

# **Lavomer Riah Holdings Pty Ltd**

ABN 78 150 747 649

## **Interim report for the half-year ended 31 December 2015**

**Lavomer Riah Holdings Pty Ltd** ABN 78 150 747 649  
**Interim report for the half-year ended - 31 December  
2015**

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**Lavomer Riah Holdings Pty Ltd**  
**Consolidated statement of comprehensive**  
**income for the half-year ended**  
**31 December 2015**

		<b>Consolidated</b>	
		<b>31 December</b>	<b>31 December</b>
		<b>2015</b>	<b>2014</b>
		<b>\$</b>	<b>\$</b>
	Notes		
<b>Revenue from continuing operations</b>		62,197,464	33,713,309
Cost of goods sold		<u>(36,048,184)</u>	<u>(19,734,259)</u>
<b>Gross profit from corporate stores</b>		26,149,280	13,979,050
Franchise and other revenue	4(a)	2,568,245	3,914,685
Employee benefits expense		(7,857,443)	(4,987,183)
Depreciation and amortisation expense		(410,042)	(310,665)
Marketing and advertising expenses		(4,113,076)	(3,673,426)
Occupancy expenses		(4,572,419)	(2,591,881)
Other expenses		(2,887,809)	(1,765,183)
Finance costs		<u>(392,266)</u>	<u>(166,425)</u>
<b>Profit before income tax</b>		8,484,470	4,398,972
<b>Income tax expense</b>		<u>(2,721,483)</u>	<u>(882,897)</u>
<b>Profit for the year</b>		<u>5,762,987</u>	<u>3,516,075</u>
<i>Item that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>(32,162)</u>	<u>(13,603)</u>
Other comprehensive income for the year		<u>(32,162)</u>	<u>(13,603)</u>
<b>Total comprehensive income for the year</b>		<u>5,730,825</u>	<u>3,502,472</u>
Profit is attributable to:			
Owners of Lavomer Riah Holdings Pty Ltd		<u>5,762,987</u>	<u>3,516,075</u>
Total comprehensive income for the year is attributable to:			
Owners of Lavomer Riah Holdings Pty Ltd		<u>5,730,825</u>	<u>3,502,472</u>
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per share for profit attributable to the ordinary equity holders of the company:</b>			
Basic earnings per share		54.68	33.36
Diluted earnings per share		54.68	33.36

*The above Consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Lavomer Riah Holdings Pty Ltd**  
**Consolidated statement of financial position**  
**As at 31 December 2015**

		<b>Consolidated</b>	
		<b>31 December 2015</b>	<b>30 June 2015</b>
<b>ASSETS</b>			
<b>Current assets</b>	Notes	\$	\$
Cash and cash equivalents	5	20,104,435	68,695
Trade and other receivables		4,101,101	1,605,607
Current tax receivable		-	354,158
Inventories		19,752,039	13,972,059
<b>Total current assets</b>		<b>43,957,575</b>	<b>16,000,519</b>
<b>Non-current assets</b>			
Property, plant and equipment	6	4,129,866	3,150,788
Deferred tax assets		4,210,996	3,449,121
Intangible assets	7	32,491,867	30,169,728
<b>Total non-current assets</b>		<b>40,832,729</b>	<b>36,769,637</b>
<b>Total assets</b>		<b>84,790,304</b>	<b>52,770,156</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		29,855,377	8,649,817
Current tax liabilities		1,442,195	-
Employee provisions		872,854	652,195
Other liabilities		141,988	-
Borrowings	8	-	255,736
<b>Total current liabilities</b>		<b>32,312,414</b>	<b>9,557,748</b>
<b>Non-current liabilities</b>			
Borrowings	8	18,849,267	15,899,267
Other non-current liabilities		1,397,452	1,014,958
<b>Total non-current liabilities</b>		<b>20,246,719</b>	<b>16,914,225</b>
<b>Total liabilities</b>		<b>52,559,133</b>	<b>26,471,973</b>
<b>Net assets</b>		<b>32,231,171</b>	<b>26,298,183</b>
<b>EQUITY</b>			
Contributed equity		10,539,383	10,539,383
Other reserves		193,842	23,841
Retained earnings		21,497,946	15,734,959
<b>Total equity</b>		<b>32,231,171</b>	<b>26,298,183</b>

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

**Lavomer Riah Holdings Pty Ltd**  
**Consolidated statement of changes in equity**  
**For the half year ended 31 December 2015**

	Attributable to owners of Lavomer Riah Holdings Pty Ltd			Total equity \$
	Contributed equity \$	Other reserves \$	Retained earnings \$	
<b>Balance at 1 July 2014</b>	10,539,383		7,353,435	17,892,818
Profit/(loss) for the period	-	-	3,516,075	3,516,075
Other comprehensive income	-	(13,603)	-	(13,603)
<b>Total comprehensive income for the period</b>	-	(13,603)	3,516,075	3,502,472
<b>Balance at 31 December 2014</b>	10,539,383	(13,603)	10,869,510	21,395,290
<b>Balance at 1 July 2015</b>	10,539,383	23,841	15,734,959	26,298,183
Profit/(loss) for the period	-	-	5,762,987	5,762,987
Other comprehensive income	-	(32,162)	-	(32,162)
<b>Total comprehensive income for the period</b>	-	(32,162)	5,762,987	5,730,825
Employee share scheme		202,163		202,163
<b>Balance at 31 December 2015</b>	10,539,383	193,842	21,497,946	32,231,171

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

**Lavomer Riah Holdings Pty Ltd**  
**Consolidated statement of cash flows**  
**For the half year ended 31 December 2015**

	31 December 2015	Consolidated 31 December 2014
Notes	\$	\$
<b>Cash flow from operating activities</b>		
Receipts from customers (inclusive of goods and services tax)	68,327,040	34,720,600
Payments to suppliers and employees (inclusive of goods and services tax)	(44,560,978)	(26,416,449)
	<u>23,766,062</u>	<u>8,304,151</u>
Interest received	17,062	18,090
Interest paid	(409,328)	(184,515)
Income taxes paid	(679,005)	(902,170)
<b>Net cash inflow from operating activities</b>	<u>22,694,791</u>	<u>7,235,556</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	6 (1,328,443)	(1,563,016)
Payments for acquisition of corporate stores	9 (4,057,298)	(1,173,360)
Payments for brand intangibles	-	(118,107)
<b>Net cash (outflow) from investing activities</b>	<u>(5,385,741)</u>	<u>(2,854,483)</u>
<b>Cash flows from financing activities</b>		
Net proceeds / (repayments) from borrowings	<u>2,950,000</u>	<u>(558,733)</u>
<b>Net cash inflow from financing activities</b>	<u>2,950,000</u>	<u>(558,733)</u>
<b>Net increase in cash and cash equivalents</b>	<b>20,259,050</b>	<b>3,822,340</b>
Cash and cash equivalents at the beginning of the financial period	(187,041)	976,034
Effects of exchange rate changes on cash and cash equivalents	32,426	64,794
<b>Cash and cash equivalents at end of period</b>	<u>5 20,104,435</u>	<u>4,863,168</u>

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

## 1. Basis of preparation of half-year report

This condensed half-year report has been prepared on the basis that the Group is preparing for an initial public offering ("IPO") on the Australian Securities Exchange ("ASX"). The report is required for the purpose of including the results and balances of the 6 month period to 31 December 2015 in the public prospectus that will be lodged with the ASX prior to the IPO. It is a requirement under the ASX Listing Rules, that the financial statements for the 3 years prior to the IPO are lodged with the ASX along with the prospectus, including half-year results if more than 8 months have lapsed since the most recent year-end.

While this interim report for the half-year ended 31 December 2015 is a non-statutory report, it has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting.

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

Where appropriate, prior year comparatives presented have been updated to be consistent with presentation at 31 December 2015. Prior year receivable and shareholder equity comparative balances have also been adjusted to reflect updated understanding of shareholder loan agreements entered into through the financial year ending 30 June 2015. In the half year ending 31 December 2016 the Company determined that supplier rebates which had historically been recognised within revenue should be recognised within cost of goods sold and marketing expenses.

### (a) New and amended standards adopted by the company

None of the new standards and amendments to standards that are mandatory for the first time for the financial period beginning 1 July 2015 affected any of the amounts recognised in the current period and are not likely to affect future periods.

The company has not elected to apply any pronouncements before their operative date in the reporting period beginning 1 July 2015.

### (b) Impact of standards issued but not yet applied by the entity

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the company. The company's assessment indicates that there are no new Australian Accounting Standards or interpretations that have been issued but are not yet effective with an expected material impact on the company's financial statements in the period of initial application.

## 2. Summary of significant accounting policies

### (a) Principles of consolidation of subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lavomer Riah Holdings Pty Ltd ('Company' or 'parent entity') as at 31 December 2015 and the results of all subsidiaries for the period then ended. Lavomer Riah Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including structured 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 involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the group. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## 2. Summary of significant accounting policies (continued)

### (b) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the interim financial statements of each of the company's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The interim financial statements are presented in Australian dollars, which is Lavomer Riah Holdings Pty Ltd's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

### (c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company's activities as described below.

The specific accounting policies for the group's main types of revenue are explained on the following basis:

#### (i) Sale of goods

Revenue from the sale of goods is recognised at the point of sale in the retail store, as this corresponds to the transfer of significant risks and rewards of ownership of the goods and cessation of all involvement in those goods.

#### (ii) Royalty fee income

Royalty fee income includes advertising contributions, which is generally earned based upon a percentage of sales, is recognised on an accrual basis.

#### (iii) Interest income

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets is the rate inherent in the instrument.



## 2. Summary of significant accounting policies (continued)

### (d) Income tax

Interim period income tax expense is accrued using the tax rate that would be applicable to expected total annual earnings, that is the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

#### *(i) Tax consolidation legislation*

Lavomer Riah Holdings Pty Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Lavomer Riah Holdings Pty Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Lavomer Riah Holdings Pty Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

### (e) Leases

Leases of property, plant and equipment where the company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

### (f) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

## 2. Summary of significant accounting policies (continued)

### (g) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### (h) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### (i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting period.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

### (j) Inventories

Finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct shipping costs and an appropriate proportion of variable and fixed overhead expenditure to bring the inventories into their current location. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## 2 Summary of significant accounting policies (continued)

### (k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Plant and equipment	5 - 10 years
- Leasehold improvement	5 years
- Computer equipment and software	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

### (l) Intangible assets

Goodwill is measured as described in note 1(g). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, are identified according to operating segments.

#### Brand names

Brand names have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the cost of the brand names over their useful life of 20 years.

### (m) Trade and other payables

These amounts represent liabilities for goods and services provided to the company prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

## 2. Summary of significant accounting policies (continued)

### (n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

### (o) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

### (p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

## 2. Summary of significant accounting policies (continued)

### (q) Employee benefits

#### (i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the reporting period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### (ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the reporting period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high-quality corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

#### (iii) Share based payments

Share based compensation benefits are provided to employees via the Lavomer Riah Holdings Pty Ltd Employee Loan Share Plan.

The fair value of shares granted under the Lavomer Riah Holdings Pty Ltd Employee Performance Share Plan is recognised as an employee benefit expense with a corresponding increase in equity. The design of the Loan Share Plan results in it being treated as an in substance Option for the purposes of fair valuing share awards under the Share Based Payment accounting standards. The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied. At the end of each period, the entity revises estimates of the number of shares that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Information on the Employee Loan Share Plan:

The establishment of the Lavomer Riah Holdings Pty Ltd Employee Loan Share Plan was approved by the shareholders in August 2014. The Employee Loan Share Plan is designed to provide long-term incentives for senior managers and above to deliver long-term shareholder returns. Under the plan, participants are granted shares which only vest if an exit event occurs, except for Class A shares in which no vesting conditions exist. Shares granted under the plan are funded by an employee loan contract provided by the Company, the loan will be paid back upon vesting of the shares. The loan amount of the shares is based on market value of the Company shares at grant date. Class A shares are entitled to a discretionary dividend at the board's discretion. There are no voting rights of the shares granted. On vesting each special class of loan funded share is convertible into one ordinary share.

### (r) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (s) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## 2. Summary of significant accounting policies (continued)

### (t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

## 3. Operating segments

### *Identification of reportable segments*

The Group operates within one reportable segment, being retail store sales of variety specialist personal grooming products through their corporate stores, and royalty income from franchise stores. Total revenue disclosed in the consolidated statement of comprehensive profit and loss all relates to this one reportable segment. The Group is not reliant on any single customer.

### *Operating segment information*

For financial information in respect of the reporting segment refer to Consolidated Statement of Financial position (page 4) and the Consolidated Statement of Comprehensive Income (page 3)

#### 4. Significant profit and loss information

##### Significant items:

##### (a) Franchise and Other revenue

	<b>Consolidated 31 December 2015</b>	<b>Consolidated 31 December 2014</b>
<b>Franchise Revenue</b>	<b>\$</b>	<b>\$</b>
Franchise Royalties	2,350,980	3,662,714
Franchise fees	-	31,445
	<u>2,350,980</u>	<u>3,694,159</u>
<b>Other revenue</b>		
Other revenue	17,067	16,309
Advertising contributions	200,198	204,217
	<u>217,265</u>	<u>220,526</u>
<b>Total Franchise and other revenue</b>	<b><u>2,568,245</u></b>	<b><u>3,914,685</u></b>

#### 5. Cash

	<b>Consolidated 31 December 2015</b>	<b>Consolidated 30 June 2015</b>
	<b>\$</b>	<b>\$</b>
Cash on hand	101,536	68,695
Cash at bank	<u>20,002,899</u>	<u>-</u>
	<u>20,104,435</u>	<u>68,695</u>

## 5. Cash - continued

### (a) Reconciliation to cash flow statement

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	<b>Consolidated</b>	Consolidated
	<b>31 December</b>	30 June 2015
	<b>2015</b>	
Balances as above	20,104,435	68,695
Bank overdrafts	-	(255,736)
Balance as per statement of cash flows	<u><b>20,104,435</b></u>	<u>(187,041)</u>

## 6. Non-current assets – Property, plant and equipment

	Plant and equipment	Leasehold improvements	Computer equipment	Assets under construction*	Total
	\$	\$	\$	\$	\$
<b>At 30 June 2015</b>					
Cost	3,756,831	319,251	539,228	166,181	4,781,491
Accumulated depreciation	(1,058,872)	(283,558)	(288,273)	-	(1,630,703)
Net book amount	<u>2,697,959</u>	<u>35,693</u>	<u>250,955</u>	<u>166,181</u>	<u>3,150,788</u>
<b>Half year ended 31 December 2015</b>					
Opening net book amount	2,697,959	35,693	250,955	166,181	3,150,788
Additions	20,210	-	65,375	1,242,858	1,328,443
Transfers in/(out)	707,984	-	32,234	(740,218)	-
Depreciation charge	(319,784)	(3,717)	(50,330)	-	(373,831)
Exchange differences	23,708	-	485	273	24,466
Closing net book amount	<u>3,130,077</u>	<u>31,976</u>	<u>298,719</u>	<u>669,094</u>	<u>4,129,866</u>
<b>At 31 December 2015</b>					
Cost	4,512,891	319,251	637,571	669,094	6,138,807
Accumulated depreciation	(1,382,814)	(287,275)	(338,852)	-	(2,008,941)
Net book amount	<u>3,130,077</u>	<u>31,976</u>	<u>298,719</u>	<u>669,094</u>	<u>4,129,866</u>

\* Assets under construction represents leasehold improvements in progress at year end.



## 7. Non-current assets – Intangible assets

	Brands \$	Goodwill \$	Total \$
<b>At 30 June 2015</b>			
Cost	1,445,365	28,991,439	30,436,804
Accumulated amortisation	(267,076)	-	(267,076)
Net book amount	<u>1,178,289</u>	<u>28,991,439</u>	<u>30,169,728</u>
<b>Half year ended 31 December 2015</b>			
Opening net book amount	1,178,289	28,991,439	30,169,728
Additions	-	2,352,000	2,352,000
Disposals	-	-	-
Exchange differences	6,350	-	6,350
Amortisation charge	(36,211)	-	(36,211)
Closing net book amount	<u>1,148,428</u>	<u>31,343,439</u>	<u>32,491,867</u>
<b>At 31 December 2015</b>			
Cost	1,451,795	31,343,439	32,795,234
Accumulated amortisation	(303,367)	-	(303,367)
Net book amount	<u>1,148,428</u>	<u>31,343,439</u>	<u>32,491,867</u>

## 8. Borrowings

	Consolidated 31 December 2015 \$	Consolidated 30 June 2015 \$
<b>Secured</b>		
Current: Bank overdraft	-	255,736
Non-current: Bank loans	<u>18,849,267</u>	<u>15,899,267</u>
	<u>18,849,267</u>	<u>16,155,003</u>

**9. Business Combinations**

The Company acquired four franchise stores on 4 August 2015, one franchise store on 22 September 2015 and one franchise store on 29 September 2015, during the six months to 31 December 2015 with a total purchase consideration of \$4.06m.

The acquisitions are expected to increase the group's retail sales, and synergies are expected to arise after the company's acquisition of these stores.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

<b>Purchase consideration</b>	<b>Total \$</b>
Cash paid	4,057,298
<b>Total purchase consideration</b>	<u>4,057,298</u>

***The assets and liabilities recognised as a result of the acquisition are as follows:***

Inventories	752,629
Deferred tax assets	1,008,000
Receivables	13,531
Payables	<u>(68,862)</u>
Net identifiable assets acquired	<u>1,705,298</u>
Add: goodwill	<u>2,352,000</u>

**(a) Current period**

The goodwill is attributable to the retail stores bought back, strong profitability in trading personal grooming products, and synergies expected to arise after the company's acquisition of these stores.

***Acquisition related costs***

Acquisition related costs of \$21,000 are included in other expenses in profit and loss.

***Revenue and profit contribution***

The acquired franchise stores contributed revenue of \$5,200,430 and net profit of \$526,659 to the group for the period from 4 August 2015 to 31 December 2015. If the acquisitions had occurred on 1 July 2015, consolidated pro-forma revenue for the half year ending 31 December 2015 would have been \$6,187,051, pro-forma profit for the period from 1 July cannot be determined by the Company.

**10. Contingencies**

The Group has no contingent liabilities or claims as at 31 December 2015.

**11. Fair Value measurements of financial instruments**

The group has a number of financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair value are not materially different to their carrying amounts, since the interest receivable/payable is either close to the current market rates or the instruments are short-term in nature.

**12. Significant changes in the current reporting period**

The group acquired 14 Buy backs during the period January 2015 through June 2015. In the period July 2015 through December 2015, the group acquired a further six Buybacks (Note 9) and opened an additional six Greenfield sites.

*Seasonality of operations*

The Company's sales exhibit some seasonality towards the first half of the financial year primarily as a result of key sales events Father's Day (1<sup>st</sup> Sunday in September) and Christmas. The seasonality towards the first half is lessened to some extent by:

- The timing of franchise store buy backs and new store openings which occur progressively throughout any given year and therefore often make a higher sales contribution in the second half; and

**13. Events occurring after the reporting period**

On 7 March 2016 and 30 March 2016 the company acquired the Fountain Gate and Miranda franchise stores for a total purchase consideration of \$2.24m. No other matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the company, the results of those operations or the state of affairs of the company or economic entity in subsequent financial periods.

In the Directors' opinion:

- a) The financial statements, comprising; the consolidated statement of comprehensive income; consolidated statements of financial position; consolidated statement of changes in equity; consolidated statement of changes in cash flows; and accompanying notes,
  - (i) comply with Accounting Standards and other professional reporting requirements and
  - (ii) giving a true and fair view of the consolidated entity's financial position at 31 December 2015 and of its performance for the half-year ended on that date; and
  
- b) there are reasonable grounds to believe Lavomer Riah Holdings Pty Ltd will pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of directors.

On behalf for the Board of Lavomer Riah Holdings Pty Ltd



Broderick Arnhold  
Director  
Melbourne

9 May 2016



## **Independent auditor's review report to the members of Lavomer Riah Holdings Pty Ltd**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Lavomer Riah Holdings Pty Ltd (the company), which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Lavomer Riah Holdings Pty Ltd Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

The directors of the company are responsible for the preparation of the half-year financial report that presents fairly in accordance with Australian Accounting Standards and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements *ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner who is not the Auditor of the Entity*. ASRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the half-year financial report does not, in all material respects, give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*. This Standard also requires us to comply with relevant ethical requirements..

A review of a half-year financial report in accordance with ASRE 2400 is a limited assurance engagement. The assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

The procedures performed in a review are substantially less in scope than those performed in an audit conducted in accordance with Australian Auditing Standards. Accordingly, we do not express an audit opinion.

**PricewaterhouseCoopers Securities Ltd, ACN 003 311 617, ABN 54 003 311 617, Holder of  
Australian Financial Services Licence No 244572**

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## **Independent auditor's review report to the members of Lavomer Riah Holdings Pty Ltd (continued)**

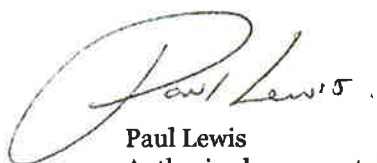
### *Conclusion*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of Lavomer Riah Holdings Pty Ltd does not:

1. give a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date;
2. comply with Accounting Standard AASB 134 *Interim Financial Reporting*.

### *Basis of Accounting and Restriction on Use*

Without modifying our conclusion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The half-year financial report is prepared for internal purposes in connection with the proposed IPO. As a result the half-year financial report may not be suitable for another purpose. Our report is intended solely for the members of Lavomer Riah Holdings Pty Ltd.



Paul Lewis  
Authorised representative of PwC Securities

Melbourne  
9 May 2016