limited during the whole of the half-year and up to the date of the report:

Michael Kay	Non-Executive Chairman
Shane Fallscheer	Managing Director
Tracey Blundy	Non-Executive Director
Paul Cave	Non-Executive Director
James King	Non-Executive Director

3. DIVIDENDS

Since the end of the half-year, the Directors have resolved to pay an interim dividend of 10.00 cents per share fully franked.

The interim dividend will be paid on 28 April 2017.

4. 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 21.

5. 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 and financial report. Amounts in the Directors' report and financial 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 Directors



Michael Kay
Non-Executive Chairman



Shane Fallscheer
Managing Director

Melbourne, 22 February 2017

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FINANCIAL
STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 1 January 2017

Consolidated (\$'000s)	Note	1 January 2017	3 July 2016	27 December 2015
Assets				
Cash and cash equivalents		28,246	8,295	8,583
Trade and other receivables		3,130	2,293	2,181
Inventories		12,338	15,034	16,789
Derivatives		693	-	-
Total current assets		44,407	25,622	27,553
Deferred tax assets		3,064	1,823	3,471
Property, plant and equipment	4	13,081	13,123	12,591
Intangible assets and goodwill	5	2,328	2,073	1,390
Total non-current assets		18,473	17,019	17,452
Total assets		62,880	42,641	45,005
Liabilities				
Bank overdraft		-	3,566	-
Trade and other payables		9,905	8,350	8,963
Employee benefits - current		1,934	1,594	1,609
Provisions - current	6	1,022	655	1,097
Derivatives		-	909	211
Current tax liabilities		5,410	1,487	3,909
Total current liabilities		18,271	16,561	15,789
Employee benefits - non current		441	401	346
Loans and borrowings		10,000	12,000	12,000
Provisions - non current	6	2,460	2,508	1,840
Total non-current liabilities		12,901	14,909	14,186
Total liabilities		31,172	31,470	29,975
Net assets		31,708	11,171	15,030
Equity				
Issued capital		208,526	208,526	208,526
Common control reserve		(208,906)	(208,906)	(208,906)
Other reserves		1,332	(1,032)	(1,165)
Retained earnings		30,756	12,584	16,575
Total equity		31,708	11,171	15,030

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the 26 weeks ended 1 January 2017

Consolidated (\$'000s)	Note	1 January 2017	27 December 2015
Revenue	2	99,740	82,622
Cost of sales		(22,148)	(20,638)
Gross profit		77,592	61,984
Salaries and employee benefits expense		(23,261)	(19,746)
Property expenses		(14,009)	(12,536)
Distribution costs		(2,363)	(2,296)
Depreciation and amortisation expense		(2,647)	(2,863)
Gain on disposal of property, plant and equipment		29	12
Other expenses		(7,147)	(6,609)
Operating profit		28,194	17,946
Finance income		53	21
Finance costs		(328)	(352)
Net finance costs		(275)	(331)
Profit before tax		27,919	17,615
Income tax expense		(7,647)	(4,075)
Profit after tax		20,272	13,540
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Cash flow hedges		1,450	-
Foreign operations - foreign currency translation differences		645	(1,081)
		2,095	(1,081)
Other comprehensive income, net of tax		2,095	(1,081)
Total comprehensive income		22,367	12,459
Profit attributable to:			
Owners of the Company		20,272	13,540
		20,272	13,540
Total comprehensive income attributable to:			
Owners of the Company		22,367	12,459
Total comprehensive income for the period		22,367	12,459
Earnings per share			
Basic earnings per share (cents)		19.31	12.90
Diluted earnings per share (cents)		19.30	12.90

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 1 January 2017

Attributable to Equity Holders of the Company

<i>Consolidated (\$'000s)</i>	Note	Share Capital	Common Control Reserve	Retained Earnings	Share Based Payments Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Total Equity
Balance at 29 June 2015		208,526	(208,906)	7,308	-	-	(119)	6,809
Total comprehensive income								
Profit		-	-	13,540	-	-	-	13,540
Foreign operations - foreign currency translation differences		-	-	-	-	-	(1,081)	(1,081)
Total comprehensive income for the year		-	-	13,540	-	-	(1,081)	12,459
Transactions with owners of the Company								
Contributions and distributions								
Employee share schemes		-	-	-	35	-	-	35
Dividends	3	-	-	(4,273)	-	-	-	(4,273)
Total contributions and distributions		-	-	(4,273)	35	-	-	(4,238)
Total transactions with owners of the Company		-	-	(4,273)	35	-	-	(4,238)
Balance at 27 December 2015		208,526	(208,906)	16,575	35	-	(1,200)	15,030
Balance at 4 July 2016		208,526	(208,906)	12,584	116	(772)	(376)	11,171
Total comprehensive income								
Profit		-	-	20,272	-	-	-	20,272
Cash flow hedges		-	-	-	-	1,450	-	1,450
Foreign operations - foreign currency translation differences		-	-	-	-	-	645	645
Total comprehensive income for the year		-	-	20,272	-	1,450	645	22,367
Transactions with owners of the Company								
Contributions and distributions								
Employee share schemes		-	-	-	269	-	-	269
Dividends	3	-	-	(2,100)	-	-	-	(2,100)
Total contributions and distributions		-	-	(2,100)	269	-	-	(1,831)
Total transactions with owners of the Company		-	-	(2,100)	269	-	-	(1,831)
Balance at 1 January 2017		208,526	(208,906)	30,756	385	678	269	31,708

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 26 weeks ended 1 January 2017

Consolidated (\$000s)	Note	1 January 2017	27 December 2015
Cash flows from operating activities			
Cash receipts from customers		109,987	91,388
Cash paid to suppliers and employees		(75,045)	(71,074)
Cash generated from operating activities		34,942	20,314
Interest received		53	21
Interest paid		(328)	(352)
Income taxes paid		(4,982)	(3,786)
Net cash from operating activities		29,685	16,197
Cash flows from investing activities			
Acquisition of fixed assets	4	(2,490)	(5,456)
Proceeds from sale of property, plant and equipment		42	52
Net cash (used in) investing activities		(2,448)	(5,404)
Cash flows from financing activities			
Repayment of cash advance facility		(2,000)	-
Dividends paid	3	(2,100)	(4,273)
Net cash (used in) financing activities		(4,100)	(4,273)
Net increase in cash and cash equivalents		23,137	6,520
Cash and cash equivalents at the beginning of the period		4,729	2,342
Effect of movement in exchange rates on cash held		380	(279)
Cash and cash equivalents at the end of the period		28,246	8,583

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 1 January 2017

1 Summary of significant accounting policies

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 "Group companies"). The Group is primarily involved in the retail sale of fashion jewellery and accessories.

Lovisa Holdings Limited operates within a retail financial period. The current financial period was a 26 week period ended on the 1 January 2017 (2015: 26 week period ending 27 December 2015).

The principal accounting policies adopted in the preparation of this consolidated financial report are set out below. These policies have been consistently applied to all the periods presented.

Basis of accounting

This condensed consolidated interim financial report for the half-year reporting period ended 1 January 2017 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 3 July 2016.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

2 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). For management purposes, the Group is organised into geographic segments to review sales by territory. All territories offer similar products and services and are managed by sales teams in each territory reporting to the Global GM of Sales, however overall company performance is managed on a global level by the MD and the Group's management team. Store performance is typically assessed at an individual store level. Lovisa results are aggregated to form one reportable operating segment, being the retail sale of fashion jewellery and accessories. This is a difference in the basis of segmentation from the 3 July 2016 annual report. The individual stores meet the aggregation criteria to form a reportable segment.

The company's stores exhibit similar long-term financial performance and economic characteristics throughout the world, which include:

- Consistent products are offered throughout the company's stores worldwide;
- All stock sold throughout the world utilises common design processes and products are sourced from the same supplier base;
- Customer base is similar throughout the world;
- All stores are serviced from two delivery centres;
- No major regulatory environment differences exist between operating territories.

As the Group reports utilising one reporting operating segment, no reconciliation of the total of the reportable segments measure of profit or loss to the consolidated profit has been provided as no reconciling items exist.

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.

(\$000s)	1 January 2017	27 December 2015
External Revenues		
Australia / New Zealand	70,755	59,230
Asia	14,793	12,579
Africa	11,548	10,276
Europe	2,216	112
Total external revenue	99,312	82,197
Franchise Revenue		
Middle East	348	425
Asia	80	-
Total franchise revenue	428	425
Total revenue	99,740	82,622



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 1 January 2017

3 Dividends

(a) Ordinary shares

Consolidated (\$000s)	1 January 2017	27 December 2015
Dividends provided for or paid during the half-year (fully franked)	2,100	4,273

(b) Dividends not recognised at the end of the half-year

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)	1 January 2017	27 December 2015
10.00 cents per qualifying ordinary share (2015: 6.67)	10,500	7,004

The interim dividend for the half-year ended 1 January 2017 is fully franked (27 December 2015: 75% franked).

4 Property, plant and equipment

Consolidated (\$000s)	Leasehold improvements	Hardware and software	Fixtures and fittings	Office equipment	Total
Cost					
Balance at 4 July 2016	28,153	2,987	719	53	31,912
Additions	2,257	136	95	2	2,490
Disposals	(835)	(24)	-	-	(859)
Effect of movements in exchange rates	59	12	-	-	71
Balance at 1 January 2017	29,634	3,111	814	55	33,614
Accumulated depreciation					
Balance at 4 July 2016	(16,245)	(2,104)	(396)	(43)	(18,789)
Depreciation	(2,329)	(236)	(77)	(5)	(2,647)
Disposals	821	23	-	-	844
Effect of movements in exchange rates	58	-	-	-	58
Balance at 1 January 2017	(17,695)	(2,317)	(473)	(48)	20,533
Carrying amounts					
At 4 July 2016	11,908	883	323	10	13,123
At 1 January 2017	11,939	794	341	7	13,081

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 1 January 2017

5 Intangible assets and goodwill

<i>Consolidated (\$000s)</i>	Goodwill
Cost	
Balance at 3 July 2016	2,073
Effect of movements in exchange rates	255
Balance at 1 January 2017	2,328

6 Provisions

<i>Consolidated (\$000s)</i>	Site restoration	Straight line rent and lease incentive	Onerous lease	Other Provisions	Total
Balance at 3 July 2016	1,721	791	411	240	3,163
Provisions made during the period	216	332	-	-	548
Provisions used during the period	(59)	(165)	-	-	(224)
Effect of movement in exchange rates	(6)	1	-	-	(5)
Balance at 1 January 2017	1,872	959	411	240	3,482
Current	700	98	224	-	1,022
Non-current	1,172	861	187	240	2,460
	1,872	959	411	240	3,482

7 Loans and borrowings

1 January 2017

<i>Consolidated (\$000s)</i>	Carrying Amount	Contractual cash flows					
		Total	2 mths or less	2-12 mths	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities							
Trade payables	2,432	2,432	2,432	-	-	-	-
Secured bank loans	10,000	10,000	-	-	10,000	-	-
	12,432	12,432	2,432	-	10,000	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
- Outflow	-	18,392	3,133	15,259	-	-	-
- Inflow	-	(19,085)	(3,300)	(15,785)	-	-	-
	(693)	(693)	(167)	(526)	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the 26 weeks ended 1 January 2017

7 Loans and borrowings (continued)

3 July 2016

Consolidated (\$'000s)	Carrying Amount	Contractual cash flows					
		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)	-	-	-
	909	909	329	380	-	-	-

The Group has a secured bank loan which contains loan covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the table above. 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.

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.

(a) Valuation techniques used to determine fair values

Valuation of derivatives is undertaken using a market comparison technique: the 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. Forward exchange contracts continue to be valued as level 2 instruments.

8 Capital commitments and contingencies

There are no capital commitments or contingent liabilities that exist at 1 January 2017.

9 Events occurring after the reporting period

Refer to note 3 for dividends recommended since the end of the reporting period.

There are no other 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.

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SIGNED
REPORTS

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 9 to 16 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Group's financial position as at 1 January 2017 and of its performance, for the 26 week period ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) there are reasonable grounds to believe that Lovisa Holdings Limited will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.



Shane Fallscheer

Director

Melbourne

22 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LOVISA HOLDINGS LIMITED



Independent Auditor's Review Report

To the shareholders of Lovisa Holdings Limited

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Lovisa Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Group's financial position as at 1 January 2017 and of its performance for the Half-year ended on that date; and
- ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

We have reviewed the accompanying Half-year Financial Report of Lovisa Holdings Limited.

The Half-year Financial Report comprises:

- the consolidated statement of financial position as at 1 January 2017;
- consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 9 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The Group comprises Lovisa Holdings Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LOVISA HOLDINGS LIMITED (CONTINUED)



Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 1 January 2017 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lovisa Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

A stylized signature of the KPMG firm, written in blue ink.

KPMG

A handwritten signature in blue ink, appearing to read 'M. Bisetto'.

Maurice Bisetto

Partner

Melbourne

22 February 2017

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



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 review for the half-year ended 1 January 2017 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

M. Bisetto

Maurice Bisetto

Partner

Melbourne

22 February 2017

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Profession Standards Legislation.

CORPORATE DIRECTORY

Company Secretary

Graeme Fallet

Principal Registered Office

Lovisa Holdings Limited
41-45 Camberwell Road
Hawthorn East VIC 3123
+61 3 9831 1800

Location of Share Registry

Link Market Services Limited
Tower 4
727 Collins Street
Melbourne Victoria 3000
+61 3 9615 9800

Stock Exchange Listing

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

Auditors

KPMG
147 Collins Street
Melbourne Victoria 3000

Website

www.lovisa.com.au