LOVISA HOLDINGS LIMITED ANNUAL REPORT 2015

ACN 602 304 503

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COMPANY OVERVIEW

CHAIRMAN'S REPORT

On behalf of the Board of Directors, it gives me great pleasure to present the 2015 Annual Report of Lovisa Holdings Limited.

FINANCIAL PERFORMANCE

FY15 has been an outstanding year for Lovisa. The team has delivered significant growth in revenue and earnings, whilst managing the successful listing of Lovisa on the ASX. We have increased company owned store numbers in Singapore, Malaysia and South Africa, and in the Arabian Gulf franchise. We have successfully exited 20 stores in the Australian market which were a legacy of a prior year acquisition. The profitability of the Company will be enhanced by the exit from these mainly low turnover and regional stores. As a consequence of both organic growth and acquisitions, we opened 55 stores in FY15, and closed 26 stores, ending the year with 239 stores, a net increase of 29 for the year.

Revenue of $134.3m represents an increase of $28.5m (27%) over FY14, and was in line with the IPO prospectus forecast of $134.7m. This has been achieved through the full year impact of stores that opened in FY14, the FY15 new store openings and strong like for like (LFL) sale growth of +8.2% for the year.

Our International business continues to grow strongly. At the end of FY15 we have 80 Company owned stores outside Australia. The overseas markets generally enjoy lower costs of doing business, and in FY15, 11 of our top 20 stores ranked by store contribution were outside Australia. Our international footprint was extended through the acquisition of a chain of 21 stores in South Africa in April. This acquisition demonstrated our capacity to move quickly, exploit opportunities and successfully implement our plans. This acquisition has given us scale in South Africa, with 30 stores now trading as Lovisa in that market.

Gross margin of $103.5m was an increase of $23.1m (29%) over FY14. Our gross margin increased from 76.1% in FY14 to 77.1% in FY15. This was achieved through (1) consolidation of our supplier base to realise benefits of scale, and (2) investment in Merchandise Planning to better quantify and allocate purchasing decisions. This has reduced the amount of units requiring mark-down in clearance activities.

The GM% has been maintained in the context of the devaluation of the A$ against the US$ during FY15. Several aspects of Lovisa's business model (high GM, continual newness, dealing direct with factory and control of pricing) means we are well positioned to protect the gross margin against these movements. Furthermore as we continue to grow our business overseas, any downward movement in the A$ will increase the value of earnings abroad.

EBIT of $24.8m (excluding exceptional items related to the IPO) was ahead of prospectus forecast of $23.5m. This represents a significant increase on prior year earnings as the Company achieves operating leverage from the Melbourne Support Centre, and we closely manage our operating costs.

LOVISA TEAM

This performance has been enabled by the leadership of Lovisa's CEO, Shane Fallscheer. Shane was a founder of Lovisa and has lead the growth and success of this Company with his tremendous energy and retail expertise. We were pleased to welcome Neil Osborne as a Director of the Company, and Chairman of the Audit and Risk Committee on 1st April. Neil brings significant expertise in retail, finance and regulatory compliance, and has quickly become a valuable and respected member of the Board.

The Company was shocked and deeply saddened by the death of the Chairman, David Carter, on the 27th January. David joined the Company prior to listing and in a short period of time built a strong relationship with Company's Directors and Officers, providing guidance through the listing.

DIVIDENDS

The Directors have declared a final dividend of 4.07 cents per share fully franked for the year ended 28 June 2015, consistent with the dividend contemplated in the IPO prospectus. The dividend will be paid on 30th October 2015.

OUTLOOK

We expect FY16 to be a year of further growth for Lovisa as we continue to open stores in Singapore, Malaysia and South Africa, whilst actively looking for new territories to push into. We are considering options for Company owned stores, franchise opportunities or joint ventures where appropriate. We have recently introduced our "third generation" store design, and will be undertaking around 40 store refurbishments in FY16 at a total cost estimated to be $3.9m.

Paul Cave
Chairman

BOARD OF DIRECTORS

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

PAUL CAVE

INDEPENDENT NON-EXECUTIVE DIRECTOR & CHAIRMAN

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.

SHANE FALLSCHEER

CHIEF EXECUTIVE OFFICER & EXECUTIVE DIRECTOR

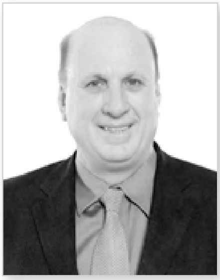
Shane Fallscheer is the Chief Executive Officer, Managing Director and founder of Lovisa. He has 28 years of experience in retailing operations across Australia, UK and US markets. He was previously in senior management roles with retailers including: General Manager, Sanity Australia; Chief Executive Officer, Sanity UK; Chief Executive Officer, Diva; and Global Retail Chairman and Chief Operating Officer, Rip Curl USA.

TRACEY BLUNDY

NON-EXECUTIVE DIRECTOR

Tracey joined BB Retail Capital in 1981 and is the nominated representative of BB Retail Capital on the Board of Lovisa. Over the past 34 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.



NEIL OSBORNE

INDEPENDENT NON-EXECUTIVE DIRECTOR

Neil is an Independent non-executive Director of ASX listed Beacon Lighting Group since 2014 and Vita Group Limited since 2007. He is Chairman of Beacon's Audit Committee and a member of Beacon's Remuneration Committee, and Chairman of Vita's Audit and Risk Committee and a member of Vita's Remuneration and Nomination Committee. Neil is also Chairman of Australian United Retailers Limited since 2006, listed on the NSX and trading as Foodworks.

Neil has over 35 years' experience in the retail industry. He was formerly an Accenture Partner, leading large strategic projects in Australia and Asia. He also spent 18 years with Coles Myer Ltd in senior positions including finance (including CFO Myer) and strategic planning.

Neil holds a Bachelor of Commerce, is a CPA and is a fellow of the Australian Institute of Company Directors.

DIRECTORS' REPORT

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 28 June 2015.

1. PRINCIPAL ACTIVITIES

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

The business has 239 retail stores in operation at 28 June 2015 including 13 franchise stores.

2. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year the Group undertook an IPO on the Australian Stock Exchange in order to facilitate the sale of 50% of the interest in Lovisa Holdings Limited by BB Retail Capital and Centerville Pty Ltd.

On 10 April 2015 the Group acquired 100% percent of the shares and voting interests in DCK Jewellery South Africa (Pty) Ltd. The acquisition is expected to provide the Group with an increased share of the fashion jewellery retailer market in South Africa through access to DCK Jewellery South Africa (Pty) Ltd's existing 21 stores after rebranding and refurbishment activities are complete.

The Group also opened an additional 34 stores during the year and closed 26 stores being low performing stores from a previous acquisition.

3. DIVIDENDS

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

	2015	2014
	$000's	$000's
Final ordinary dividend for the year ended 30 June 2014 of 758.73 cents (2013 - nil) per fully paid share fully franked paid on:		
- 1 July 2014	702	-
- 22 July 2014	99	-
- 18 December 2014	6,786	-
Interim ordinary dividend for the year ended 30 June 2015 of 6.67 cents (2014 - nil) per fully paid share fully franked paid on 24 April 2015	7,004	-
Total dividends paid	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 $4,274,000 (4.07 cents per fully paid share) expected to be paid on 30 October 2015. The dividend will be fully franked.

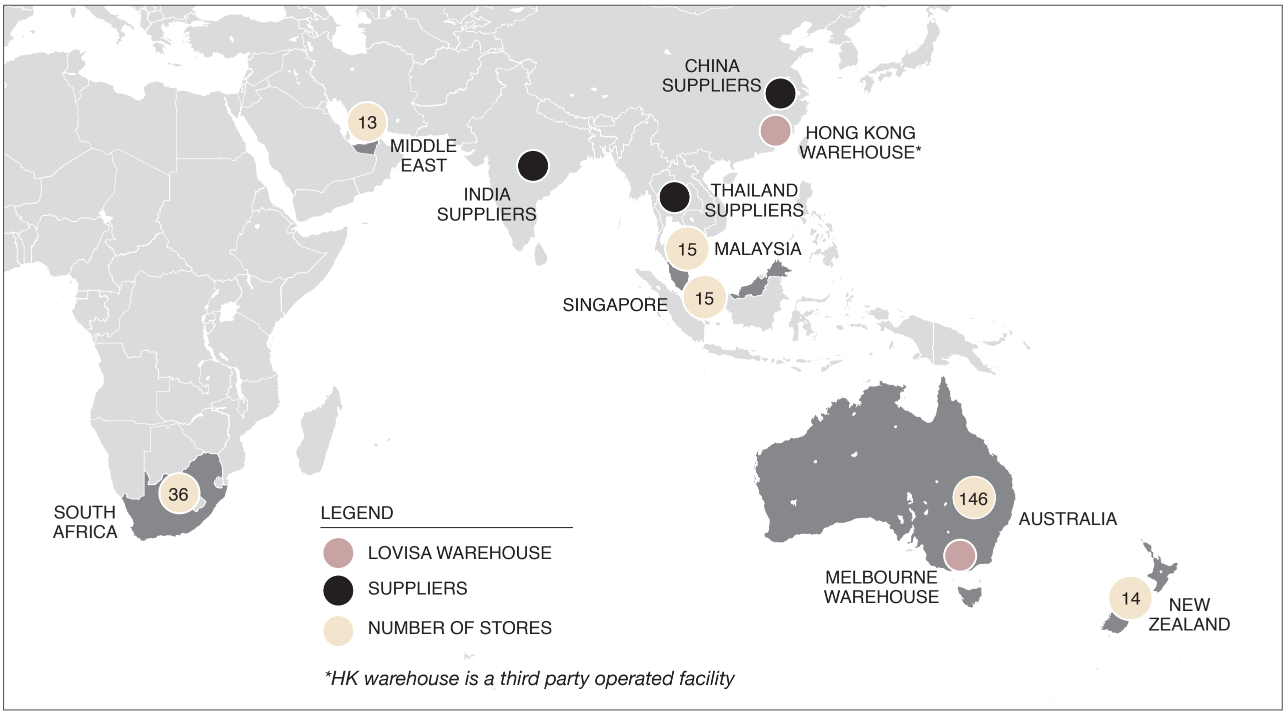
4. REVIEW OF OPERATIONS

4.1 Company Background

Lovisa is a fast fashion jewellery retailer that was established in April 2010 and has quickly grown to be one of Australia's leading specialist fast fashion jewellery retailers. We have 239 stores (as at 28 June 2015) across Australia, New Zealand, Singapore, Malaysia and South Africa and franchised stores in the Middle East (Kuwait, the United Arab Emirates, and Saudi Arabia).

Lovisa strives to be at the forefront of the fast fashion jewellery retail industry and pursuant to this mission, have developed a model that ensures trends are quickly identified and our target customers (being fashion conscious females aged 25-45) are provided with a broad, quality product range.

Lovisa has developed a vertically integrated business model, through which we develop, design, source and merchandise 100% of our Lovisa branded products.



4.2 Business Model

Lovisa's vertically integrated business model underpins high gross margins and enables Lovisa to stay on-trend by being highly responsive to customer demands. Lovisa develops, sources and merchandises all of our products, achieving an approximate 8 – 10 week turnaround for products to be developed, ordered, manufactured and in-store. This process can be repeated in approximately 4 – 6 weeks for products demonstrating strong early sales and allows Lovisa to introduce, on average, more than 120 new lines per week. Product innovation is a core component of Lovisa's competitive advantage. Lovisa utilises daily inventory monitoring software and primarily uses airfreight to move product to store locations from centrally located warehouses in Australia and Hong Kong, allowing the company to manage its large product range, which averages approximately 2,500 jewellery lines per store.

Lovisa is strategically focused on the affordable jewellery segment. Our stores are dedicated to showcasing our extensive jewellery product range, typically priced from A$6.99 to A$49.99. This provides Lovisa with a number of advantages over its competitors who may stock a diversified product range across the broader ladies' apparel and accessories segment.

4.3 Internal Reorganisation and listing on the Australian Stock Exchange

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.

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 the pre-existing accounting book values of assets and liabilities of Lovisa Pty Limited and Lovisa International Pte. Limited as at 18 December 2014.

Lovisa Holdings Limited was listed on the Australian Stock Exchange on 18 December 2014.

4.4 Financial Performance

The analysis below reflects the Group's performance at a statutory level. Actual FY2015 and Actual FY2014 results relate to the performance of all Lovisa group companies for the entirety of both years.

Statutory Consolidated	Actual FY2015 $'000	Actual FY2014 $'000	Change FY14/FY15 %
Sales	134,260	105,732	27.0%
Gross profit	103,461	80,506	28.5%
Operating expenses	(74,746)	(64,976)	15.0%
Change in provision for share buy back	14,756	(3,068)	(581.0%)
EBITDA	43,471	12,462	248.8%
EBIT	37,470	6,903	442.8%
Net profit after tax (NPAT)	30,598	4,600	565.2%

The analysis below reflects the Group's performance on a 'proforma' basis, excluding items associated with the IPO. Actual FY2015 results relate to the performance of all Lovisa group companies for the entire year, reflecting the consolidated results that are used by management in their internal reporting and analysis. Prospectus 'proforma' figures are as per the Lovisa Holdings Limited Prospectus dated 21 November 2014.

Proforma Consolidated	Actual FY2015 $'000	Prospectus FY2015 $'000	Change on Prospectus %
Sales	134,260	134,677	(0.3%)
Gross profit	103,461	103,404	0.1%
Operating expenses	72,631	73,810	(1.6%)
EBITDA	30,830	29,594	4.2%
EBIT	24,829	23,485	5.7%
Net profit after tax (NPAT)	17,602	16,397	7.3%

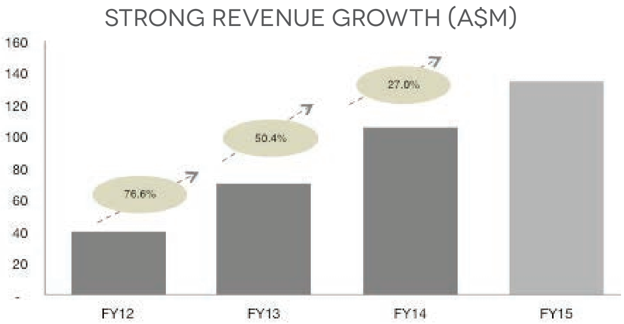
A reconciliation of the statutory and proforma results has been included below.

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

Offer costs have been tax effected in proforma NPAT presented above.

The proforma prospectus NPAT included an estimate of $184,000 in public Company costs and $156,000 in interest costs prior to IPO that were not incurred by the Company.

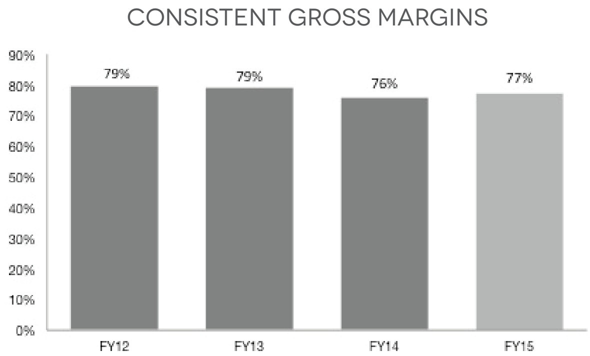
4.4.1 Sales



In FY15, Lovisa sales increased by 27% as a result of new store openings, like-for-like sales growth of 8.2% in existing stores, increasing franchise revenue from Middle East stores and the acquisition of DCK Jewellery South Africa (Pty) Ltd. New stores contributed $11.3m of sales. During the year Lovisa opened 23 stores in South Africa. Store closures totalled 23 in Australia and were low turnover stores acquired during the Diva rebrand.

Sales were in line with prospectus forecasts as the Company was able to exceed its objectives in terms of the opening of new stores. Due to the timing of the acquisition of DCK Jewellery South Africa (Pty) Ltd on 10 April 2015, the contribution to the Group's consolidated revenue was $1.1m.

4.4.2 Gross Profit Margin

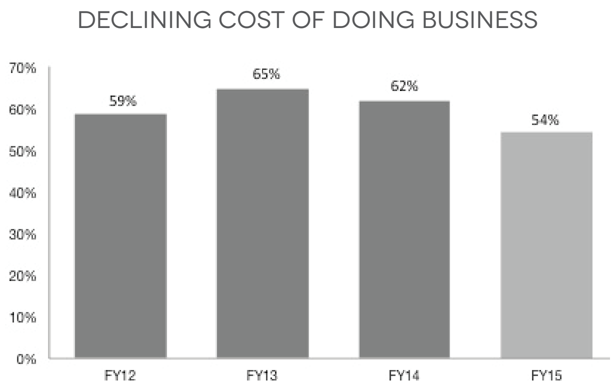


At a statutory level the gross profit margin (77%) has increased from prior-year (76%) as a result of consolidation of our supplier base to realise benefits of scale, and investment in Merchandise Planning to better quantify and allocate purchasing decisions. This has reduced the amount of units requiring mark-down in clearance activities. The gross profit margin is consistent with the prospectus forecast margin of 77%.

4.4.3 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, as disclosed in the prospectus, the provision was reversed in FY2015.

4.4.4 Operating Expenses



Operating expenses consist of salaries and employee benefits expenses, property costs, marketing costs, selling and general administration expenses. These costs are slightly below the prospectus forecasts due to a continued focus by management on cost control and a one-off benefit of $0.9m from re-negotiating an onerous lease. Operating costs continue to decrease as a percentage of revenue as the Group realises operating leverage from its Melbourne Support Centre.

4.4.5 Earnings

NPAT of $17.6m (excluding exceptional items related to the IPO) was 7.3% ahead of the prospectus forecast of $16.4m. The significant factors which impacted on the NPAT performance were the growth in sales, maintenance of gross profit margin, controlled operating costs and one-off benefit of re-negotiating an onerous lease. The NPAT as a % of sales has increased from 4.4% of sales in FY2014 to 22.8% of sales in FY2015.

4.5 Financial Position

Statutory Consolidated	Actual FY2015 $'000	Actual FY2014 $'000	Change FY14/FY15 %
Trade receivables and prepayments	2,147	2,034	5.6%
Inventories	15,012	8,250	82.0%
Trade payables and provisions	(16,274)	(12,547)	29.7%
Net working capital	885	(2,263)	(139.1%)
Property, plant & equipment	10,400	11,778	(11.7%)
Intangible assets and goodwill	1,610	259	520.7%
Total funds employed	12,895	9,774	31.9%
Net debt	(9,657)	(3,679)	162.5%
Net derivative assets	30	-	100.0%
Financial liability on put option	-	(14,756)	(100.0%)
Net deferred tax balances	3,541	1,211	192.4%
Net assets/equity	6,809	(7,450)	(191.4%)

Net working capital

The Group's inventory levels have increased as the Group continues its international expansion and the opening of a second warehouse in Hong Kong. It also reflects increased levels of merchandise intensity instore due to initiatives to enhance use of available selling space to drive sales per store.

Trade payable and provision balances have increased in line with the Group's overall expansion.

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 for a new store are relatively low, as reflected by the average payback period on initial capital investment of nine months for stores in Australia and New Zealand and an average of four months for stores in Lovisa's other operating territories. As fit-out costs are depreciated over the lifetime of the store lease an overall decrease in the carrying value of property, plant and equipment has been noted during the year. No significant capital expenditure outlays outside of the ordinary course of business are currently forecast, with around 40 store refurbishments set to be undertaken in FY16 to reflect our new 'third generation' store design.

Intangible assets including goodwill

The Group acquired $1.0m of net assets associated with the acquisition of DCK Jewellery South Africa (Pty) Ltd giving rise to goodwill of $1.4m. Further detail surrounding this acquisition is included in note A7.

Net debt

The Company has signed a facility agreement with Commonwealth Bank of Australia (CBA) during the year. The facility was used to settle remaining shareholder loans payable to foundation shareholders, and pay IPO transaction costs. The Company also has an overdraft facility to manage working capital requirements. The Group continues to comply with all banking covenants with comfortable levels of headroom on financial covenants.

Net assets/equity

The Group has improved its financial position with net assets of $6.8m and a net current asset position of $6.1m at year-end. The improvement in net assets is due to the continued improvement in the profitability of the business and reversal of the financial liability relating to the provision for share buy back, with the Group's net current asset position benefiting from the long-term nature of the Company's cash advance facility with all short-term shareholder debt repaid during the year. These improvements in the Group's net asset position have been offset against the payment of $14.6m of dividends during the year. No consideration was received by the Company as part of the Company's listing during the year.

4.6 Business Strategies

Lovisa has achieved rapid growth since it was founded, with revenue growing from $25.5 million in FY2011 to $134.3 million in FY2015, representing a compound annual growth rate of 51.5%. 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	4.6.2 & 4.6.3	• Progress store roll-out in established international markets • Continue to look for new markets where Lovisa can operate on a wholly owned basis targeting one new territory per annum • Find suitable partners for markets identified as franchise territories	• Competition (4.7.1) • Retail environment and general economic conditions (4.7.2) • Failure to successfully implement growth strategies (4.7.3)	• 52 stores opened outside of Australia during the year including 11 franchise stores
Streamline global supply chain	4.6.4	• Consolidate and optimise supply base in Asia • Optimise sea freight for further cost savings whilst maintaining speed to market operating model • Investigate consolidation of warehouse logistics into Asia	• Exchange rates (4.7.4) • Product sourcing or supply chain disruptions	• Over 30% of product was moved through the HK warehouse • Commenced re-engineering of supply chain to accomodate sea freight • Rationalised suppliers and reduced unit cost
Enhance existing store performance	4.6.5	• Optimise and improve existing store network via a strategic managerial focus on continuous improvement	• Competition (4.7.1) • Retail environment and general economic conditions (4.7.2) • Prevailing fashions and consumer preferences may change (4.7.5)	• 26 stores in sub-optimal locations closed during the year • FY15 LFL sales growth of 8.2%
Brand proliferation	4.6.6	• Continue to leverage online social media to connect with customers and increase brand recognition	• Prevailing fashions and consumer preferences may change (4.7.5) • Privacy breaches	• Increased social media engagement
Lead and pre-empt trends	4.6.1	• 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 (4.7.5)	• Strong LFL growth being testament in ability to identify trends

4.6.1 New Products and Ranges

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. While the product team is based in Melbourne, 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.

4.6.2 New Store Rollouts

The Group aims to continue rolling out new stores with a target of 20-30 new stores per annum in the medium term (1 – 2 years).

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 fit-out cost of a new store is relatively low, as reflected by the average payback period on initial capital investment of nine months for stores in Australia and New Zealand and an average of 4 months for stores in Lovisa's other operating territories. This has allowed Lovisa to predominately use existing cash flow to fund its store roll-out program. The typical lease is 3 – 5 years across the operating territories, at the end of which Lovisa may refurbish the store. It seeks to renew the master design of stores approximately every two years, which is then rolled-out across the store portfolio as leases are renewed.

4.6.3 New Territories

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, and Saudi Arabia. Lovisa currently has a portfolio of 93 international stores (including 13 franchised stores). When ranked by store contribution, 11 of Lovisa's top 20 stores during the year were located outside of Australia, with all of Lovisa's international territories operating profitably.

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). In addition to this it aims to identify and establish a presence in one new territory each year, thus positioning it to achieve its medium term goal of 20 – 30 new stores per annum. In the longer term, Lovisa believes there is potential for further international growth, with the opportunity to enter the major markets (e.g. UK, Europe and/or USA) once the Group is comfortable it has established a robust platform sufficient to service these much larger markets.

	FY2011	FY2012	FY2013	FY2014	FY2015 (prospectus)	FY2015 (actual)	Estimated Store Capacity
Australia	45	54	160	166	148	146	150
New Zealand	6	6	6	14	14	14	18-20
Singapore	0	0	6	10	16	15	18-20
South Africa	0	0	0	11	21	36	50+
Malaysia	0	0	3	7	14	15	20
Middle East*	0	0	0	2	12	13	50+
Total	**51**	**60**	**175**	**210**	**225**	**239**	

* Franchise Stores

4.6.4 Streamline Global Supply Chain

Lovisa's third party suppliers are predominately 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 stores) or its third party operated warehouse in Hong Kong (for stock to be sold in countries other than Australia). 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. Lovisa anticipates that a reduced supplier base will result in business efficiencies, settlement discounts and more flexible payment terms. The Group is also planning to trial the use of sea freight for less trend sensitive lines with the aim of reducing freight costs.

4.6.5 Store Portfolio Optimisation and Business Improvement

Lovisa's rapid store roll-out in Australia is largely complete with 146 stores in operation as at 28 June 2015. 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 7 company owned stores in sub-optimal locations in Australia during FY2016. In addition, 6 Zuri branded stores acquired as part of the acquisition of DCK South Africa are planned to be closed during FY2016 at the conclusion of their lease due to duplication in store locations within shopping centres.

4.6.6 Brand Development

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.

4.7 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 Corporate Governance section of this report.

4.7.1 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 4.6.1. 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.

4.7.2 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.

4.7.3 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.

4.7.4 Exchange Rates

The majority of goods 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 and currency options, specifically against movements in the USD rate against the AUD. The Group is authorised to enter into such contracts to provide cover of up to USD 15 million. As the Group grows with additional stores overseas it becomes less exposed to changes in the AUD against the USD. The Group does not currently hedge its foreign currency earnings.

4.7.5 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 4.6.1. As the Group responds to trends as they occur, this drives store visits by customers and significantly reduces the risk of obsolete stock.

5. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen since 28 June 2015 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.

6. LIKELY DEVELOPMENTS

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

7. DIRECTORS

The directors of the Company during the financial year and up to the date of the report were:

Paul Cave
Independent Non-Executive Director
Chairman of the Board
Chairman of the Remuneration and Nomination Committee
Member of the Audit, Business Risk and Compliance Committee

Appointed 6 November 2014

Shane Fallscheer
Chief Executive Officer

Appointed 6 November 2014

Tracey Blundy
Non-Executive Director

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

Appointed 6 November 2014

Neil Osborne
Independent Non-Executive Director

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

Appointed 1 April 2015

David Carter was a director of Lovisa Holdings Limited from his appointment on 6 November 2014 until his death on 27 January 2015.

Iain Sadler was appointed Company Secretary on 6 November 2014. He is also the company's Chief Financial Officer and has been with Lovisa since 2010. Iain is a member of The Institute of Chartered Accountants in England and Wales and holds a degree in Economics from Durham University.

Details of the qualifications and experience of the Directors are outlined on page 9 of this annual report.

Prior to the reorganisation of the corporate structure of the Group on 18 December 2014, Shane Fallscheer was a director of Lovisa Pty Limited from the beginning of the financial year with Iain Sadler appointed as Company Secretary.

The Directors of Lovisa International Pte Ltd during the pre reorganisation period were Shane Fallscheer, Brett Blundy, Iain Sadler and Vanessa Speer. Brett Blundy and Vanessa Speer resigned as Directors of Lovisa International Pte Ltd on 18 December 2014.

7.1 Directors' Meetings

The number of meetings of the Company's Board of Directors held during the financial year ended 28 June 2015, and the number of meetings attended by each Director were:

Director	Directors' Meetings		Committee Meetings			
			Remuneration & Nomination		Audit & Risk	
	H	A	H	A	H	A
D Carter	1	1	-	-	-	-
P Cave	5	5	1	1	1	1
T Blundy	5	5	1	1	1	1
S Fallscheer	5	5	-	-	-	-
N Osborne	3	3	1	1	1	1

H = Number of meetings held during the time the Directors' held office or was a member of the Committee during the year.

A = Number of meetings attended.

7.2 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
P Cave (1)	1,000,000
T Blundy (2)	1,153,005
S Fallscheer (3)	7,875,000
N Osborne	-

(1) Shares held by P.B.C. Investments Pty Limited
(2) Shares held by Coloskye Pty Ltd
(3) Shares held by Centerville Pty Ltd

8. REMUNERATION REPORT

8.1 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 Corporate Governance section of this report.

8.2 Principles used to determine the nature and amount of remuneration

(a) Directors' fees

Shane Fallscheer, the Chief Executive Officer does not receive Directors' fees, but is remunerated as an executive within the business.

Paul Cave, the non-executive Chairman, is entitled to receive annual fees of $120,000, which is inclusive of superannuation. Prior to his appointment as Chairman on 1 April 2015, Paul was entitled to receive annual fees of $80,000. Neil Osborne, non-executive Director, is entitled to receive annual fees of $80,000 inclusive of superannuation. Tracey Blundy, non-executive Director, did not receive any fees for service as a Director in FY2015. Tracey Blundy will receive annual fees of $80,000 inclusive of superannuation in FY2016.

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

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 and deferred performance rights
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 Group has no interest or ongoing liability to the fund or the employee in respect of retirement benefits.

Short term incentive scheme

The Company operates a short-term incentive (STI) scheme that rewards 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 organisations performance. KPIs include Group profit targets and personal performance criteria. Using a profit target ensures variable reward is paid only when value is created for shareholders.

The CEO does not participate in the STI program.

Deferred Performance Rights

In conjunction with the Initial Public Offering (IPO), members of the Executive team were able to elect to participate in a grant of equity for a portion of their STI on the following basis:

- 60% of the STI award is payable in cash following the release of the company's FY15 audited results;
- 40% of the STI award to be delivered as a grant of rights to acquire shares (Performance Rights), which will vest after a period of 12 months from the grant date (subject to a continuous service condition).

The Remuneration and Nomination Committee will review the STI program in FY2016.

Long term incentive scheme

As part of the IPO, the Company established a long-term incentive (LTI) plan. 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, options and/or restricted shares 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 initial LTI grants made were:

- A grant of 550,000 options to the CEO with a face value of $210,000
- A grant of a combined total of 36,000 Performance Rights to the CFO and Head of Product with a face value of $72,000.

The key terms associated with these grants are:

- An 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.
- An exercise price of $2.30 is payable on exercise of the Options.
- Options and Performance Rights granted as part of the initial LTI offer will vest, and in the case of Options become exercisable, subject to the satisfaction of performance conditions as determined by the Board or Remuneration and Nomination Committee.
- The performance period of the LTI ends 30 June 2017.
- No options or performance rights will be granted unless the Group's EPS reaches the prospectus forecast level for the financial year ending 28 June 2015.
- Performance conditions must also be satisfied in order for the Options and Performance rights to vest. The initial grant of Options and Performance Rights will be subject to a performance condition based on the Group's EPS over the performance period.
- The participant must exercise any vested Options granted under the initial LTI offer within 5 years of the date of grant. After 5 years from the date of grant, any unexercised Options will lapse.

EPS thresholds for this scheme have not yet been set. As such, no entitlement exists at the reporting date.

Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Remuneration and Nomination Committee have regard to the following indices in respect of the current financial year.

	2015
Profit attributable to owners of the Company	30,598,000
Dividends paid	14,591,000
Operating income growth	442.8%
Change in share price	$1.50

Profit is one of the financial performance targets considered in setting the STI. Profit amounts have been calculated in accordance with Australian Accounting Standards (AASBs). Operating income is operating profit as recorded in the consolidated statement of profit or loss.

8.3 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 ($)	Annual & Long Service Leave ($)	Rights ($)	Total $
NON-EXEC DIRECTORS								
P Cave (1)	**2015**	**51,751**	**-**	**-**	**4,916**	**-**	**-**	**56,667**
	2014	-	-	-	-	-	-	-
T Blundy (2)	**2015**	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-
N Osborne (3)	**2015**	**20,000**	**-**	**-**	**-**	**-**	**-**	**20,000**
	2014	-	-	-	-	-	-	-
D Carter (4)	**2015**	**18,265**	**-**	**-**	**1,735**	**-**	**-**	**20,000**
	2014	-	-	-	-	-	-	-
TOTAL NON-EXEC DIRECTORS	**2015**	**90,016**	**-**	**-**	**6,651**	**-**	**-**	**96,667**
	2014	-	-	-	-	-	-	-
EXEC DIRECTORS								
S Fallscheer (CEO)	**2015**	**619,986**	**20,825**	**-**	**30,000**	**70,983**	**-**	**741,794**
	2014	581,214	24,988	-	25,000	56,515	-	687,717
OTHER KMP								
I Sadler (CFO and Co. Sec) (5)	**2015**	**216,988**	-	**25,909**	**18,783**	**21,971**	**17,273**	**300,924**
	2014	190,970	-	-	17,354	22,690	-	231,014
TOTAL EXEC	**2015**	**836,974**	**20,825**	**25,909**	**48,783**	**92,954**	**17,273**	**1,042,718**
	2014	772,184	24,988	-	42,354	79,205	-	918,731

(1) Appointed to the Board of Lovisa Holdings on 6th November 2014
(2) Appointed to the Board of Lovisa Holdings on 6th November 2014
(3) Appointed to the Board of Lovisa Holdings on 1st April 2015
(4) Appointed to the Board of Lovisa Holdings on 6th November 2014. Ceased to be a Director on 27th January 2015.
(5) Share based payments represent deferred performance rights receivable 12 months after publication of FY15 results.

8.4 Loans given to Key Management Personnel

The following loans were made to directors and other Key Management Personnel of the Group and their related entities during the year:

Name	Balance at the start of the year $	Interest paid and payable for the year $	Balance at the end of the year $	Highest indebtedness during the year $
Centerville Pty Ltd	593,250	-	-	593,250
Coloskye Pty Ltd	43,430	-	-	43,430

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.

9. INSURANCE OF OFFICERS AND INDEMNITIES

During the financial year, Lovisa Holdings Limited paid a premium of $35,000 (2014: $nil) 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.

10. AUDIT SERVICES

10.1 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 73 and forms part of this Directors' Report.

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

During the financial year ended 28 June 2015, the following fees were paid or were due and payable for services provided by the external auditor, KPMG, of the Consolidated Entity:

Consolidated Entity	2015 $000	2014 $000
Audit and assurance services		
Audit and review of financial statements	180	150
IPO due diligence	342	-
Other services		
IPO tax related services	176	-
Tax compliance services	70	38
Other accounting services	40	-
	808	188

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.

11. 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.

12. 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.

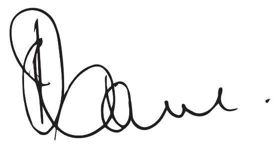
13. HALF-YEAR ACCOUNTS

The Company elected to utilise the provisions of CO 08/15 which allow a disclosing entity to not have to comply with sections 302 or 306 of the Corporations Act 2001 for a half-year within the disclosing entity's first financial year where that financial year lasts for 8 months or less.

14. ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, 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 Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Signed in accordance with a resolution of the Directors



Paul Cave
Non-Executive Chairman

Shane Fallscheer
Chief Executive Officer

Melbourne, 27 August 2015

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Lovisa Holdings Limited is responsible for the corporate governance of the Group. The Lovisa Holdings Board of Directors is committed to achieving best practice in the area of corporate governance and business conduct. This statement outlines the main corporate governance principles and practices followed by Lovisa Holdings Limited. These policies and practices are in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd Edition) unless otherwise stated.

Below are the main corporate governance practices in place throughout the reporting period (unless otherwise stated) in relation to the corporate governance principles and recommendations published by the ASX Corporate Governance Council and are current as at 28 June 2015 and have been approved by the Board. The Board is comfortable that the practices are appropriate for a company of Lovisa Holdings' size. Details of the Company's key policies and practices and the charters for the Board and each of its committees are available on the Company's website (http://investors.lovisa.com.au/corporate-governance).

PRINCIPLE 1

Lay solid foundations for management and oversight

The Board monitors the operational and financial position and performance of the Company and oversees its business strategy including approving the strategic objectives, plans and budgets of the Company. The Board is committed to maximising performance, generating appropriate levels of Shareholder value and financial return, and sustaining the success of the Company. In conducting the Company's business with these objectives, the Board seeks to ensure that the Company is properly managed to protect and enhance Shareholder interests, and that the Company, its Directors, officers and personnel operate in an appropriate environment of corporate governance.

Accordingly, the Board has created a framework for managing the Company, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Company's business and which are designed to promote the responsible management and conduct of the Company. The Board's responsibilities are defined in the Board Charter.

A copy of the Board Charter is available on the Company's website.

The Charter includes an overview of:

- Board composition and process;
- the Board's role and responsibilities;
- the relationship and interaction between the Board and management; and
- the authority delegated by the Board to management and Board Committees.

The Board's role is to:

- represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance. This includes overseeing the financial and human resources the Company has in place to meet its objectives and reviewing management performance;
- protect and optimise the Company's performance and build sustainable value for Shareholders in accordance with any duties and obligations imposed on the Board by law and the Company's Constitution and within a framework of prudent and effective controls that enable risk to be assessed and managed;
- set, review and ensure compliance with the Company's values and governance framework (including establishing and observing high ethical standards); and ensure that Shareholders are kept informed of the Company's performance and major developments affecting its state of affairs.

The responsibilities/functions of the Board include:

- selecting, appointing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the Chief Executive Officer (CEO) and the CEO's direct reports;
- contributing to and approving management development of corporate strategy, including setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management and internal control and ethical and legal compliance. This includes reviewing procedures to identify the main risks associated with the Company's businesses and the implementation of appropriate systems to manage these risks;
- monitoring corporate performance and implementation of strategy and policy;
- approving major capital expenditure, acquisitions and divestitures, and monitoring capital management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
- developing and reviewing corporate governance principles and policies; and
- performing such other functions as are prescribed by law or are assigned to the Board.

Matters which are specifically reserved for the Board or its committees include:

- appointment of a Chair;
- appointment and removal of the CEO;
- appointment of directors to fill a vacancy or as additional Director;
- establishment of Board committees, their membership and delegated authorities;
- approval of dividends;
- approval of major capital expenditure, acquisitions and divestitures in excess of authority levels delegated to management;
- calling of meetings of shareholders; and
- any other specific matters nominated by the Board from time to time.

The management function is conducted by, or under the supervision of, the CEO as directed by the Board (and by officers to whom the management function is properly delegated by the CEO). Management must supply the Board with information in a form, timeframe and quality that will enable the Board to discharge its duties effectively. Directors are entitled to request additional information at any time they consider it appropriate. Ultimate responsibility for strategy and control rests with the Directors.

The Company undertakes appropriate checks before appointing a person as a director and undertakes to provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company has written agreements in place with each Director and senior executive setting out the terms of their appointment.

The Company Secretary is accountable to the Board. The Company Secretary is responsible for coordination of all Board business, including agendas, board papers, minutes, communication with regulatory bodies and ASX, and all statutory and other filings. All Directors have direct access to the Company Secretary.

The following performance evaluation procedures are to occur in order to periodically evaluate the performance of the Board, its Committees and individual Directors:

- On an annual basis, Directors will provide written feedback in relation to the performance of the Board and its Committees against a set of agreed criteria.
- Each Committee of the Board will also be required to provide feedback in terms of a review of its own performance.
- Feedback will be collected by the Chair of the Board, or an external facilitator, and discussed by the Board, with consideration being given as to whether any steps should be taken to improve performance of the Board or its Committees.
- The Chief Executive Officer will also provide feedback from senior management in connection with any issues that may be relevant in the context of the Board performance review.
- Where appropriate to facilitate the review process, assistance may be obtained from third party advisers.

As the performance evaluation procedures have not been implemented for twelve months a formal review in line with the above criteria is yet to occur.

The Board has delegated authority for the formal review of senior management performance assessment processes and results to the Remuneration and Nomination Committee. This involves periodically reviewing the senior management performance assessment processes and results as they reflect the capability of management to realise the business strategy. Review of the performance of senior management occurs in each meeting of the Remuneration and Nomination Committee.

The Board has formally approved a Diversity Policy in order to address the representation of women in senior management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure. The Board has included a summary of the Company's progress for the year. Measurable objectives are set to be finalised under the Diversity Policy for the FY2016 financial year.

Proportion of women	Actual 2014	Actual 2015
Board	0%	25%
Senior Management	38%	50%
Company	95%	95%

Senior management is defined as direct reports to the CEO.

DIVERSITY POLICY

Overview

The Board of Directors of Lovisa Holdings Limited (Company) is responsible for the overall management of the Group, including guidance as to strategic direction, ensuring best practice corporate governance and oversight of management. The Company recognises that people are its most important asset and is committed to the maintenance and promotion of workplace diversity.

Diversity drives the Company's ability to attract, retain, motivate and develop the best talent, create an engaged workforce, deliver the highest quality services to its customers and continue to grow the business.

The Board has formally approved this Diversity Policy (Policy) in order to address the representation of women in senior management positions and on the Board, and to actively facilitate a more diverse and representative management and leadership structure.

Scope

The Company's vision for diversity incorporates a number of different factors, including gender, ethnicity, disability, age and educational experience. At a Board and senior management level, gender has been identified as a key area of focus for the Company. Accordingly, the primary focus of this Policy is achieving, over a reasonable transition period, adequate representation of women in senior management positions and on the Board.

The strategies outlined below aim to achieve the objectives of this Policy by:

- setting measurable objectives relating to gender at all senior management and leadership levels;
- broadening the field of potential candidates for senior management and board appointments;
- increasing the transparency of the board appointment process; and
- embedding the extent to which the Board has achieved the objective of this Policy in the evaluation criteria for the annual Board performance evaluation.

Promoting diversity

In order to facilitate greater diversity in management and leadership roles, the Company will:

- implement policies which address impediments to diversity in the workplace (including parental leave and flexible working arrangements that assist employees to fulfil their domestic responsibilities), and review these policies to ensure that they are available to and utilised by employees; and
- monitor the effectiveness of, and continue to expand on, existing initiatives designed to identify, support and develop talented employees from a diverse range of backgrounds.

Measurable objectives

Each year the Board will set measurable objectives with a view to progressing towards a balanced representation of women at a Board and senior management level.

Performance against these objectives will be reviewed annually by the Remuneration and Nomination Committee, as part of its annual review of the effectiveness of this Policy.

Gender representation review

On an annual basis, the Remuneration and Nomination Committee will review the proportion of women who are employed by the Company as a whole, in senior management positions and who are on the Board. The Remuneration and Nomination Committee will submit a report to the Board outlining its findings.

Recruitment, selection and succession planning Succession planning

The Remuneration and Nomination Committee is responsible for the development and succession planning process for the Chief Executive Officer (CEO) and the CEO's direct reports. In discharging this responsibility, the Remuneration and Nomination Committee will have regard to diversity criteria.

Board appointment process

Whilst skills such as leadership and previous experience as a chief executive, chair or board member of a large organisation with international operations have traditionally been prerequisites to appointment as a director, the Board recognises that other skills gained from experience in the following areas are key skills and experience which the Board as a whole should comprise:

- marketing and sales;
- policy and regulatory development and reform;
- health, safety and environment and social responsibility; and
- human resources.

In identifying candidates for the Board, the Remuneration and Nomination Committee will have regard to the selection criteria set out in the board appointment process, which will include:

- skills, expertise and background that add to and complement the range of skills, expertise and background of the existing directors;
- diversity; and
- the extent to which the candidate would fill a present need on the Board.

Review of Policy

The Remuneration and Nomination Committee is responsible for the review and oversight of this Policy and will review on an annual basis:

1. the effectiveness of this Policy; and
2. the division of responsibilities and accountability for developing and implementing diversity initiatives across the organisation; and

report to the Board on the outcomes of its review, including any recommendations for changes to those strategies or the way in which they are implemented.

A full copy of the Diversity policy is available on the Company's website.

PRINCIPLE 2

Structure the board to add value

The experience and qualifications relevant to the position of Director held by each Director in office at the date of the annual report is included in the Directors' Report, as well as the length of service relevant to each Director and their attendance at meetings held throughout the year.

The Board is made up of four Directors, comprising of two independent Non-Executive Directors (including the Chairman), one Non-Executive Director and one Executive Director (the CEO and Managing Director).

The Board considers a Director to be independent where he or she is not a member of management and is free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with the exercise of their unfettered and independent judgment. The Board will consider the materiality of any given relationship on a case by case basis. The Board reviews the independence of each Director in light of interests disclosed to the Board.

The Board considers that each of Paul Cave (Chairman) and Neil Osborne are free from any business or any other relationship that could materially interfere with the independent exercise of their judgement and are able to fulfil the role of an independent Director for the purposes of the ASX Recommendations.

Tracey Blundy is currently considered by the Board not to be independent because she is the nominee of a substantial shareholder of the Company, BB Retail Capital. Despite her role at BB Retail Capital, the Board considers that Ms Blundy will add significant value to Board deliberations given her extensive experience and skills in leading retail organisations.

Shane Fallscheer is an Executive Director and is considered not to be independent.

ASX Recommendation 2.4 provides that a majority of the board of a listed entity should be independent non-executive directors. Currently half of the Directors are considered independent. Two of the four members of the Board (including the Chairman) are independent Non-Executive Directors. An additional Non-Executive Director, Tracey Blundy, is not considered to be independent whilst the board consists of one Executive Director (the CEO).

In relation to ASX Recommendation 2.4 the Company was also not in compliance with this recommendation in the period from David Carter ceasing to be a director on 27 January 2015 to the appointment of Neil Osborne on 1 April 2015 as there was one independent director and two non-independent directors on the Board during this period. This was required whilst the Board identified and appointed a suitable independent director.

A Remuneration and Nomination Committee is in place, chaired by an Independent Director (Paul Cave). Further detail surrounding the Remuneration and Nomination Committee and its Charter can be found in the Principle 8 'Remunerate fairly and responsibly' section. Part of the responsibilities of the committee involves assisting the Board to develop a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership as detailed below. Additionally, the Remuneration and Nomination Committee is responsible for ensuring that an effective director induction process is in place and regularly review its effectiveness and provide appropriate professional development opportunities for directors.

A copy of the Committee's charter is available on the Company's website.

The Board believes that a highly credentialed Board, with a diversity of background, skills and perspectives, will be effective in supporting and enabling delivery of good governance for the Company and value for the Company's shareholders. The mix of skills comprised in the current Board, and that the Board would look to maintain, and build on, includes:

- Extensive retail expertise
- High level of business acumen
- Technical expertise (including finance and compliance)
- Ability to think strategically
- Governance experience and expertise
- International business development experience
- Supply chain and procurement management

The Board aspires to have a Board comprised of individuals diverse in gender, geographic location, culture, background, perspectives and experience and will be mindful of this when making appointments which will also be based on merit.

PRINCIPLE 3

Act ethically and responsibly

The Board is committed to a high level of integrity and ethical standards in all business practices. Accordingly, the Board has adopted a formal Code of Conduct which outlines how the Company expects its representatives to behave and conduct business in the workplace and includes legal compliance and guidelines on appropriate ethical standards. All employees of the Company (including temporary employees, contractors and Directors) must comply with the Code of Conduct.

The Code is designed to:

- provide a benchmark for professional behaviour throughout the Company;
- support the Company's business reputation and corporate image within the community; and
- make Directors and employees aware of the consequences if they breach the Policy.

A copy of the Code of Conduct is available on the Company's website.

The Company has adopted a Policy for Dealing in Securities which is intended to explain the types of conduct in dealings in securities that are prohibited under the Corporations Act and establish a best practice procedure for the buying and selling of securities that protects the Company and Directors and employees against the misuse of unpublished information which could materially affect the value of securities. The Policy applies to all Directors, officers and senior executives of the Company and its related bodies corporate and their connected persons.

The Policy provides that relevant persons must not deal in the Company's securities:

- when they are in possession of material price-sensitive or 'inside' information;
- on a short-term trading basis; and
- during trading blackout periods (except in exceptional circumstances).

Otherwise trading will only be permitted in trading windows or in all other periods by:

- Directors with prior approval from the Chairman of the Board;
- the Chairman of the Board with prior approval from the Board or the chair of the Audit, Business Risk and Compliance Committee; and
- senior executives with prior approval from the Chief Executive Officer.

A copy of the Policy for Dealing in Securities is available on the Company's website.

PRINCIPLE 4

Safeguard integrity in corporate reporting

The Audit, Business Risk and Compliance Committee will assist the Board in carrying out its accounting, auditing, and financial reporting responsibilities including:

- overseeing the Company's relationship with the external auditor and the external audit function generally;
- overseeing the preparation of the financial statements and reports;
- overseeing the Company's financial controls and systems; and
- managing the process of identification and management of financial risk.

The Committee's charter provides that the Committee must comprise of only Non-Executive Directors and a minimum of three members of the Board. The Audit, Business Risk and Compliance Committee currently comprises:

- Neil Osborne (chair);
- Paul Cave; and
- Tracey Blundy.

Non-committee members, including members of management and the external auditor, may attend meetings of the committee by invitation of the committee chair.

ASX Recommendation 4.1 provides that the board of a listed entity should have an audit committee which is chaired by an independent director, who is not the chair of the board. For the period from listing to 27 January 2015, David Carter was the Chairman of the Board and also chair of the Audit, Business Risk and Compliance Committee. The Board felt that David's skills and experience made him suitable for the role. Since his appointment on 1 April 2015, Neil Osborne has been chair of the Audit, Business Risk and Compliance Committee (independent non-executive director) which complies with ASX Recommendation 4.1 as Paul Cave continues in office as Chairman of the Board.

The Committee's primary roles with respect to the audit function are:

- to assist the Board in relation to the reporting of financial information;
- the appropriate application and amendment of accounting policies;
- the appointment, independence and remuneration of the external auditor; and
- to provide a link between the external auditors, the Board and management of the Company.

The Committee's audit responsibilities are included as part of the responsibilities table on page 30.

In accordance with ASX Recommendation 4.2 the Board received a declaration in accordance with section 295A of the Corporations Act from the Chief Executive Officer and the Chief Financial Officer that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with Australian accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In accordance with ASX Recommendation 4.3, the Company's external auditor attends each annual general meeting and is available to answer questions from security holders relevant to the audit.

A copy of the Committee's charter is available on the Company's website.

The experience and qualifications of each Committee member is included in the Directors' Report as well as their attendance at meetings held throughout the year.

PRINCIPLE 5

Make timely and balanced disclosure

The Company places a high priority on communication with Shareholders and is aware of the obligations it has under the Corporations Act and the ASX Listing Rules, to keep the market fully informed of any information concerning the Company which is not generally available and which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The Company has adopted a Continuous Disclosure Policy which establishes procedures to ensure that Directors and senior management are aware of and fulfil their obligations in relation to the timely disclosure of material price-sensitive information.

A copy of the Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6

Respect the rights of security holders

The Company's aim is to ensure that Shareholders (and other stakeholders) are kept informed of all major developments affecting the state of affairs of the Company. In order to achieve this the Company regularly communicates information through a range of forums, publications and the Company's website.

The Company's website contains all ASX announcements (as soon as practicable following the release by the ASX) made to the market, including the annual and half year financial results, the full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all media briefings and investor presentations made to analysts. The website also contains a facility for shareholders to direct inquiries to the Company and to elect to receive communications from the Company via email (or to elect to discontinue receiving email communications from the Company). Shareholders are encouraged to attend the Group's AGM and use this opportunity to ask questions.

A copy of the Communication Strategy is available on the Company's website.

PRINCIPLE 7

Recognise and manage risk

The Audit, Business Risk and Compliance Committee will assist the Board in carrying out its accounting, auditing, and financial reporting responsibilities as per details contained in Principle 4.

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

a. the Company'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.

The Committee's risk and compliance responsibilities are included as part of the responsibilities table on page 30.

A review of the Company's risk management framework is to occur annually. As the risk management framework has not been implemented for twelve months a formal review of the risk management framework is yet to occur.

The Board, having regard for the Company's stage of development does not consider a separate internal audit function is necessary at this stage. One of the Audit, Business Risk and Compliance Committee's responsibilities is to evaluate and continually improve the effectiveness of its risk management and internal control processes.

Material risks and their associated mitigating factors applying to Lovisa have been detailed in Business Risks (section 4.7) in the Review of Operations included in the Directors' report. It is the responsibility of the Remuneration and Nomination Committee to identify, monitor and assess these and other potential economic, environmental and social sustainability risks on an ongoing basis and ensure action is taken as necessary.

A copy of the Committee's charter is available on the Company's website.

In relation to ASX Recommendation 7.1 the Company was not in compliance with this recommendation in the period from David Carter ceasing to be a director on 27 January 2015 to the appointment of Neil Osborne on 1 April 2015 as there were not three members of the Board on the committee during this period. No meetings of the committee were held during this period.

The experience and qualifications of each Committee member is included in the Directors' Report as well as their attendance at meetings held throughout the year.

PRINCIPLE 8

Remunerate fairly and responsibly

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 Remuneration and Nomination Committee is responsible for matters relating to succession planning, nomination and remuneration of the Directors and the CEO.

The responsibilities of the Remuneration and Nomination Committee are included as part of the responsibilities table on page 30.

In discharging its responsibilities, the Committee must have regard to the following policy objectives:

a. to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders and having regard to relevant Company policies;
   - to attract and retain skilled executives;
   - to structure short and long term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
   - to ensure any termination benefits are justified and appropriate.

b. In the discharge of the Committee's responsibilities, no executive should be directly involved in determining their own remuneration.

c. The Committee must at all times have regard to, and notify the Board as appropriate of, all legal and regulatory requirements, including any shareholder approvals which are necessary to obtain.

d. The Committee chair or if they are not available, a Committee member should attend the Annual General Meeting and make themselves available to answer any questions from shareholders about the Committee's activities or, if appropriate, the Company's remuneration arrangements.

A copy of the Committee's charter is available on the Company's website.

The Committee's charter provides that the Committee must consist of only Non-Executive Directors and a minimum of three Directors. The current members of the Committee are:

- Paul Cave (chair);
- Tracey Blundy and
- Neil Osborne

ASX Recommendation 8.1 recommends that the remuneration committee should comprise a majority as independent Directors. Post independent non-executive Director David Carter ceasing to be a director on 27 January 2015 to the appointment of Neil Osborne on 1 April 2015, the Remuneration and Nomination Committee consisted of one independent and one non-independent Director. This was required whilst the Board identified and appointed a suitable independent director. Committee attendance information can be found in section 7.1 of the Directors' report.

Directors' and executives' remuneration has been disclosed in the remuneration report section of the annual report.

The company has a policy in relation to the hedging of Company securities as detailed within section 3.5 of the Policy for Dealing in Securities, available on the Company's website.

Remuneration and Nomination Committee	Audit, Business Risk and Compliance Committee	
Responsibilities	Audit Responsibilities	Risk and Compliance Responsibilities
• Assisting the Board in developing a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership; • Reviewing and recommending to the Board the size and composition of the Board, including reviewing Board succession plans and the succession of the Chairman and CEO, having regard to the objective that the Board comprise Directors with a broad range of skills, expertise and experience from a broad range of backgrounds, including gender; • Reviewing and recommending to the Board the criteria for Board membership, including the necessary and desirable competencies of Board members and the time expected to be devoted by Non-Executive Directors in relation to the Company's affairs; • Reviewing and recommending to the Board the composition and membership of the Board, including making recommendations for the re-election of Directors and assisting the Board to identify individuals who are qualified to become Board members; • Assisting the Board as required in relation to the performance evaluation of the Board, its committees and individual Directors, and in developing and implementing plans for identifying, assessing and enhancing Director competencies; • Reviewing and making recommendations in relation to any corporate governance issues as requested by the Board from time to time; • Ensuring that an effective Director induction process is in place and regularly reviewing its effectiveness and providing appropriate professional development opportunities for Directors; • On an annual basis, reviewing the effectiveness of the Board Diversity Policy by assessing the Company's progress towards the achievement of measurable objectives and any strategies aimed at achieving the objectives and reporting to the Board recommending any changes to the measurable objectives, strategies or the way in which they are implemented; • In accordance with the Board Diversity Policy, on an annual basis, reviewing the relative proportion of women and men in the workforce at all levels of the Company, and submitting a report to the Board, which outlines the committee's findings or, if applicable, providing the Board with the Company's most recent indicators as required by the Workplace Gender Equality Act 2012; • Reviewing and recommending to the Board remuneration arrangements for the CEO, executive directors and other members of senior management, including contract terms, annual remuneration, and participation in the Company's short and long term incentive plans; • Review and recommend to the Board the remuneration arrangements for the Chairman and the non executive directors of the Board, including fees, travel and other benefits; and • Approving the appointment of remuneration consultants for the purposes of the Corporations Act.	• Engage in the pro active oversight of the Company's financial reporting and disclosure processes and overseeing and reviewing the outputs of that process (including review of the Company's financial statements for accuracy and to ensure they reflect a true and fair view, as a basis for recommendation to and adoption by the Board • Assist the Board in determining the reliability and integrity of accounting policies and financial reporting and disclosure practices. • Review financial statements for adherence to accounting standards and policies and other requirements relating to the preparation and presentation of financial results and oversee the financial reports and the results of external audit of those reports (including assessing whether external reporting is consistent with the Committee members' information and knowledge, and is adequate for shareholder needs). • Review the appropriateness of the accounting policies adopted by management in the composition and presentation of financial reports (or any changes made or contemplated in relation to the Company's accounting policies) and assess the management processes supporting external reporting. • Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters. • Review management processes supporting external reporting, and any complaints or concerns raised internally regarding financial or accounting processes and practices. • Ensure that procedures are in place designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management. • Approve the scope of the audit for Board approval. • Review the effectiveness of the annual audit, placing emphasis on areas where the Committee or the external auditors believe special attention is necessary. • Review the performance, independence and objectivity of the external auditors. • Review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners. • Assume responsibility for the appointment (including the termination of an engagement), compensation, the terms of engagement and other contractual terms of the external auditors. • Develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non audit services and ensure compliance with that policy. • Provide advice to the Board as to whether the Committee is satisfied that the provision of non audit services is compatible with the general standard of independence, and an explanation of why those non audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the Corporations Act 2001 (Cth) to be included in the Company's annual report.	• Evaluating the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies and guidelines and limits approved by the Board for management of balance sheet risks. • Evaluating the adequacy and effectiveness of the Group's financial and operational risk management control systems by reviewing risk registers and reports from management and external auditors. • Evaluating the structure and adequacy of the Group's Business Continuity Plans. • Evaluating the structure and adequacy of the Group's own insurances on an annual basis. • Reviewing and making recommendations on the strategic direction, objectives and effectiveness of the Group's financial and operational risk management policies. • Overseeing the establishment and maintenance of processes to ensure that there is: • An adequate system of internal control, management of business risks and safeguard of assets, • A review of internal control systems and the operational effectiveness of the policies and procedures related to risk and control; and • A review, at least annually, of the Company's risk management framework. • Evaluating the Group's exposure to fraud and overseeing investigations of allegations of fraud or malfeasance. • Reviewing the Group's main corporate governance practices for completeness and accuracy. • Reviewing the procedures the Company has in place to ensure compliance with laws and regulations (particularly those which have a major potential impact on the Company in areas such as trade practices, occupational health and safety, and the environment). • Evaluating any material exposure of the Company to economic, environmental and social sustainability risks and, if necessary, consider management of those risks. • Reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules, Corporations Act and AASB requirements). • Advising the Board on the appropriateness of significant policies and procedures relating to financial processes and disclosures and reviewing the effectiveness of the Company's internal control framework. • Reviewing the Company's policies and culture with respect to the establishment and observance of appropriate ethical standards (including the Code of Conduct). • Reviewing and discussing with management and the external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

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CONTENTS (CONTINUED)

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 28 June 2015

Consolidated ($000s)	Note	28 June 2015	29 June 2014
Assets			
Cash and cash equivalents	C5	4,251	2,869
Trade and other receivables	B1	2,147	2,034
Inventories	B2	15,012	8,250
Derivatives	C4	30	-
Total current assets		21,440	13,153
Deferred tax assets	A6	3,541	1,211
Property, plant and equipment	B3	10,400	11,778
Intangible assets and goodwill	B4	1,610	259
Total non-current assets		15,551	13,248
Total assets		36,991	26,401
Liabilities			
Bank overdraft	C5	1,908	1,024
Trade and other payables	B6	7,770	6,208
Employee benefits - current	B8	1,382	1,314
Loans and borrowings	C3	-	5,524
Provisions - current	B7	612	420
Current tax liabilities		3,628	2,188
Total current liabilities		15,300	16,678
Employee benefits - non current	B8	279	189
Loans and borrowings	C3	12,000	-
Financial liability on share buy back	C3	-	14,756
Provisions - non current	B7	2,603	2,228
Total non-current liabilities		14,882	17,173
Total liabilities		30,182	33,851
Net assets/(liabilities)		6,809	(7,450)
Equity			
Issued capital	C1	208,526	1,086
Common control reserve		(208,906)	7
Other reserves		(119)	156
Retained earnings/(losses)		7,308	(8,699)
Total equity		6,809	(7,450)

The Notes on pages 38 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 28 June 2015

Consolidated ($000s)	**Note**	**2015**	**2014**
Revenue	A2	134,260	105,732
Cost of sales		(30,799)	(25,226)
Gross profit		103,461	80,506
Salaries and employee benefits expense	A3	(35,119)	(30,823)
Property expenses		(23,261)	(20,760)
Depreciation and amortisation expense		(6,001)	(5,559)
Loss on disposal of property, plant and equipment		(77)	(891)
IPO transaction costs		(2,115)	-
Reversal of/(provision for) buy back of company shares	A3	14,756	(3,068)
Other expenses		(14,174)	(12,502)
Operating profit		37,470	6,903
Finance income		34	3
Finance costs		(284)	(48)
Net finance costs		(250)	(45)
Profit before tax		37,220	6,858
Income tax expense	A6	(6,622)	(2,258)
Profit after tax		30,598	4,600
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Foreign operations - foreign currency translation differences		(275)	(487)
		(275)	(487)
Other comprehensive income, net of tax		(275)	(487)
Total comprehensive income		30,323	4,113
Profit attributable to:			
Owners of the Company		30,598	4,600
		30,598	4,600
Total comprehensive income attributable to:			
Owners of the Company		30,323	4,113
Total comprehensive income for the year		30,323	4,113
Earnings per share			
Basic and diluted earnings per share (dollars)	A4	0.29	0.04

The Notes on pages 38 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 28 June 2015

Attributable to Equity Holders of the Company

Consolidated ($000s)	Note	Share Capital	Common Control Reserve	(Accumulated losses)/ Retained Earnings	Foreign Currency Translation Reserve	Total Equity
Balance at 1 July 2013		1,086	(75)	(13,299)	643	(11,645)
Total comprehensive income for the year						
Profit		-	-	4,600	-	4,600
Foreign operations - foreign currency translation differences		-	-	-	(487)	(487)
Total comprehensive income for the year		-	-	4,600	(487)	4,113
Transactions with owners of the Company						
Acquisitions of subsidiaries through common control		-	82	-	-	82
Total transactions with owners of the Company		-	82	-	-	82
Balance at 29 June 2014		1,086	7	(8,699)	156	(7,450)
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 interests						
Acquisitions of subsidiaries through common control		208,914	(208,914)	-	-	-
Transaction costs	C1	(1,474)	-	-	-	(1,474)
Total changes in ownership interests		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

The Notes on pages 38 to 67 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 28 June 2015

Consolidated ($000s)	Note	2015	2014
Cash flows from operating activities			
Cash receipts from customers		147,834	116,208
Cash paid to suppliers and employees		(122,166)	(99,331)
Cash generated from operating activities		25,668	16,877
Interest received		34	3
Interest paid		(284)	(48)
Income taxes paid		(5,958)	(1,826)
Net cash from operating activities	C5	19,460	15,006
Cash flows from investing activities			
Acquisition of fixed assets	B3	(4,686)	(5,403)
Proceeds from sale of property, plant and equipment		206	65
Acquisition of subsidiary, net of cash acquired	A7	(2,323)	(758)
Net cash used in investing activities		(6,803)	(6,096)
Cash flows from financing activities			
Repayment of shareholder loans		(5,524)	(7,648)
Proceeds from cash advance facility		12,000	-
Share issue costs		(4,222)	-
Dividends paid		(14,591)	-
Net cash used in financing activities		(12,337)	(7,648)
Net increase in cash and cash equivalents		320	1,262
Cash and cash equivalents at the beginning of the year	C5	1,845	622
Effect of movement in exchange rates on cash held		178	(39)
Cash and cash equivalents at the end of the year	C5	2,343	1,845

The Notes on pages 38 to 67 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 company was listed on the Australian Stock Exchange on 18 December 2014.
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 52 week period ended on the 28 June 2015 (2014: 52 week period ended 29 June 2014). This treatment is consistent with section 323D of Corporations Act 2001.

The consolidated financial statements of the Group for the financial year ended 28 June 2015 were authorised for issue by the Board of Directors on 27 August 2015.

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 2014. Refer to note D8 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 D9.

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 28 June 2015 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;
- Notes B7 and D3 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Note A7 – acquisition of subsidiary: fair value measured on a provisional basis.

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. The comparative information in these Group financial statements relates to the consolidated performance of Lovisa Pty Limited and Lovisa International Pte. Limited for the financial year ended 29 June 2014 and their consolidated financial position at 29 June 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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, 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 on 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 translation reserve 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 that 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 Chief Executive Officer (CEO). 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 CEO 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	
	2015	2014	2015	2014	2015	2014	2015	2014
External revenues	102,212	91,504	32,048	14,228	-	-	134,260	105,732
Inter-segment revenue	5,400	2,426	2,222	56	(7,622)	(2,482)	-	-
Segement revenue	107,612	93,930	34,270	14,284	(7,622)	(2,482)	134,260	105,732
Interest income	4	2	30	1	-	-	34	3
Interest expense	(283)	(48)	(1)	-	-	-	(284)	(48)
Depreciation and amortisation	(4,522)	(5,059)	(1,479)	(500)	-	-	(6,001)	(5,559)
Reversal of/(provision for) buy-back of company shares	14,756	(3,068)	-	-	-	-	14,756	(3,068)
Segment profit (loss) before tax	29,983	5,377	7,156	1,481	80	-	37,219	6,858

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.

(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 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.

	2015	2014
($000s)	Non-current assets (i)	Non-current assets (i)
a) Australia	6,125	9,412
b) New Zealand	377	716
c) Singapore	1,292	818
d) South Africa	1,823	444
e) Malaysia	782	387
Total	10,400	11,778

(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.

	2015			2014		
($000s)	**Sale of Goods**	**Franchise Income**	**Total**	**Sale of Goods**	**Franchise Income**	**Total**
a) Australia	94,839	-	94,839	88,132	-	88,132
b) New Zealand	7,373	-	7,373	3,372	-	3,372
c) Singapore	14,312	-	14,312	7,649	-	7,649
d) South Africa	10,659	-	10,659	4,350	-	4,350
e) Malaysia	6,470	-	6,470	2,167	-	2,167
f) Middle East	-	607	607	-	62	62
Total	133,653	607	134,260	105,670	62	105,732

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)	**2015**	**2014**
Lease expense	22,087	19,699
Salaries and employee benefits expense		
Wages and salaries	32,252	28,368
Compulsory social security contributions	2,793	2,342
Increase in liability for long-service leave	74	113
Total salaries and employee benefits expense	35,119	30,823

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

	2015	2014
Basic EPS (cents)	0.29	0.04
Diluted EPS (cents)	0.29	0.04
Profit attributable to ordinary shareholders ($000s)	30,598	4,600
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]	105,000,000	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 all years presented have been adjusted as if the transaction took place 12 months prior.

As performance thresholds for the Company's long term incentive scheme have not been finalised the calculation of basic earnings per share does not include contingently issuable ordinary shares.

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)	2015	2014
70.17 cents per qualifying ordinary share (2014: nil cents)	702	-
9.94 cents per qualifying ordinary share (2014: nil cents)	99	-
678.62 cents per qualifying ordinary share (2014: nil cents)	6,786	-
6.67 cents per qualifying ordinary share (2014: nil cents)	7,004	-
	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)	2015	2014
4.07 cents per qualifying ordinary share (2014: 758.73 cents)	4,274	7,587
	4,274	7,587

Consolidated ($000s)	2015	2014
Dividend franking account		
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2014: 30%)	2,543	3,628

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/(provision for) 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)	**2015**	**2014**
Current tax expense		
Current period	7,369	3,458
Adjustment for prior years	-	11
	7,369	3,469
Deferred tax benefit		
Origination and reversal of temporary differences	(748)	(1,191)
Recognition of previously unrecognised deferred tax assets	-	(21)
	(748)	(1,211)
Total income tax expense	6,622	2,258

(b) Reconciliation of effective tax rate

Consolidated ($000s)	**2015**	**2014**
Profit before tax from continuing operations	37,219	6,858
Tax at the Australian tax rate of 30% (2014: 30%)	11,166	2,057
Effect of tax rates in foreign jurisdictions	(577)	(77)
Non-deductible expenses	5	920
Tax exempt income	(4,427)	-
Current year losses for which no deferred tax asset is recognised	279	-
Recognition of tax effect of previously unrecognised tax losses	-	(21)
Sundry Items	176	(622)
	6,622	2,258

A6 INCOME TAXES (CONTINUED)

(c) Deferred tax assets and liabilities reconciliation

	Statement of financial position		Statement of profit or loss	
Consolidated ($000s)	**2015**	**2014**	**2015**	**2014**
Property, plant and equipment	217	142	(75)	(142)
Employee benefits	667	497	(170)	(497)
Provisions	843	555	(288)	(555)
Other items	(75)	17	92	(17)
Transaction costs	1,013	-	(381)	-
Carry forward tax losses	876	-	74	-
Deferred tax expense			(748)	(1,211)
Net deferred tax assets	3,541	1,211		
Presented in the Statement of financial position as follows:				
Deferred tax assets	3,541	1,211		

Carried-forward tax losses have been recognised attributable to DCK Jewellery South Africa (Pty) Ltd, acquired during the year via a business combination. These losses were not recognised in the books of DCK Jewellery South Africa (Pty) Ltd but have been recognised at acquisition. Following rebranding of stores to Lovisa, the Company is confident of recovery of these losses.

(d) Expected settlement of deferred tax balances

Consolidated ($000s)	**2015**	**2014**
Deferred tax assets expected to be settled within 12 months	1,796	819
Deferred tax assets expected to be settled after 12 months	1,897	429
	3,693	1,248
Deferred tax liabilities expected to be settled within 12 months	151	37
Deferred tax liabilities expected to be settled after 12 months	-	-
	151	37

A7 ACQUISITION OF SUBSIDIARY

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

The acquisition is expected to provide the Group with an increased share of the fashion jewellery retailer market in South Africa through access to DCK Jewellery South Africa (Pty) Ltd's existing 21 stores after rebranding and refurbishment activities are complete.

In the period from acquisition to 28 June 2015, DCK Jewellery South Africa (Pty) Ltd contributed revenue of $1,143,000 and a loss of $156,000 to the Group's results. This loss includes one-off freight charges incurred in transporting Lovisa branded stock to South Africa, a significant level of markdowns in relation to redundant non-Lovisa branded stock and periods of closure for store refits.

If the acquisition had occurred on 30 June 2014 management estimates that consolidated revenue would have been $137,197,000 and consolidated profit for the year would have been $29,923,000. Performance of this company prior to acquisition reflects the trading under its former brand. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred as at the date of incorporation. Following rebranding of stores to Lovisa, the company is contributing profitability to the Group.

A7 ACQUISITION OF SUBSIDIARY (CONTINUED)

(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) Acquisition-related costs

The Group incurred acquisition-related costs of $89,000 on legal fees and due diligence costs. These costs have been included in 'other expenses'.

(c) 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**	
Property, plant and equipment	B3	19
Inventories		434
Trade and other receivables		234
Cash and cash equivalents		(171)
Deferred tax assets		984
Trade and other payables		(455)
Total identifiable net assets acquired		1,045

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	Deferred tax assets have been recorded on the basis the full benefit from these assets is expected to be utilised by the Company and its existing operations in the territory through recovery of carried forward tax losses.
Inventories	The fair value is determined based on the estimated selling price in the ordinary course of business.

All trade and other receivable balances are valued at cost and are expected to be fully recoverable.

Fair values measured on a provisional basis

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

(d) Goodwill

Goodwill arising from the acquisition has been recognised as follows:

Consolidated ($000s)	**Note**	
Consideration transferred	(a)	2,403
Fair value of identifiable assets	(c)	(1,045)
Goodwill		1,358

The goodwill is attributable mainly to the Company gaining access to 21 sites in the South African market with similar store footprints to the existing Lovisa store portfolio. None of the goodwill recognised is expected to be deductible for tax purposes.

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	2015	2014
Trade receivables		752	552
Receivables from related parties	D4	-	702
Deposits and prepayments		1,318	751
Other receivables		77	29
		2,147	2,034

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.

Inventories recognised as expense during 2015 and included in cost of sales amount to $26,764,000 (2014: $22,676,000).

During 2015 inventories of $3,854,000 (2014: $2,401,000) 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 1 July 2013		17,362	1,623	404	14	19,403
Additions		4,913	359	129	3	5,403
Acquisitions through business combinations		513	62	-	-	575
Disposals		(2,159)	(159)	(102)	-	(2,420)
Effect of movements in exchange rates		(7)	(5)	-	-	(12)
Balance at 29 June 2014		20,621	1,879	431	17	22,948
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	2,462	436	53	26,371

Consolidated ($000s)	Note	Leasehold improvements	Hardware and software	Fixtures and fittings	Office equipment	Total
Accumulated depreciation and impairment losses						
Balance at 1 July 2013		(5,884)	(1,001)	(167)	(4)	(7,056)
Depreciation		(5,145)	(342)	(66)	(5)	(5,559)
Disposals		1,346	91	26	-	1,463
Effect of movements in exchange rates		(19)	1	-	-	(18)
Balance at 29 June 2014		(9,702)	(1,251)	(207)	(10)	(11,170)
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)
Carrying amounts						
At 1 July 2013		11,478	622	237	10	12,347
At 29 June 2014		10,919	628	224	7	11,778
At 28 June 2015		9,382	825	167	25	10,400

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 1 July 2013		-
Acquisitions through business combination		282
Effect of movements in exchange rates		(23)
Balance at 29 June 2014		259
Balance at 30 June 2014		259
Acquisitions through business combinations	A7	1,358
Effect of movements in exchange rates		(7)
Balance at 28 June 2015		1,610

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	2015	2014
Discount rate	12.7%	12.7%
Budgeted EBIDTA growth rate (average of next five years)	5.0%	18.2%

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. 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.

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)	**2015**	**2014**
Trade payables	4,677	3,457
Non-trade payables and accrued expenses	3,093	2,751
	7,770	6,208

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**	**Total**
Balance at 1 July 2014	1,566	1,083	-	2,648
Provisions made during the year	194	81	2,520	2,795
Provisions used during the year	(271)	(249)	(844)	(1,364)
Provisions released during the year	-	-	(877)	(877)
Effect of movement in exchange rates	12	1	-	13
Balance at 28 June 2015	1,500	916	799	3,215
Current	178	152	282	612
Non-current	1,322	764	517	2,603
	1,500	916	799	3,215

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.

During the financial year the Group changed the discount rate used in its AUD-denominated long-term service benefits calculation from the Australian government bond rate to the high quality corporate bond rate and applied this change as a change in accounting estimate. This change is the result of new developments in the Australian economy that caused the Australian high quality corporate bond market to be considered deep.

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)	**2015**	**2014**
Current		
Liability for annual leave	1,382	1,314
Total employee benefit liabilities	1,382	1,314

Consolidated ($000s)	**2015**	**2014**
Non-Current		
Liability for long-service leave	279	189
Total employee benefit liabilities	279	189

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	
	2015	2014	2015	2014
	'000's	'000's	'$000's	'$000's
On issue at beginning of year	1,100	1,100	1,086	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	1,100	208,526	1,086

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 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.

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	2015	2014
Current liabilities			
Bank overdraft		1,908	1,024
Shareholder loans		-	5,524
		1,908	6,548
Non-current liabilities			
Secured bank loans		12,000	-
Financial liability on share buy back	A3	-	14,756
		12,000	14,756

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:

				28 June 2015		29 June 2014	
Consolidated ($000s)	Currency	Nominal interest rate	Year of maturity	Face value	Carrying amount	Face value	Carrying amount
Cash advance facility	AUD	3.81%	2017	12,000	12,000	-	-
Multi-option facility	AUD	7.50%	2015	1,908	1,908	1,024	1,024
Corporate card facility	AUD	17.99%	2015	78	78	1	1
Total interest-bearing liabilities				13,986	13,986	1,025	1,025
Shareholder loans	AUD	-	2015	-	-	5,524	5,524
Total non-interest-bearing liabilities				-	-	5,524	5,524

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 80% 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.

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

(a) Fair values (continued)

Recognition and measurement (continued)

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.

A reference to a hedge in note C4 reflects a business hedge as opposed to an "effective hedge" under the requirements of IFRS.

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 assets 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	-	-	-	-
Shareholder loans	C3	-	-	-	-	-	-	-	-
Trade and other payables	B6	-	-	7,770	7,770	-	-	-	-
		-	13,908	7,770	21,678	-	-	-	-

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

(a) Fair values (continued)

Recognition and measurement (continued)

29 June 2014		**Carrying Amount**					**Fair Value**			
Consolidated ($000s)	**Note**	**Hedging instruments**	**Loans and receivables**	**Other financial liabilities**	**Total**		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value										
Derivatives		-	-	-	-		-	-	-	-
		-	-	-	-		-	-	-	-
Financial assets not measured at fair value										
Trade and other receivables	B1	-	2,034	-	2,034		-	-	-	-
Cash and cash equivalents	C5	-	2,869	-	2,869		-	-	-	-
		-	4,902	-	4,902		-	-	-	-
Financial liabilities not measured at fair value										
Bank overdrafts	C5	-	1,024	-	1,024		-	-	-	-
Secured bank loans	C3	-	-	-	-		-	-	-	-
Shareholder loans	C3	-	5,524	-	5,524		-	-	-	-
Trade and other payables	B6	-	-	6,208	6,208		-	-	-	-
		-	6,548	6,208	12,756		-	-	-	-

(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 annually 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 28 June 2015, no trade receivables were past due but not impaired (2014: $172,000). 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 in favour of the Commonwealth Bank of Australia (CBA). Interest is payable at the rate of BBSW plus 1.65-1.85 basis points.
- $3 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. Interest would be payable at the rate of the Corporate Overdraft Reference Rate less 1.38 basis points.

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)

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)	-	-	-
- Total	(30)	-	-	-	-	-	-
	(30)	(30)	(50)	20	-	-	-

29 June 2014		**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	3,457	3,457	3,457	-	-	-	-
Bank overdrafts	1,024	1,024	-	-	1,024	-	-
Secured bank loans	-	-	-	-	-	-	-
	4,481	4,481	3,457	-	1,024	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
- Outflow	-	-	-	-	-	-	-
- Inflow	-	-	-	-	-	-	-
- Total	-	-	-	-	-	-	-
	-	-	-	-	-	-	-

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.

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

(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.

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 Company is authorised to enter into such contracts to provide cover of up to USD 15 million.

The following table defines the range of cover that has been authorised by the Board relating to purchases over a defined period (up to the set foreign exchange cover limit noted above):

Exposure	Minimum Hedge Position	Neutral Hedge Position	Maximum Hedge Position
Purchases 0 to 6 months	10%	25%	100%
Purchases 7 to 12 months	0%	25%	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:

	28 June 2015			29 June 2014		
In thousands of	**SGD**	**USD**	**ZAR**	**SGD**	**USD**	**ZAR**
Cash and cash equivalents	1,190	-	1,565	450	-	603
Trade receivables	-	548	-	14	335	-
Trade payables	(129)	(3,521)	(166)	(75)	(2,117)	(88)
Net statement of financial position exposure	1,061	(2,972)	1,398	388	(1,782)	515

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**
28 June 2015		
SGD (5 percent movement)	(51)	56
USD (5 percent movement)	142	(156)
ZAR (5 percent movement)	(67)	74
29 June 2014		
SGD (5 percent movement)	(18)	20
USD (5 percent movement)	85	(94)
ZAR (5 percent movement)	(25)	27

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)	**2015**	**2014**
Variable-rate instruments		
Financial liabilities	13,908	1,024
	13,908	1,024

Cash flow sensitivity analysis for variable rate instruments

At 28 June 2015, if interest rates had changed by +/- 100 basis points from the year end rates with all other variables held constant, post tax profit for the year would have been $55,000 lower/higher (29 June 2014 - $11,000 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 provide details of the derivative financial assets and liabilities included on the balance sheet:

Consolidated ($000s)	2015	2014
Current Investments		
Forward exchange contracts	30	-
	30	-

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)	2015	2014
Bank balances		
Cash and cash equivalents in the statement of financial position	4,251	2,869
Bank overdrafts used for cash management purposes	(1,908)	(1,024)
Cash and cash equivalents in the statement of cash flows	2,343	1,845

Reconciliation of cash flows from operating activities

Consolidated ($000s)	Note	2015	2014
Cash flows from operating activities			
Profit		30,598	4,600
Adjustments for:			
Depreciation		6,001	5,559
Loss on sale of property, plant and equipment		77	891
(Reversal of)/provision for buy back of company shares	A3	(14,756)	3,068
Transaction costs taken to profit and loss		2,115	-
Exchange differences		933	(416)
		24,968	13,702
Change in inventories		(6,761)	(725)
Change in trade and other receivables		(113)	(1,191)
Change in deferred tax assets		(2,330)	(1,211)
Change in derivatives		(30)	-
Change in trade and other payables		1,562	1,620
Change in current tax liabilities		1,440	1,540
Change in provisions and employee benefits		724	1,271
Net cash from operating activities		19,460	15,006

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 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)	**2015**	**2014**
Less than one year	14,454	17,712
Between one and five years	19,039	21,046
More than five years	83	356
	33,576	39,113

D3 COMMITMENTS AND CONTINGENCIES

There are no capital commitments or contingent liabilities that exist at 28 June 2015 and 29 June 2014.

D4 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)	**2015**	**2014**
Short-term employee benefits	884	797
Post-employment benefits	49	42
Share based payment	17	-
Other long term benefits	93	79
	1,043	919

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 19 to 22.

(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**	**29 June 2015**	**28 June 2014**	**29 June 2015**	**28 June 2014**
S Fallscheer	Centerville Loan Receivable	(593)	1,043	-	593
T Blundy	Coloskye Loan Receivable	(43)	76	-	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)	**29 June 2015**	**28 June 2014**	**29 June 2015**	**28 June 2014**
a) Loans				
Loan Receivable	(65)	114	-	65
Shareholder loan payable	5,524	4,648	-	(5,524)
b) Expenses				
Expense recharges	333	186	(22)	-

Transactions between the Lovisa Group and BB Retail Capital and related parties of Brett Blundy 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 and some interchange of management personnel. 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.

D5 AUDITORS' REMUNERATION

Consolidated ($000s)	**2015**	**2014**
a) KPMG		
Audit and review services		
Auditors of the Company - KPMG Australia		
Audit and review of financial statements	108,000	61,702
Network firms of KPMG Australia		
Audit and review of financial statements	72,000	88,211
Total remuneration for audit and review services	180,000	149,913
Other services		
Auditors of the Company - KPMG Australia		
In relation to other assurance, taxation and due diligence services	612,600	25,000
Network firms of KPMG Australia		
In relation to other assurance, taxation and due diligence services	15,536	13,034
Total remuneration for other services	628,136	38,034
Total remuneration of KPMG	808,136	187,947
b) Non-KPMG audit firms		
Audit and review services		
Audit and review of financial statements	13,444	8,409
Total remuneration for audit and review services	13,444	8,409
Other services		
In relation to other assurance, taxation and due diligence services	20,353	6,935
Total remuneration for other services	20,353	6,935
Total remuneration of non-KPMG audit firms	33,797	15,344
Total auditors remuneration	841,933	203,291

D6 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 28 June 2015 is set out as follows.

D6 DEED OF CROSS GUARANTEE (CONTINUED)

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

Consolidated ($000s)	**2015**
Revenue	96,431
Cost of sales	(24,075)
Gross profit	72,356
Salaries and employee benefits expense	(29,460)
Property expenses	(16,970)
Depreciation	(4,181)
Loss on disposal of property, plant and equipment	(76)
IPO transaction costs	(2,115)
Reversal of buy-back of company shares	14,756
Other expenses	(5,516)
Finance income	4
Finance costs	(283)
Profit before tax	28,515
Tax expense	(4,551)
Profit after tax	23,964
Other comprehensive income for the year, net of tax	-
Total comprehensive income for the year, net of tax	23,964
Retained earnings at beginning of year	(9,123)
Dividends recognised during the year	(14,591)
Retained earnings at end of year	250

D6 DEED OF CROSS GUARANTEE (CONTINUED)

Statement of financial position

Consolidated ($000s)	**28 June 2015**
Assets	
Cash and cash equivalents	1,107
Trade and other receivables	14,725
Inventories	9,256
Derivatives	30
Total current assets	25,118
Deferred tax assets	2,430
Property, plant and equipment	6,125
Investments	210,000
Total non-current assets	218,555
Total assets	243,673
Liabilities	
Bank overdraft	1,908
Trade and other payables	13,273
Employee benefits - current	1,225
Current tax liabilities	2,471
Provisions - current	595
Total current liabilities	19,472
Employee benefits - non-current	279
Loans and borrowings	12,000
Provisions - non current	2,221
Total non-current liabilities	14,500
Total liabilities	33,972
Net assets	209,701
Equity	
Issued capital	208,526
Common control reserve	925
Retained earnings	250
Total equity	209,701

D7 PARENT ENTITY DISCLOSURES

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 at 28 June 2015 the parent entity of the Group remains Lovisa Holdings Limited.

($000s)	**2015**
Result of parent entity	
Profit for the year	5,183
Other comprehensive income	-
Total comprehensive income for the year	5,183
Financial position of parent entity at year end	
Current assets	-
Total assets	211,013
Current liabilities	4,307
Total liabilities	4,307
Total equity of parent entity comprising of:	
Share capital	208,526
Accumulated losses	(1,820)
Total equity	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 28 June 2015.

(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 D6.

D8 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 28 June 2015:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- Interpretation 21 Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

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.

D9 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 2014; 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 LAS 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. The Group currently does not apply hedge accounting principles and as such, the impact of the new standard would not be material. If hedge accounting is applied in future periods it is likely that IFRS 9 will be early adopted due to the less rigid requirements in relation to hedge accounting under the new standard.
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.

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 34 to 67 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 28 June 2015 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

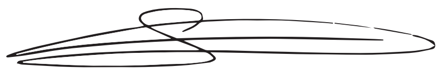
   (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note D6 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 28 June 2015.

4. The Directors draw attention to the Basis of Accounting for the consolidated financial statements set out on page 38, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors.



Shane Fallscheer

Director

Melbourne

27 August 2015

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 28 June 2015, 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 financial year ended on that date, basis of accounting set out on page 38, notes A1 to D9 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 38, 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.

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

KPMG

Independence

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

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 28 June 2015 and of its performance for the financial 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 in the basis of accounting set out on page 38.

Report on the remuneration report

We have audited the Remuneration Report included in paragraph 8 of the directors' report for the financial year ended 28 June 2015. 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 financial year ended 28 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

M. Bisetto

Maurice Bisetto
Partner

Melbourne

27 August 2015

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 audit for the financial year ended 28 June 2015 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

Melbourne

27 August 2015

ASX ADDITIONAL INFORMATION

ASX ADDITIONAL INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS (AS AT 27 JULY 2015)

SUBSTANTIAL SHAREHOLDERS

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder	**Number**
BB Retail Capital Pty Ltd	43,207,500
Centerville Pty Ltd	7,875,000

These shares are held in voluntary escrow until 28 August 2015.

VOTING RIGHTS

Ordinary shares

Refer to Note C1 in the financial statements.

Options

There are no voting rights attached to options.

Rights

There are no voting rights attached to rights.

Redeemable preference shares

There are no voting rights attached to redeemable preference shares.

Non-redeemable preference shares

There are no voting rights attached to non-redeemable preference shares.

Distribution of equity security holders

Category	Number of equity security holders	Units	% of Issued Capital
1 - 1,000	30	90,125,982	85.83
1,001 - 5,000	331	8,325,065	7.93
5,001 - 10,000	450	3,640,007	3.47
10,001 - 100,000	811	2,785,679	2.65
100,001 and over	205	123,267	0.12
	1,827	105,000,000	100.00

The number of shareholders holding less than a marketable parcel of ordinary shares is 31.

Securities Exchange

The Company is listed on the Australian Securities Exchange. The Home exchange is Sydney.

Other information

Lovisa Holdings Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

Twenty largest shareholders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number of ordinary shares held	Percentage of capital held
BB Retail Capital Pty Ltd	43,207,500	41.15
National Nominees Limited	12,747,385	12.14
Centerville Pty Ltd	7,875,000	7.50
HSBC Custody Nominees (Australia) Limited	3,771,345	3.59
RBC Investor Services Australia Nominees Pty Limited	3,626,169	3.45
J P Morgan Nominees Australia Limited	3,116,755	2.97
Citicorp Nominees Pty Limited	3,034,784	2.89
Grahger Capital Securities Pty Ltd	3,000,000	2.86
UBS Nominees Pty Ltd	1,294,464	1.23
Mrs Vanessa Louise Speer	1,227,460	1.17
Coloskye Pty Ltd	1,153,005	1.10
BNP Paribas Noms Pty Ltd	1,133,548	1.08
PBC Investments Pty Limited <PBC Super Fund A/C>	1,000,000	0.95
Truebell Capital Pty Ltd	580,000	0.55
Pershing Australia Nominees Pty Ltd	349,313	0.33
Citicorp Nominees Pty Limited	336,152	0.32
Marich Nominees Pty Ltd	296,820	0.28
RBC Investor Services Australia Nominees Pty Limited	282,715	0.27
Ellri Investment Trust	250,000	0.24
Ahrens Group Pty Ltd	250,000	0.24
Brispot Nominees Pty Ltd	242,761	0.23
Total	**88,775,176**	**84.55**
Balance of register	**16,224,824**	**15.45**
Grand total	**105,000,000**	**100.00**

CORPORATE DIRECTORY

Company Secretary

Iain Sadler, Chief Financial Officer and Company Secretary since 2010.

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
Level 1
333 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