Lovisa Holdings Limited
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Lovisa Holdings Limited
Appendix 4D
Half Yearly Report
For the half-year ended 30 December 2018

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross referenced to the FY2019 Interim Financial Report which is attached.

1. Company details

Company Name	Lovisa Holdings Limited
ACN	602 304 503
Reporting Period	26 weeks ended 30 December 2018
Prior Half Year Reporting Period	26 weeks ended 31 December 2017
Prior Financial Year Ended	1 July 2018

2. Results for announcement to the market

Comparison to the prior period (Appendix 4D items 2.1 to 2.3)	Increase/ Decrease	Change %	To A$'000s
Revenue from ordinary activities	**Increase**	**12.3%**	**133,195**
Profit before tax	**Increase**	**5.4%**	**36,588**
Profit after tax attributable to the members	**Increase**	**2.7%**	**25,517**

Dividends / distributions (Appendix 4D item 2.4)	Amount per security	Franked amount per security
Interim dividend for the year ended 30 June 2019 to be paid on 26th April 2019	**18.0 cents**	**18.0 cents**

Record date for determining entitlement to the dividend (Appendix 4D item 2.5)	**12th March, 2019**

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

For the half-year ended 30 December 2018 the Company reported net profit after tax of $25.5m following same store sales growth of -1.8% and an additional 40 stores across the globe. Gross Profit increased 13.0% to $107.8m reflecting an increase in margin from 80.4% to 81.0%. Other costs of doing business (excluding depreciation) increased from 48.1% in the prior half to 50.4%.

The Company's cash generated from operating activities was $49.1m compared to $44.9m in the prior half year.

This result reflects an increase of 2.7% on the Company's half-year December 2017 statutory net profit after tax.

3. Dividends

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

4. Dividend reinvestment plans

Not applicable.

5. Net tangible asset per security

	Current period	**Previous period**
Net tangible asset backing per ordinary share	**$0.51**	**$0.42**

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

Not applicable.

7. Details of associates and joint ventures

Not applicable.

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

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

9. Dispute or qualification arising from auditor's review

Not applicable.

Signed on behalf of Lovisa Holdings Limited, on the 19 February 2019

Chris Lauder
Company Secretary

LOVISA HOLDINGS LIMITED

INTERIM FINANCIAL REPORT

FOR THE 26 WEEKS ENDED
30 DECEMBER 2018

ACN 602 304 503

BRINGING BRILLIANTLY AFFORDABLE
FASHION JEWELLERY TO THE **WORLD**

CONTENTS

COMPANY OVERVIEW

DIRECTORS' REPORT

The Directors present their report on the consolidated entity consisting of Lovisa Holdings Limited and the entities it controlled at the end of, or during, the half year ended 30 December 2018.

1. OPERATING AND FINANCIAL REVIEW

Lovisa's revenue for 1H FY2019 was $133.2m. This is an increase of $14.6m (12.3%) on 1H FY2018. Revenue growth was achieved through the net opening of 33 new company owned stores and 7 new franchise stores. Like for like sales performance was -1.8%. Lovisa closed the half with 335 company owned stores and 31 franchise stores. The international rollout of stores continued with 36 stores trading in the United Kingdom at the end of the period, 8 stores in both Spain and the US and 7 stores in France.

The gross profit for the half was $107.8m, an increase of $12.4m on the prior half. Gross margin for the half was 81.0% compared to 80.4% for the first half of the prior year. Gross margin on a constant currency basis would have been 80.5%.

Cost of doing business (CODB) for the half was 50.4%, compared to 48.1% for the first half of the prior year. Lovisa continues to invest in the expansion of its global footprint.

Earnings before interest and tax were $36.5m, an increase of $1.8m (5.1%) on the prior year. Net profit after tax was $25.5m an increase of 2.7% on the prior half.

The Company's balance sheet remains strong with net cash of $32m on hand at balance date.

The Company's cashflow from operations was $36.9m compared to $37.2m from the prior period. Capital expenditure predominantly from new stores and existing store refurbishments was $12.5m.

2. DIRECTORS

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

Shane Fallscheer	Managing Director
Tracey Blundy	Non-Executive Director
James King	Non-Executive Director

Brett Blundy was appointed as a Non-Executive Director and Chairman effective 1 November 2018. Brett was previously appointed as an Alternate Director to Tracey Blundy.

John Armstrong was appointed as a Non-Executive Director effective 25 September 2018.

Michael Kay resigned as a Non-Executive Director on 30 October 2018.

3. DIVIDENDS

Since the end of the half-year, the Directors have resolved to pay an interim dividend of 18.0 cents per share fully franked.

The interim dividend will be paid on 26 April 2019.

4. AUDITORS INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

5. ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of Directors

Brett Blundy

Non-Executive Chairman

Shane Fallscheer

Managing Director

Melbourne, 19 February 2019

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30TH DECEMBER 2018

Consolidated ($000s)	Note	30 December 2018	1 July 2018*	31 December 2017*
Assets				
Cash and cash equivalents		32,284	21,057	33,034
Trade and other receivables		4,631	4,881	3,781
Inventories		19,474	14,945	14,670
Derivatives		1,268	1,429	-
Total current assets		57,657	42,312	51,485
Deferred tax assets		4,835	4,535	4,097
Property, plant and equipment	5	30,574	22,411	19,685
Intangible assets and goodwill	6	3,890	3,563	2,495
Total non-current assets		39,299	30,509	26,277
Total assets		96,956	72,821	77,762
Liabilities				
Trade and other payables		20,591	11,747	14,702
Employee benefits - current		2,831	2,416	2,508
Provisions - current	7	1,852	1,117	1,266
Derivatives		-	-	609
Current tax liabilities		5,508	6,534	7,277
Total current liabilities		30,782	21,814	26,362
Employee benefits - non current		983	780	721
Provisions - non current	7	7,414	4,985	4,501
Total non-current liabilities		8,397	5,765	5,222
Total liabilities		39,179	27,579	31,584
Net assets		57,777	45,242	46,178
Equity				
Issued capital		209,791	208,526	208,526
Common control reserve		(208,906)	(208,906)	(208,906)
Other reserves		2,953	2,270	667
Retained earnings		53,939	43,352	45,892
Total equity		57,777	45,242	46,178

** The Group has initially applied AASB 15 and AASB 9 at 2 July 2018. Under the transition method chosen comparative information is not restated.*

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

Consolidated ($000s)	Note	30 December 2018	31 December 2017*
Revenue	2	133,195	118,615
Cost of good sold		(25,370)	(23,227)
Gross profit		107,825	95,388
Salaries and employee benefits expense		(32,451)	(28,167)
Property expenses		(20,074)	(16,407)
Distribution costs		(3,995)	(3,432)
Depreciation		(4,209)	(3,595)
(Loss) on disposal of property, plant and equipment		(223)	(67)
Other expenses		(10,384)	(8,986)
Results from operating activities		36,489	34,734
Finance income		194	18
Finance expense		(95)	(24)
Net financing income		99	(6)
Profit before income tax		36,588	34,728
Income tax expense		(11,071)	(9,885)
Profit for the period		25,517	24,843
Other comprehensive income			
Items that may be reclassified to profit or loss:			
OCI - Cash flow hedges		(302)	188
OCI - Foreign operations - foreign currency translation differences		629	610
		327	798
Other comprehensive income, net of tax		327	798
Total comprehensive income		25,844	25,641
Profit attributable to:			
Owners of the company		25,517	24,843
		25,517	24,843
Total comprehensive income attributable to:			
Owners of the Company		25,844	25,641
		25,844	25,641
Earnings per share			
Basic earnings per share (cents)		24.17	23.66
Diluted earnings per share (cents)		23.57	22.99

** The Group has initially applied AASB 15 and AASB 9 at 2 July 2018. Under the transition method chosen comparative information is not restated.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

AS AT 30TH DECEMBER 2018

		Attributable to Equity Holders of the Company						
Consolidated ($000s)	**Note**	**Share Capital**	**Common Control Reserve**	**Retained Earnings**	**Share Based Payments Reserve**	**Cash Flow Hedge Reserve**	**Foreign Currency Translation Reserve**	**Total Equity**
Balance at 3 July 2017		208,526	(208,906)	29,030	556	(731)	(286)	28,189
Total comprehensive income								
Profit		-	-	24,843	-	-	-	24,843
Cash flow hedges		-	-	-	-	188	-	188
Foreign operations - foreign currency translation differences		-	-	-	-	-	610	610
Total comprehensive income for the year		-	-	24,843	-	188	610	25,641
Transactions with owners of the Company								
Contributions and distributions								
Employee share schemes		-	-	-	330	-	-	330
Dividends	4	-	-	(7,981)	-	-	-	(7,981)
Total contributions and distributions		-	-	(7,981)	330	-	-	(7,652)
Total transactions with owners of the Company		-	-	(7,981)	330	-	-	(7,652)
Balance at 31 December 2017*		208,526	(208,906)	45,892	886	(543)	324	46,178
Balance at 2 July 2018*		208,526	(208,906)	43,352	896	1,250	124	45,242
Impact of change in accounting policy	1	-	-	(151)	-	-	-	(151)
		208,526	(208,906)	43,201	896	1,250	124	45,091
Total comprehensive income								
Profit		-	-	25,517	-	-	-	25,517
Cash flow hedges		-	-	-	-	(302)	-	(302)
Foreign operations - foreign currency translation differences		-	-	-	-	-	629	629
Total comprehensive income for the year		-	-	25,517	-	(302)	629	25,844
Transactions with owners of the Company								
Contributions and distributions								
Employee share schemes		-	-	-	356	-	-	356
Share options exercised		1,265	-	-	-	-	-	1,265
Dividends	4	-	-	(14,779)	-	-	-	(14,779)
Total contributions and distributions		1,265	-	(14,779)	356	-	-	(13,158)
Total transactions with owners of the Company		1,265	-	(14,779)	356	-	-	(13,158)
Balance at 30 Dec 2018		209,791	(208,906)	53,939	1,252	948	753	57,777

** The Group has initially applied AASB 15 and AASB 9 at 2 July 2018. Under the transition method chosen comparative information is not restated.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

Consolidated ($000s)	Note	30 December 2018	31 December 2017*
Cash flows from operating activities			
Cash receipts from customers		148,670	132,510
Cash paid to suppliers and employees		(99,528)	(87,581)
Cash generated from operating activities		49,142	44,929
Interest received		194	18
Interest paid		(95)	(24)
Income taxes paid		(12,360)	(7,689)
Net cash from operating activities		36,881	37,234
Cash flows from investing activities			
Acquisition of fixed assets	5	(12,222)	(7,430)
Acquisition of key money intangibles	6	(318)	-
Proceeds from sale of property, plant and equipment		61	-
Net cash (used in) investing activities		(12,479)	(7,430)
Cash flows from financing activities			
Share options exercised		1,265	-
Dividends paid	4	(14,779)	(7,981)
Net cash (used in) financing activities		(13,514)	(7,981)
Net increase in cash and cash equivalents		10,888	21,823
Cash and cash equivalents at the beginning of the period		21,057	11,039
Effect of movement in exchange rates on cash held		339	172
Cash and cash equivalents at the end of the period		32,284	33,034

** The Group has initially applied AASB 15 and AASB 9 at 2 July 2018. Under the transition method chosen comparative information is not restated.*

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

1 Summary of significant accounting policies

Lovisa Holdings Limited (the "Company") is a for-profit company incorporated and domiciled in Australia with its registered office at Level 1, 818 Glenferrie Road, Hawthorn, Victoria 3122. The consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group companies"). The Group is primarily involved in the retail sale of fashion jewellery and accessories.

Lovisa Holdings Limited operates within a retail financial period. The current financial period was a 26 week period ended on the 30 December 2018 (2017: 26 week period ending 31 December 2017).

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

Basis of accounting

This condensed consolidated interim financial report for the half-year reporting period ended 30 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 1 July 2018.

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

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

The Group has initially adopted IFRS 15 Revenue from Contracts with Customers (see A) from 2 July 2018. A number of other new standards are effective from 2 July 2018 but they do not have a material effect on the Group's financial statements, including IFRS 9 Financial Instruments, of which the impact is described in note 1B.

A IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 2 July 2018). Accordingly, the information presented for 2017 has not been restated.

Details on the changes to accounting policy for revenue have been included in note 3.

The following table summarises the impact, net of tax, of transition to IFRS 15 on retained earnings at 30 December 2018.

($000s)	**Impact of adopting IFRS 15 at 30 December 2018**
Retained earnings	
Sales with a right of return	204
Related tax	(53)
Impact at 2 July 2018	151

The following tables summarise the impacts of adopting IFRS 15 on the Group's interim statement of financial position as at 30 December 2018 and its interim statement of profit or loss for the 26 weeks then ended for each of the line items affected. There was no material impact on the Group's interim statement of cash flows for the 26 weeks ended 30 December 2018.

Impact on the condensed interim consolidated statement of financial position

($000s)	**As reported**	**Adjustments**	**Amounts without adoption of IFRS 15**
Inventory	19,474	(96)	19,378
Deferred tax assets	4,835	(102)	4,733
Total assets	96,965	(198)	96,767
Current tax liabilities	(5,508)	49	(5,459)
Provisions	(9,266)	499	(8,767)
Total liabilities	(39,188)	548	(38,640)
Retained earnings	53,939	350	54,289
Total equity	57,777	300	54,342

Impact on the interim consolidated statement of profit or loss

($000s)	**As reported**	**Adjustments**	**Amounts without adoption of IFRS 15**
Revenue	133,195	246	133,441
Cost of sales	(25,370)	(47)	(25,417)
Gross profit	107,825	199	108,024
Profit before tax	36,588	199	36,787
Income tax expense	(11,071)	-	(11,071)
Profit for the period	25,517	199	25,716

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

1 Summary of significant accounting policies (continued)

B AASB 9 Financial Instruments

On 2 July 2018 the Group adopted AASB 9, replacing the previous accounting standard, AASB 139 Financial Instruments. The group has taken advantage of the exemption from restating comparative information for prior periods with respect to classification and measurement (including impairment) requirements.

The hedge accounting requirements of AASB 9 have been applied. AASB 9 requires the Group to ensure that hedge accounting relationships are aligned with the Group's risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness. AASB 9 also introduces new requirements on rebalancing hedge relationships and prohibiting voluntary discontinuation of hedge accounting. Under the new model, it is possible that more risk management strategies, particularly those involving hedging a risk component (other than foreign currency risk) of a non-financial item, will be likely to qualify for hedge accounting. The Group does not currently undertake hedges of such risk components.

The Group uses forward foreign exchange contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to inventory purchases. The types of hedge accounting relationships that the Group currently of AASB 9 and are aligned with the entity's risk management strategy and objective. The impact on reserves and retained earnings at 2 July 2018 as a result of the application of the AASB 9 hedge accounting requirements is not material.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 are recognised in retained earnings at 2 July 2018, and are not material for the Group. These relate solely to the recognition of expected credit losses (ECLs) as a result of the revised requirements for impairment of the new standard. The key changes to the Group's accounting policies and the impacts resulting from the adoption of AASB 9 are described below.

ii) Classification & measurement of financial assets and financial liabilities

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. The Group has assessed that the new classification requirements does not have a material impact on its accounting for trade receivables.

AASB 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under AASB 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so therefore there is no material impact regarding the classification of financial liabilities at 2 July 2018.

iii) Impairment

AASB 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under AASB 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables without a significant financing component; the Group has chosen to apply this policy also for trade receivables with a significant financing component.

The cash and cash equivalents are held with bank and financial institution counterparties, with a minimum 'A' rating. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties.

Standards and interpretations not yet adopted

AASB 16 Leases - This standard contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors. On the adoption of AASB 16, the Group will recognise qualifying leases as right-of-use assets and lease liabilities. Occupancy expenses for these leases will be replaced by depreciation charges and interest expenses.
The Group's detailed assessment of the potential impact on its consolidated financial statements is ongoing.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

2 Operating segments

(a) Basis for segmentation

The Chief Operating Decision Maker (CODM) for Lovisa Holdings Limited and its controlled entities, is the Managing Director (MD). For management purposes, the Group is organised into geographic segments to review sales by territory. All territories offer similar products and services and are managed by sales teams in each territory reporting to regional management, however overall company performance is managed on a global level by the MD and the Group's management team. Store performance is typically assessed at an individual store level. Lovisa results are aggregated to form one reportable operating segment, being the retail sale of fashion jewellery and accessories. The individual stores meet the aggregation criteria to form a reportable segment.

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

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

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

c. Customer base is similar throughout the world;

d. All stores are serviced from two delivery centres;

e. No major regulatory environment differences exist between operating territories.

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

Revenue by nature and geography

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

($000s)	30 December 2018	31 December 2017
External Revenues		
Australia / New Zealand	77,943	76,479
Asia	18,233	17,267
Africa	17,683	15,998
Europe	17,089	8,112
North America	1,414	151
Total external revenue	132,362	118,007
Franchise Revenue		
Middle East	635	434
Asia	198	174
Total franchise revenue	833	608
Total revenue	133,195	118,615

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

3 Changes in Significant Accounting Policies

A. IFRS 15 Revenue from Contracts with Customers

(a) Revenue recognition and measurement

Revenue is recognised when the customer obtains control of the goods, 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 customer obtains control of the goods. A right of return provision has been recognised in line with the Group's returns policy in line with the requirements of IFRS 15 along with a right to recover returned goods asset. The impact of this change in accounting policy has been quantified in note 1A.

Franchise income

Franchise income, which is generally earned based upon a percentage of sales is recognised on an accrual basis. There is no material impact from the introduction of IFRS 15 on franchise income.

4 Dividends

(a) Ordinary shares

($000s)	30 December 2018	31 December 2017
Dividends provided for or paid during the half-year (fully franked)	14,779	7,981

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

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

($000s)	30 December 2018	31 December 2017
18.0 cents per qualifying ordinary share, fully franked (2017: 13.0)	19,002	13,652

5 Property, plant and equipment

Consolidated ($000s)	Leasehold improvements	Hardware and software	Fixtures and fittings	Total
Cost				
Balance at 2 July 2018	40,670	3,614	1,716	46,000
Additions	10,683	1,389	150	12,222
Disposals	(2,307)	(159)	-	(2,466)
Effect of movements in exchange rates	594	33	2	629
Balance at 30 December 2018	49,640	4,877	1,867	56,384
Accumulated depreciation				
Balance at 2 July 2018	(21,831)	(1,448)	(309)	(23,589)
Depreciation	(3,284)	(692)	(199)	(4,175)
Disposals	2,080	101	-	2,181
Effect of movements in exchange rates	(213)	(15)	(1)	(229)
Balance at 30 December 2018	(23,248)	(2,054)	(509)	(25,812)
Carrying amounts				
At 2 July 2018	18,839	2,166	1,407	22,411
At 30 December 2018	26,393	2,823	1,358	30,574

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

6 Intangible assets and goodwill

Consolidated ($000s)	Key Money	Goodwill	Total
Cost			
Balance at 2 July 2018	1,181	2,382	3,563
Additions	318	-	318
Amortisation	(34)	-	(34)
Effect of movements in exchange rates	42	1	43
Balance at 30 December 2018	1,507	2,383	3,890

7 Provisions

Consolidated ($000s)	Site restoration	Straight line rent and lease incentive	Refund liability	Onerous lease	Total
Balance at 2 July 2018	2,532	3,560	-	10	6,102
Provisions made during the period	692	2,571	499	-	3,762
Provisions used during the period	(145)	(553)	-	-	(698)
Effect of movement in exchange rates	41	55	4	-	100
Balance at 30 December 2018	3,120	5,633	503	10	9,266
Current	789	557	503	3	1,852
Non-current	2,331	5,076	-	7	7,414
	3,120	5,633	503	10	9,266

8 Loans and borrowings
30 December 2018

		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	9,867	9,867	9,867	-	-	-	-
	9,867	9,867	9,867	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
- Outflow	-	31,747	8,678	23,069	-	-	-
- Inflow	-	(30,479)	(8,058)	(22,421)	-	-	-
	1,268	1,268	620	648	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 30 DECEMBER 2018

8 Loans and borrowings (continued)

1 July 2018

		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	5,203	5,203	5,203	-	-	-	-
	5,203	5,203	5,203	-	-	-	-
Derivative financial liabilities							
Forward exchange contracts used for hedging:							
- Outflow	-	29,047	5,777	23,270	-	-	-
- Inflow	-	(30,476)	(6,105)	(24,371)	-	-	-
	(1,429)	(1,429)	(328)	(1,101)	-	-	-

The future cash flows on trade payables may be different from the amount in the above table as exchange rates change. Except for these financial liabilities, it is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The Group maintains the following lines of credit:

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

(a) Valuation techniques used to determine fair values

Valuation of derivatives is undertaken using a market comparison technique: the fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date. These over-the-counter derivatives utilise valuation techniques maximising the use of observable market data where it is available. Forward exchange contracts continue to be valued as level 2 instruments.

9 Related parties

	Transaction values for the six months ended		Balance outstanding as at	
Consolidated ($000s)	**30 December 2018**	**31 December 2017**	**30 December 2018**	**31 December 2017**
a) Expenses				
Expenses	26	-	-	-

Included in expenses in the period is $25,000 relating to Directors fees for Brett Blundy in his capacity as Director and Chairman of the Company.

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

10 Capital commitments and contingencies

The group is committed to incur capital expenditure of $1,161,000 (31 December 2017: $1,329,000).

There are no contingent liabilities that exist at 30 December 2018 (31 December 2017: nil).

11 Events occurring after the reporting period

Refer to note 4 for dividends recommended since the end of the reporting period.

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

SIGNED REPORTS

DIRECTORS' DECLARATION

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

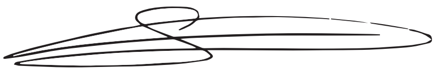
   (a) the consolidated financial statements and notes that are set out on pages 7 to 16 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 30 December 2018 and of its performance, for the 26 week period ended on that date; and

   (ii) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

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

Signed in accordance with a resolution of the Directors.



Shane Fallscheer

Director

Melbourne

19 February 2019

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

KPMG

Independent Auditor's Review Report

To the shareholders of Lovisa Holdings Limited

Report on the Interim Financial Report

Conclusion

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

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

- giving a true and fair view of the ***Group's*** financial position as at 30 December 2018 and of its performance for the ***Half-year*** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated statement of financial position as at 30 December 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 11 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

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

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

KPMG

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 December 2018 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Lovisa Holdings Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

KPMG

Rachel Milum

Rachel Milum

Partner

Melbourne

19 February 2019

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

KPMG

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

To the Directors of Lovisa Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Lovisa Holdings Limited for the half year ended 30 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Rachel Milum
Partner

Melbourne

19 February 2019

CORPORATE DIRECTORY

Company Secretary

Chris Lauder

Principal Registered Office

Lovisa Holdings Limited
Level 1, 818 Glenferrie Road
Hawthorn VIC 3122
+61 3 9831 1800

Location of Share Registry

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

Stock Exchange Listing

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

Auditors

KPMG
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727 Collins Street
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Website

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