Lovisa Holdings Limited
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Lovisa Holdings Limited
Appendix 4D
Half Yearly Report
For the half-year ended 29 December 2019

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross referenced to the HY2020 Interim Financial Report which is attached.

1. Company details

Company Name	Lovisa Holdings Limited
ACN	602 304 503
Reporting Period	26 weeks ended 29 December 2019
Prior Half Year Reporting Period	26 weeks ended 30 December 2018
Prior Financial Year Ended	30 June 2019

2. Results for announcement to the market

Comparison to the prior period (Appendix 4D items 2.1 to 2.3)	**Increase/ Decrease**	**Change %**	**To A$'000s**
Revenue from ordinary activities	**Increase**	**22.2%**	**162,761**
Profit before tax	**Increase**	**6.3%**	**38,886**
Profit after tax attributable to the members	**Increase**	**4.5%**	**26,672**

Dividends / distributions (Appendix 4D item 2.4)	**Amount per security**	**Franked amount per security**
Interim dividend for the year ended 28 June 2020 to be paid on 23rd April 2020	**15.0 cents**	**15.0 cents**

Record date for determining entitlement to the dividend (Appendix 4D item 2.5)	**11th March 2020**

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

For the half-year ended 29 December 2019 the Company reported net profit after tax of $26.7m following same store sales growth of 2.1% and an additional 49 stores across the globe. Gross Profit increased 19.1% to $128.5m and gross margin for the half was 79% compared to 81% for the first half of the prior year.

This result reflects an increase of 4.5% on the Company's half-year December 2018 statutory net profit after tax and includes the impact of the adoption of AASB 16 Leases.

3. Dividends

Please refer to note 3 of the attached interim financial report for details of dividends paid in the reporting period and prior period.

4. Dividend reinvestment plans

Not applicable.

5. Net tangible asset per security

	Current period	Previous period
Net tangible asset backing per ordinary share	**$0.58**	**$0.47**

6. Entities over which control has been gained during the period

Not applicable.

7. Details of associates and joint ventures

Not applicable.

8. 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.

9. Dispute or qualification arising from auditor's review

Not applicable.

Signed on behalf of Lovisa Holdings Limited, on the 18th February 2020

Chris Lauder
Company Secretary

LOVISA HOLDINGS LIMITED

INTERIM FINANCIAL REPORT

FOR THE 26 WEEKS ENDED
29 DECEMBER 2019

ACN 602 304 503

Lovisa

BRINGING BRILLIANTLY AFFORDABLE
FASHION JEWELLERY TO THE WORLD

CONTENTS

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 29 December 2019.

1. OPERATING AND FINANCIAL REVIEW

Lovisa's revenue for 1H FY2020 was $162.8m. This is an increase of $29.6m (22.2%) on 1H FY2019. Revenue growth was achieved through the net opening of 42 new company owned stores and 7 new franchise stores. Like for like sales performance was 2.1% higher. Lovisa closed the half with 396 company owned stores and 43 franchise stores. The international rollout of stores continued with 42 stores trading in the United Kingdom at the end of the period, 40 stores in the USA and 18 stores in France.

The gross profit for the half was $128.5m, an increase of $20.6m (19.1%) on the prior half. Gross margin for the half was 79% compared to 81% for the first half of the prior year. Gross margin on a constant currency basis would have been 80.6%.

Cost of doing business (CODB) for the half was 39.0%, compared to 50.4% for the first half of the prior year, impacted by the implementation of AASB 16 *Leases* during the period. Excluding this impact, CODB was 50.3%. Lovisa continues to invest in the expansion of its global footprint.

Earnings before interest and tax were $41.1m, an increase of $4.6m (12.7%) on the prior half-year. Net profit after tax was $26.7m an increase of $1.2m (4.5%) on the prior half. Excluding the impact of the implementation of AASB 16, earnings before interest and tax would have been $40.4m and net profit after tax would have been $27.8m.

The Company's balance sheet remains strong with net cash of $12.6m on hand at balance date.

The Company's cashflow from operations was $54.7m compared to $36.9m for the prior half-year. Capital expenditure predominantly from new stores and existing store refurbishments was $19.8m.

Since the end of the half year, the Company has experienced disruption to its supply chain as a result of the ongoing Coronavirus containment efforts in China. This has the potential to impact on stock levels in our stores and our ability to efficiently move freight, however this impact will only fully materialise in coming months, with the ultimate size and impact not yet able to be reliably estimated.

2. DIVIDENDS

Since the end of the half-year, the Directors have resolved to pay an interim dividend of 15.0 cents per share fully franked.

The interim dividend will be paid on 23 April 2020.

3. 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:

Brett Blundy	Non-Executive Director and Chairman
Shane Fallscheer	Managing Director
Tracey Blundy	Non-Executive Director
James King	Non-Executive Director
John Armstrong	Non-Executive Director
Sei Jin Alt	Non-Executive Director
Nico Van Der Merwe	Alternate Non-Executive Director

4. AUDITOR'S INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

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

Brett

Brett Blundy

Non-Executive Chairman

Shane Fallscheer

Managing Director

Melbourne, 18 February 2020

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 29 DECEMBER 2019

Consolidated ($000s)	Note	29 December 2019	30 June 2019*	30 December 2018*
Assets				
Cash and cash equivalents		27,806	19,180	32,284
Trade and other receivables		7,121	7,413	4,631
Inventories		28,372	22,769	19,474
Derivatives		-	645	1,268
Total current assets		63,299	50,007	57,657
Deferred tax assets		7,139	6,372	4,835
Property, plant and equipment	4	49,605	38,418	30,574
Right-of-use assets	5	147,056	-	-
Intangible assets and goodwill	6	4,935	4,418	3,890
Total non-current assets		208,735	49,208	39,299
Total assets		272,034	99,215	96,956
Liabilities				
Bank overdraft	8	-	7,988	-
Trade and other payables		22,509	23,659	20,591
Employee benefits - current		3,117	2,992	2,831
Provisions - current	7	1,584	2,212	1,852
Loans and borrowings - current	8	15,234	-	-
Lease liability - current	9	36,244		
Derivatives		168	-	-
Current tax liabilities		3,317	1,261	5,508
Total current liabilities		82,173	38,112	30,782
Employee benefits - non current		1,184	1,062	983
Provisions - non current	7	2,990	6,390	7,414
Lease liability - non current	9	119,045	-	-
Total non-current liabilities		123,219	7,452	8,397
Total liabilities		205,392	45,564	39,179
Net assets		66,642	53,651	57,777
Equity				
Issued capital		210,333	209,791	209,791
Common control reserve		(208,906)	(208,906)	(208,906)
Other reserves		7,945	6,302	2,953
Retained earnings		57,270	46,464	53,939
Total equity		66,642	53,651	57,777

** The Group has initially applied AASB 16 at 1 July 2019. Under the transition method chosen comparative information is not restated.*

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 29 DECEMBER 2019

Consolidated ($000s)	Note	29 December 2019	30 December 2018*
Revenue	2	162,761	133,195
Cost of goods sold		(34,308)	(25,370)
Gross profit		128,453	107,825
Salaries and employee benefits expense		(39,168)	(32,451)
Property expenses		(7,569)	(20,074)
Distribution costs		(4,696)	(3,995)
Depreciation		(23,797)	(4,209)
(Loss) on disposal of property, plant and equipment		(240)	(223)
Other expenses		(11,859)	(10,384)
Results from operating activities		41,124	36,489
Finance income		163	194
Finance expense		(2,401)	(95)
Net financing income		(2,238)	99
Profit before income tax		38,886	36,588
Income tax expense		(12,214)	(11,071)
Profit for the period		26,672	25,517
Other comprehensive income			
Items that may be reclassified to profit or loss:			
OCI - Cash flow hedges		(790)	(302)
OCI - Foreign operations - foreign currency translation differences		1,232	629
		442	327
Other comprehensive income, net of tax		442	327
Total comprehensive income		27,114	25,844
Profit attributable to:			
Owners of the Company		26,672	25,517
		26,672	25,517
Total comprehensive income attributable to:			
Owners of the Company		27,114	25,844
		27,114	25,844
Earnings per share			
Basic earnings per share (cents)		25.22	24.17
Diluted earnings per share (cents)		24.45	23.57

** The Group has initially applied AASB 16 at 1 July 2019. Under the transition method chosen comparative information is not restated.*

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 29TH DECEMBER 2019

Attributable to Equity Holders of the Company

Consolidated ($000s)	Note	Share Capital	Common Control Reserve	Retained Earnings	Share Based Payments Reserve	Cash Flow Hedge Reserve	Foreign Currency Translation Reserve	Total Equity
Balance at 2 July 2018		208,526	(208,906)	43,352	896	1,250	124	45,242
Impact of change in accounting policy		-	-	(151)	-	-	-	(151)
		208,526	(208,906)	43,201	896	1,250	124	45,091
Total comprehensive income								
Profit		-	-	25,517	-	-	-	25,517
Cash flow hedges		-	-	-	-	(302)	-	(302)
Foreign operations - foreign currency translation differences		-	-	-	-	-	629	629
Total comprehensive income for the year		-	-	25,517	-	(302)	629	25,844
Transactions with owners of the Company								
Employee share schemes		-	-	-	356	-	-	356
Share options exercised		1,265	-	-	-	-	-	1,265
Dividends		-	-	(14,779)	-	-	-	(14,779)
Total contributions and distributions		1,265	-	(14,779)	356	-	-	(13,158)
Total transactions with owners of the Company		1,265	-	(14,779)	356	-	-	(13,158)
Balance at 30 December 2018*		209,791	(208,906)	53,939	1,252	948	753	57,777
Balance at 1 July 2019*		209,791	(208,906)	46,464	3,296	553	2,453	53,651
Total comprehensive income								
Profit		-	-	26,672	-	-	-	26,672
Cash flow hedges		-	-	-	-	(790)	-	(790)
Foreign operations - foreign currency translation differences		-	-	-	-	-	1,232	1,232
Total comprehensive income for the year		-	-	26,672	-	(790)	1,232	27,114
Transactions with owners of the Company								
Employee share schemes		-	-	-	1,201	-	-	1,201
Share options exercised		542	-	-	-	-	-	542
Dividends	3	-	-	(15,866)	-	-	-	(15,866)
Total contributions and distributions		542	-	(15,866)	1,201	-	-	(14,123)
Total transactions with owners of the Company		542	-	(15,866)	1,201	-	-	(14,123)
Balance at 29 December 2019		210,333	(208,906)	57,270	4,497	(237)	3,685	66,642

** The Group has initially applied AASB 16 at 1 July 2019. Under the transition method chosen comparative information is not restated.*

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 29 DECEMBER 2019

Consolidated ($000s)	Note	29 December 2019	30 December 2018*
Cash flows from operating activities			
Cash receipts from customers		181,927	148,670
Cash paid to suppliers and employees		(117,679)	(99,528)
Cash generated from operating activities		64,248	49,142
Interest received		163	194
Interest paid		(171)	(95)
Income taxes paid		(9,517)	(12,360)
Net cash from operating activities		54,723	36,881
Cash flows from investing activities			
Acquisition of fixed assets		(19,421)	(12,222)
Acquisition of key money intangibles	6	(584)	(318)
Proceeds from sale of property, plant and equipment		224	61
Net cash (used in) investing activities		(19,781)	(12,479)
Cash flows from financing activities			
Share options exercised		542	1,265
Facility proceeds		15,234	-
Payment of lease liabilities		(18,279)	-
Dividends paid	3	(15,866)	(14,779)
Net cash (used in) financing activities		(18,369)	(13,514)
Net increase in cash and cash equivalents		16,573	10,888
Cash and cash equivalents at the beginning of the period		11,192	21,057
Effect of movement in exchange rates on cash held		41	339
Cash and cash equivalents at the end of the period		27,806	32,284

** The Group has initially applied AASB 16 at 1 July 2019. Under the transition method chosen comparative information is not restated.*

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 29 DECEMBER 2019

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 Level 1, 818 Glenferrie Road, Hawthorn, Victoria 3122. 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 ending on the 29 December 2019 (2018: 26 week period ending 30 December 2018).

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 except as described below.

Basis of accounting

This condensed consolidated interim financial report for the half-year reporting period ended 29 December 2019 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 30 June 2019.

Except as described below, the accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 28 June 2020.

The Group has initially adopted AASB 16 *Leases* from 1 July 2019. A number of other new standards are effective from 1 July 2019 but they do not have a material effect on the Group's financial statements.

AASB 16 Leases

AASB 16 introduces a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised a right-of-use asset representing its right to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 has not been restated - i.e. it is presented, as previously reported, under AASB 117 *Leases* and related interpretations.

Details of the changes in accounting policies are disclosed below.

A Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 *Determining Whether an Arrangement Contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the new definition of a lease. Under AASB 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to AASB 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under AASB 16 has been applied only to contracts entered into or changed on or after 1 July 2019.

B As a lessee

The Group leases retail stores, offices and warehouse facilities. As a lessee, the Group previously classified these leases as operating leases and recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. Under AASB 16, the Group recognises right-of-use assets and liabilities for these leases - i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment). The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The carrying amounts of right-of-use assets are as below:

($000s)	**Right-of-use asset**
Balance at 1 July 2019	138,403
Balance at 29 December 2019	147,056

i) Significant accounting policies

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2019

1 Summary of significant accounting policies (continued)

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Group has applied judgement to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognised.

ii) Transition

Previously, the Group classified property leases as operating leases under AASB 117. These include retail stores, offices and warehouse facilities. The leases run for a period of 3 to 10 years. Some leases include an option to renew the lease for an additional period after the end of the non-cancellable period. Some leases provide for additional rent payments that are based on changes in local price indices.

At transition, for leases classified as operating leases, under AASB 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 July 2019. A single discount rate was applied to a portfolio of leases with reasonably similar characteristics. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application

- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

In addition, the Group no longer recognises provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

C Impacts on financial statements

i) Impacts on transition

On transition to AASB 16, the Group recognised right-of-use assets and lease liabilities for property leases. The impact on transition is summarised below.

($000s)	**1 July 2019**
Right-of-use assets	138,403
Lease liabilities - current	30,351
Lease liabilities - non-current	113,270
Derecognition of provision - straight line rent and lease incentive	5,210
Derecognition of provision - onerous lease	8

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. A single discount rate was applied to a portfolio of leases with reasonably similar characteristics. The weighted-average rate applied is 3.0%.

($000s)	**1 July 2019**
Operating lease commitments at 30 June 2019 as disclosed in the Group's consolidated financial statements	147,662
Discounted using the incremental borrowing rate at 1 July 2019	137,485
Extension or early termination options reasonably certain to be exercised	6,136
Lease liabilities recognised at 1 July 2019	143,621

ii) Impacts for the period

As a result of initially applying AASB 16, in relation to the leases that were previously classified as operating leases, the Group recognised $147,056 of right-of-use assets and $155,289 of lease liabilities as at 29 December 2019.

Also in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the 26 weeks ended 29 December 2019, the Group recognised $17,552 of depreciation charges and $2,230 of interest costs from these leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2019

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 regional management, 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. 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:

a. Consistent products are offered throughout the Company's stores worldwide;

b. All stock sold throughout the world utilises common design processes and products are sourced from the same supplier base;

c. Customer base is similar throughout the world;

d. All stores are serviced from two delivery centres;

e. 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 country of domicile. In presenting the following information, segment revenue has been based on the geographic location of customers.

($000s)	**29 December 2019**	**30 December 2018**
External Revenues		
Australia / New Zealand	82,798	77,943
Asia	17,580	18,233
Africa	20,499	17,683
Europe	28,508	17,089
North America	12,269	1,414
Total external revenue	161,654	132,362
Franchise Revenue		
Middle East	955	635
Asia	152	198
Total franchise revenue	1,107	833
Total revenue	162,761	133,195

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2019

3 Dividends

(a) Ordinary shares

($000s)	29 December 2019	30 December 2018
Dividends provided for or paid during the half-year (fully franked)	15,866	14,779

(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.

($000s)	29 December 2019	30 December 2018
15.0 cents per qualifying ordinary share, fully franked (2018: 18.0)	15,866	19,002

4 Property, plant and equipment

Consolidated ($000s)	Leasehold improvements	Hardware and software	Fixtures and fittings	Total
Cost				
Balance at 1 July 2019	61,252	6,093	2,328	69,673
Additions	16,610	1,059	162	17,831
Disposals	(1,520)	(190)	-	(1,710)
Effect of movements in exchange rates	(11)	30	3	22
Balance at 29 December 2019	76,331	6,992	2,493	85,816
Accumulated depreciation				
Balance at 1 July 2019	(27,489)	(3,011)	(755)	(31,255)
Depreciation	(5,109)	(848)	(240)	(6,197)
Disposals	1,237	159	-	1,396
Effect of movements in exchange rates	(141)	(13)	(1)	(155)
Balance at 29 December 2019	(31,502)	(3,713)	(996)	(36,211)
Carrying amounts				
At 1 July 2019	33,763	3,082	1,573	38,418
At 29 December 2019	44,829	3,279	1,497	49,605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2019

5 Right-of-use assets

Consolidated ($000s)	**Right-of-use assets - property**
Cost	
Balance at 1 July 2019	-
Recognition of right-of-use assets on initial application of AASB 16	138,403
Adjusted balance at 1 July 2019	138,403
Additions	25,550
Disposals	-
Effect of movements in exchange rates	669
Balance at 29 December 2019	164,622
Accumulated depreciation	
Balance at 1 July 2019	-
Recognition of right-of-use assets on initial application of AASB 16	-
Adjusted balance at 1 July 2019	-
Depreciation	(17,552)
Disposals	-
Effect of movements in exchange rates	(14)
Balance at 29 December 2019	(17,566)
Carrying amounts	
At 1 July 2019	138,403
At 29 December 2019	147,056

6 Intangible assets and goodwill

Consolidated ($000s)	**Key Money**	**Goodwill**	**Total**
Cost			
Balance at 1 July 2019	1,974	2,444	4,418
Additions	584	-	584
Amortisation	(47)	-	(47)
Effect of movements in exchange rates	(30)	10	(20)
Balance at 29 December 2019	2,481	2,454	4,935

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2019

7 Provisions

Consolidated ($000s)	**Site restoration**	**Straight line rent and lease incentive**	**Refund liability**	**Onerous lease**	**Total**
Balance at 1 July 2019	3,138	5,210	246	8	8,602
Derecognition of balances on initial application of AASB 16	-	(5,210)	-	(8)	(5,218)
Adjusted balance at 1 July 2019	3,138	-	246	-	3,384
Provisions made during the period	579	-	588	-	1,167
Provisions used during the period	(18)	-	-	-	(18)
Effect of movement in exchange rates	37	-	4	-	41
Balance at 29 December 2019	3,736	-	838	-	4,574
Current	746	-	838	-	1,584
Non-current	2,990	-	-	-	2,990
	3,736	-	838	-	4,574

8 Loans and borrowings

Consolidated ($000s)	**Currency**	**Nominal interest rate**	**Year of maturity**	**29 December 2019**	**30 June 2019**
Bank overdraft	AUD	-	-	-	7,988
Trade finance	AUD	1.69%	2020	2,234	-
Revolving cash advance facility	AUD	1.72%	2020	13,000	-
Balance at period end				15,234	7,988

The Group maintains the following lines of credit:

- $15 million revolving cash advance facility
- $10 million multi option facility
- $7 million contingent liability facility for global letters of credit and bank guarantees.

The bank loans are secured by security interests granted by Lovisa Holdings Limited and a number of its subsidiaries over all of their assets in favour of the Commonwealth Bank of Australia (CBA).

The Group is in the process of renewing its lending facilities to extend their maturity. Such new arrangements are expected to be finalised prior to the maturity date of the existing facilities with CBA.

Refer to note 11(a) for guarantees outstanding at 29 December 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 29 DECEMBER 2019

9 Lease liability

Consolidated ($000s)	
Balance at 1 July 2019	-
Recognition of lease liability on initial application of AASB 16	143,621
Adjusted balance at 1 July 2019	143,621
Liability recognised during the period	26,832
Adjustments	123
Lease payments	(18,279)
Interest	2,230
Effect of movement in exchange rates	762
Balance at 29 December 2019	155,289
Current	36,244
Non-current	119,045

10 Related parties

Consolidated ($000s)	Transaction values for the six months ended		Balance outstanding as at	
	29 December 2019	30 December 2018	29 December 2019	30 December 2018
Expenses	119	26	-	-

Included in expenses in the period is $75,000 relating to Directors fees for Brett Blundy in his capacity as Director and Chairman of the Company.

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 period. None of the balances are secured. No expense has been recognised in the current period or prior period for bad or doubtful debts in respect of amounts owed by related parties.

11 Capital commitments and contingencies

(a) Guarantees

The Group has guarantees outstanding to landlords and other parties to the value of $6,098,000 at 29 December 2019 (30 June 2019: $5,432,000).

(b) Capital commitments and contingent liabilities

The Group is committed to incur capital expenditure of $2,194,000 (30 June 2019: $1,006,000). There are no contingent liabilities that exist at 29 December 2019 (30 June 2019: nil).

12 Events occurring after the reporting period

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

Since the end of the half year, the Company has experienced disruption to its supply chain as a result of the ongoing Coronavirus containment efforts in China. This has the potential to impact on stock levels in our stores and our ability to efficiently move freight, however this impact will only fully materialise in coming months, with the ultimate size and impact not yet able to be reliably estimated.

There are no other matters or circumstances that have arisen since the end of the reporting period 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.

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 7 to 17 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 29 December 2019 and of its performance, for the 26 week period ended on that date; and

   (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting 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

18 February 2020

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

KPMG

Independent Auditor's Review Report

To the shareholders of Lovisa Holdings Limited

Report on the Interim Financial Report

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Lovisa Holdings Limited.

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

- giving a true and fair view of the ***Group's*** financial position as at 29 December 2019 and of 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.*

The ***Interim Financial Report*** comprises:

- Consolidated statement of financial position as at 29 December 2019;
- Consolidated statement of profit or loss and other 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 12 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 Interim Period's end or from time to time during the Interim Period.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Interim 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)

KPMG

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim 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 Interim 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 29 December 2019 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 an Interim 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.

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

KPMG

KPMG

Rachel Milum

Rachel Milum
Partner

Melbourne

18 February 2020

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 review of Lovisa Holdings Limited for the half-year ended 29 December 2019 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

Rachel Milum

Rachel Milum
Partner

Melbourne

18 February 2020

CORPORATE DIRECTORY

Company Secretary

Chris Lauder

Principal Registered Office

Lovisa Holdings Limited
Level 1, 818 Glenferrie Road
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+61 3 9831 1800

Location of Share Registry

Link Market Services Limited
Tower 4
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Melbourne Victoria 3000
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Stock Exchange Listing

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

Auditors

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