Lovisa Holdings Limited
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Lovisa Holdings Limited
Appendix 4D
Half Yearly Report
For the half-year ended 27 December 2020

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross referenced to the HY2021 Interim Financial Report which is attached.

1. Company details

Company Name	Lovisa Holdings Limited
ACN	602 304 503
Reporting Period	26 weeks ended 27 December 2020
Prior Half Year Reporting Period	26 weeks ended 29 December 2019
Prior Financial Year Ended	28 June 2020

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	**Decrease**	**9.8%**	**146,871**
Profit before tax	**Decrease**	**28.2%**	**27,934**
Profit after tax attributable to the members	**Decrease**	**26.7%**	**19,552**

Dividends / distributions (Appendix 4D item 2.4)	Amount per security	Franked amount per security
Interim dividend for the year ended 27 June 2021 to be paid on 22nd April 2021	**20.0 cents**	**10.0 cents**

Record date for determining entitlement to the dividend (Appendix 4D item 2.5)	**10th March 2021**

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 27 December 2020 the Company reported net profit after tax of $19.6m with same store sales down 4.5% and an additional 25 net new stores across the globe. Gross Profit decreased 11.7% to $113.4m and gross margin for the half was 77.2% compared to 78.9% for the first half of the prior year.

This result reflects a decrease of 26.7% on the Company's half-year December 2019 statutory net profit after tax.

3. Dividends

Please refer to note 4 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**	**$0.51**

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

Not applicable.

7. Details of associates and joint ventures

Not applicable.

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

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

9. Dispute or qualification arising from auditor's review

Not applicable.

Signed on behalf of Lovisa Holdings Limited, on the 18th February 2021

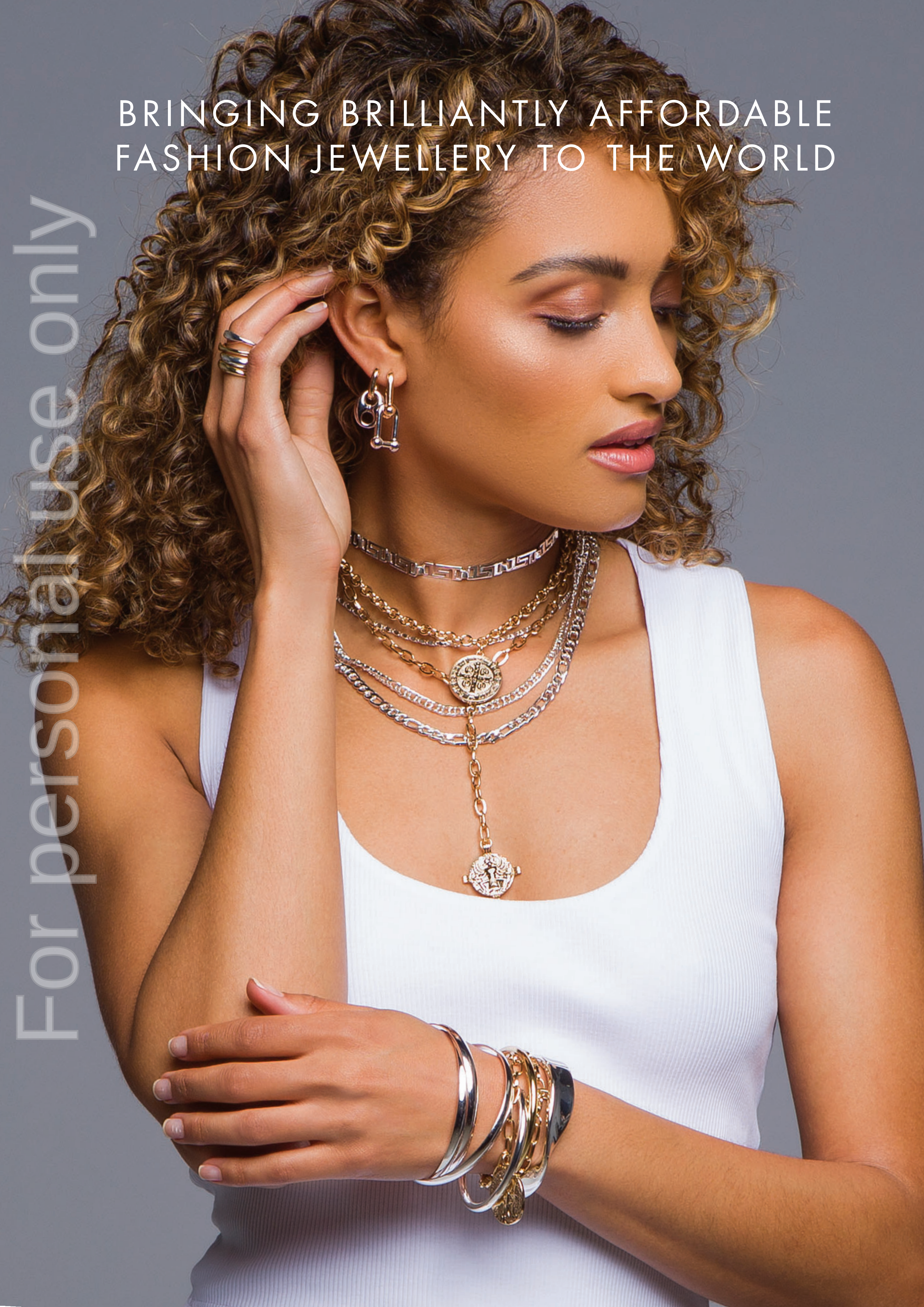
Chris Lauder
Company Secretary

LOVISA HOLDINGS LIMITED

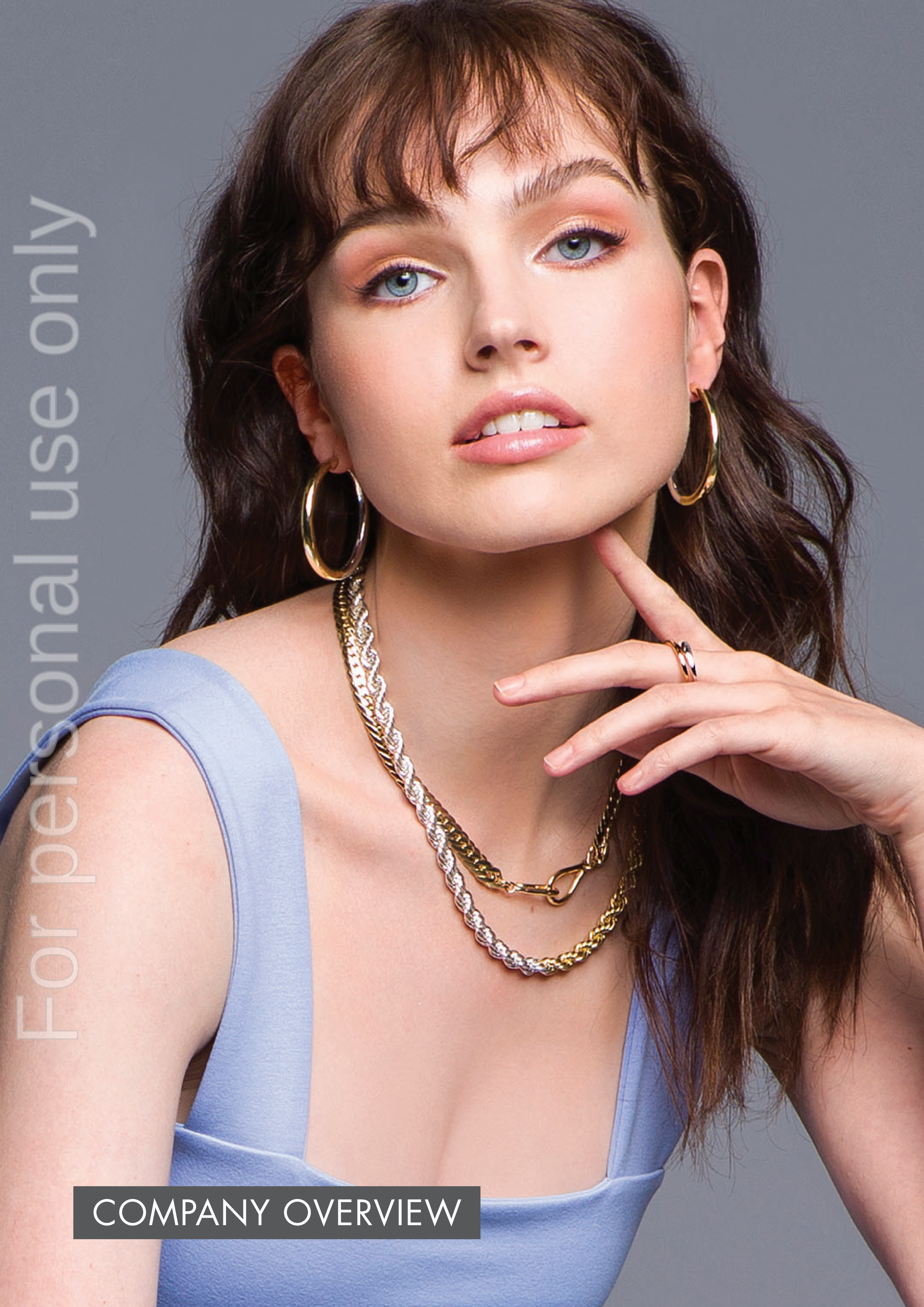
INTERIM FINANCIAL REPORT

FOR THE 26 WEEKS ENDED
27 DECEMBER 2020

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 ('the Group') at the end of, or during, the half year ended 27 December 2020.

1. OPERATING AND FINANCIAL REVIEW

Lovisa's revenue for 1H FY2021 was $146.9m, a decrease of 9.8% on 1H FY2020. Like for like sales were 4.5% down on the same period in prior year, however showed an improving trajectory with Q2 like for like sales above last year. All markets continued to be impacted by temporary store closures and disruption caused by COVID-19 throughout the period, in particular during Q1. The following temporary store closure periods impacted on the financial performance of the business during the period:

- Victorian stores closed during the August to October period
- Californian and New York stores closed throughout July and August
- UK and French stores closed during November

The recovery in sales during Q2 has been driven primarily by the Australian and New Zealand markets, where fewer COVID related restrictions are in place, with the Northern Hemisphere markets continuing to be negatively impacted by government restrictions and temporary closures. Subsequent to the end of the half year, the business has continued to be impacted by temporary store closures, with the UK, France and Malaysia all impacted by closures, as well as short lockdowns also experienced in some major Australian and New Zealand cities.

The gross profit for the half was $113.4m, a decrease of 11.7% on the prior half year. Gross margin for the half was 77.2% compared to 78.9% for the first half of the prior year. Gross margin on a constant currency basis would have been 77.8%, and was impacted by higher inventory provisioning at half year end, as well as higher freight costs.

Cost of doing business (CODB) for the half was 38.7% to sales, below the first half of the prior year of 39.0%. Excluding the impact of the implementation of AASB 16 Leases, CODB was consistent with prior year at 50% of sales. Store wages were well managed in the face of challenging trading conditions and ongoing temporary market closures, and savings in support office headcount made in FY20 also flowed into the half year. Offsetting this were increased logistics costs due to COVID surcharges and shortages in capacity as well as one off costs associated with the beeline GmbH acquisition.

Earnings before interest and tax were $30.5m, a decrease of $10.6m (25.8%) on the prior half year. Net profit after tax was $19.6m a decrease of $7.1m (26.7%) on the prior half. Excluding the impact of the implementation of AASB 16, earnings before interest and tax would have been $30.9m and net profit after tax would have been $21.5m.

The Group's balance sheet remains strong with net cash of $42.5m on hand at balance date.

The Group's cashflow from operations was $56.6m compared to $54.7m for the prior half year. Capital expenditure predominantly from new stores and existing store refurbishments was $6.8m.

Lovisa closed the half with 419 company owned stores and 41 franchise stores. The international rollout of stores continued with 14 new stores opened in the USA during the period and 4 stores in France. During the period the Group also entered into an agreement to acquire the European retail business of beeline GmbH, which is expected to add close to 90 stores to our European business across Germany, Switzerland, Austria, Belgium, France, the Netherlands and Luxembourg, with completion of the acquisition expected to occur from early March to early May 2021.

2. DIVIDENDS

Since the end of the half year, the Directors have resolved to pay an interim dividend of 20.0 cents per share 50% franked.

The interim dividend will be paid on 22 April 2021.

3. DIRECTORS

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

Brett Blundy	Non-Executive Director and Chairman
Shane Fallscheer	Managing Director
Tracey Blundy	Non-Executive Director
James King	Non-Executive Director
Sei Jin Alt	Non-Executive Director
Nico van der Merwe	Alternate Director to Brett Blundy

John Charlton was appointed as a Non-Executive Director effective 26 August 2020 and continues to be a Non-Exeuctive Director at the date of this report.

John Armstrong resigned as a Non-Executive Director on 3 July 2020.

DIRECTORS' REPORT

4. AUDITOR'S 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 23.

5. ROUNDING OF AMOUNTS

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

Signed in accordance with a resolution of Directors

Brett

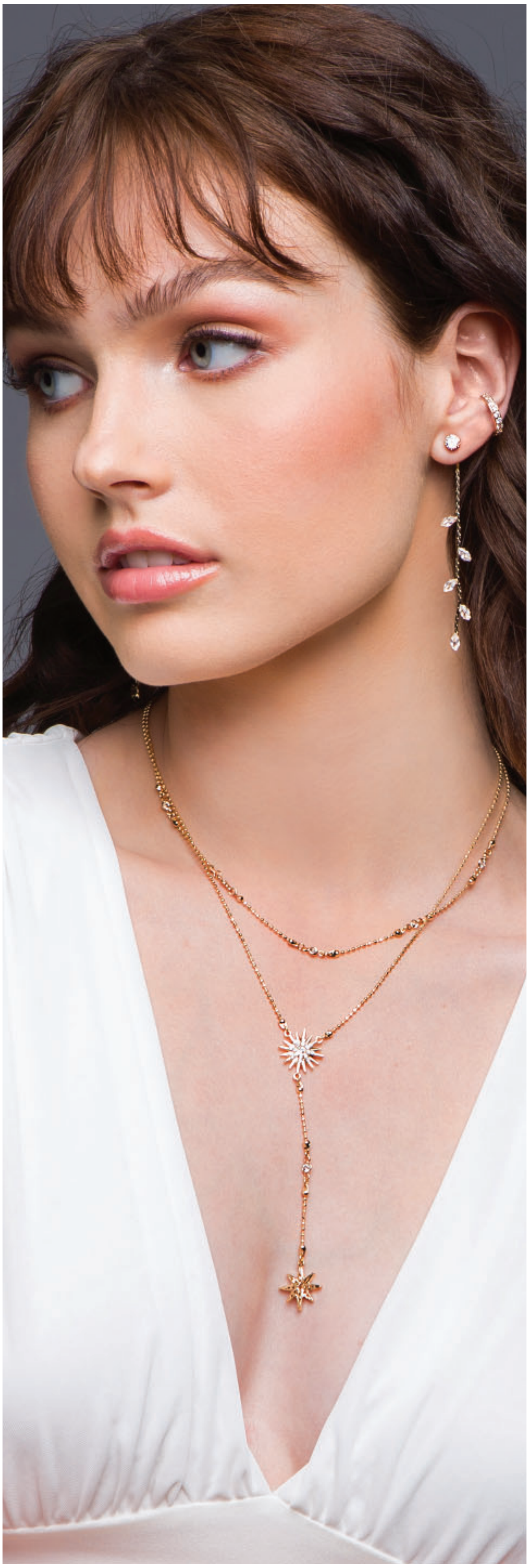
Brett Blundy

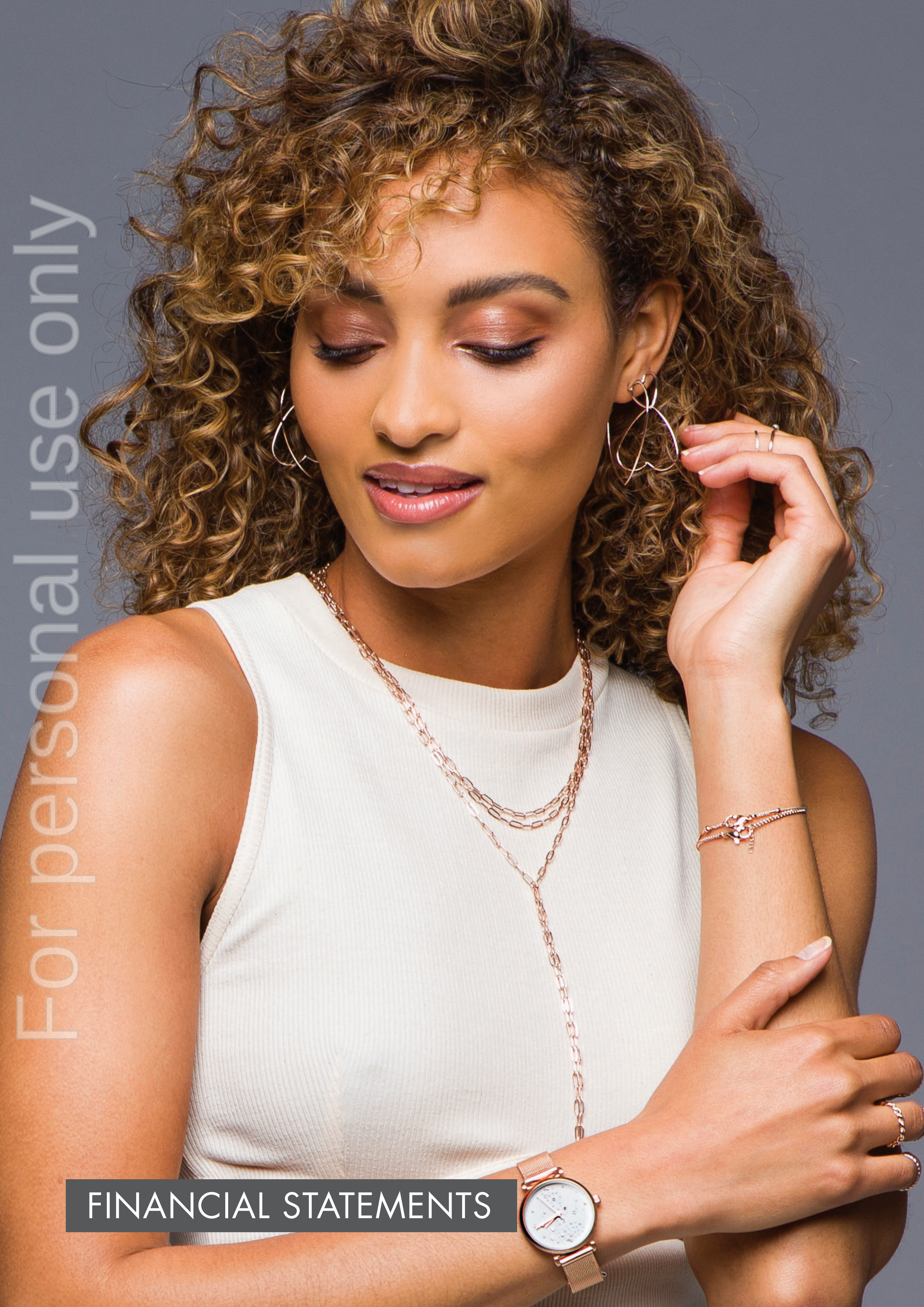
Non-Executive Chairman

Shane Fallscheer

Managing Director

Melbourne, 18 February 2021





FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 27 DECEMBER 2020

Consolidated ($000s)	Note	27 December 2020	28 June 2020	29 December 2019
Assets				
Cash and cash equivalents		42,505	20,434	27,806
Trade and other receivables		6,993	7,876	7,121
Inventories		25,533	21,714	28,372
Derivatives		-	207	-
Total current assets		75,031	50,231	63,299
Deferred tax assets		10,513	9,344	7,139
Property, plant and equipment	5	42,713	46,099	49,605
Right-of-use assets	7	140,240	150,464	147,056
Intangible assets and goodwill	6	4,333	3,882	4,935
Total non-current assets		197,799	209,789	208,735
Total assets		272,830	260,020	272,034
Liabilities				
Trade and other payables		26,179	22,231	22,509
Employee benefits - current		4,663	3,685	3,117
Provisions - current	8	1,620	1,516	1,584
Loans and borrowings - current	9	-	-	15,234
Lease liability - current	10	44,301	36,019	36,244
Derivatives		2,164	-	168
Current tax liabilities		7,658	3,893	3,317
Total current liabilities		86,585	67,344	82,173
Employee benefits - non current		397	407	1,184
Provisions - non current	8	3,085	2,766	2,990
Lease liability - non current	10	123,476	131,135	119,045
Total non-current liabilities		126,958	134,308	123,219
Total liabilities		213,543	201,652	205,392
Net assets		59,287	58,368	66,642
Equity				
Issued capital		213,877	213,877	210,333
Common control reserve		(208,906)	(208,906)	(208,906)
Other reserves		9,064	11,578	7,945
Retained earnings		45,252	41,819	57,270
Total equity		59,287	58,368	66,642

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 27 DECEMBER 2020

Consolidated ($000s)	Note	27 December 2020	29 December 2019
Revenue	2	146,871	162,761
Cost of goods sold		(33,457)	(34,308)
Gross profit		113,414	128,453
Salaries and employee benefits expense		(32,189)	(39,168)
Property expenses		(5,486)	(7,569)
Distribution costs		(6,811)	(4,696)
Depreciation		(26,057)	(23,797)
(Loss) on disposal of property, plant and equipment		(10)	(240)
Other income		92	-
Other expenses		(12,427)	(11,859)
Operating profit		30,526	41,124
Finance income		14	163
Finance expense		(2,606)	(2,401)
Net finance costs		(2,592)	(2,238)
Profit before income tax		27,934	38,886
Income tax expense		(8,382)	(12,214)
Profit for the period		19,552	26,672
Other comprehensive income			
Items that may be reclassified to profit or loss:			
OCI - Cash flow hedges		(2,252)	(790)
OCI - Foreign operations - foreign currency translation differences		(1,029)	1,232
		(3,281)	442
Other comprehensive income, net of tax		(3,281)	442
Total comprehensive income		16,271	27,114
Profit attributable to:			
Owners of the Company		19,552	26,672
		19,552	26,672
Total comprehensive income attributable to:			
Owners of the Company		16,271	27,114
		16,271	27,114
Earnings per share			
Basic earnings per share (cents)		18.19	25.22
Diluted earnings per share (cents)		18.17	24.45

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 27 DECEMBER 2020

		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 1 July 2019*		209,791	(208,906)	46,464	3,296	553	2,453	53,651
Total comprehensive income								
Profit		-	-	26,672	-	-	-	26,672
Cash flow hedges		-	-	-	-	(790)	-	(790)
Foreign operations - foreign currency translation differences		-	-	-	-	-	1,232	1,232
Total comprehensive income for the year		-	-	26,672	-	(790)	1,232	27,114
Transactions with owners of the Company								
Employee share schemes		-	-	-	1,201	-	-	1,201
Share options exercised		542	-	-	-	-	-	542
Dividends		-	-	(15,866)	-	-	-	(15,866)
Total contributions and distributions		542	-	(15,866)	1,201	-	-	(14,123)
Total transactions with owners of the Company		542	-	(15,866)	1,201	-	-	(14,123)
Balance at 29 December 2019		210,333	(208,906)	57,270	4,497	(237)	3,685	66,642
Balance at 29 June 2020		213,877	(208,906)	41,819	8,597	201	2,780	58,368
Total comprehensive income								
Profit		-	-	19,552	-	-	-	19,552
Cash flow hedges		-	-	-	-	(2,252)	-	(2,252)
Foreign operations - foreign currency translation differences		-	-	-	-	-	(1,029)	(1,029)
Total comprehensive income for the year		-	-	19,552	-	(2,252)	(1,029)	16,271
Transactions with owners of the Company								
Employee share schemes		-	-	-	767	-	-	767
Share options exercised		-	-	-	-	-	-	-
Dividends	4	-	-	(16,119)	-	-	-	(16,119)
Total contributions and distributions		-	-	(16,119)	767	-	-	(15,352)
Total transactions with owners of the Company		-	-	(16,119)	767	-	-	(15,352)
Balance at 27 December 2020		213,877	(208,906)	45,252	9,364	(2,051)	1,751	59,287

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

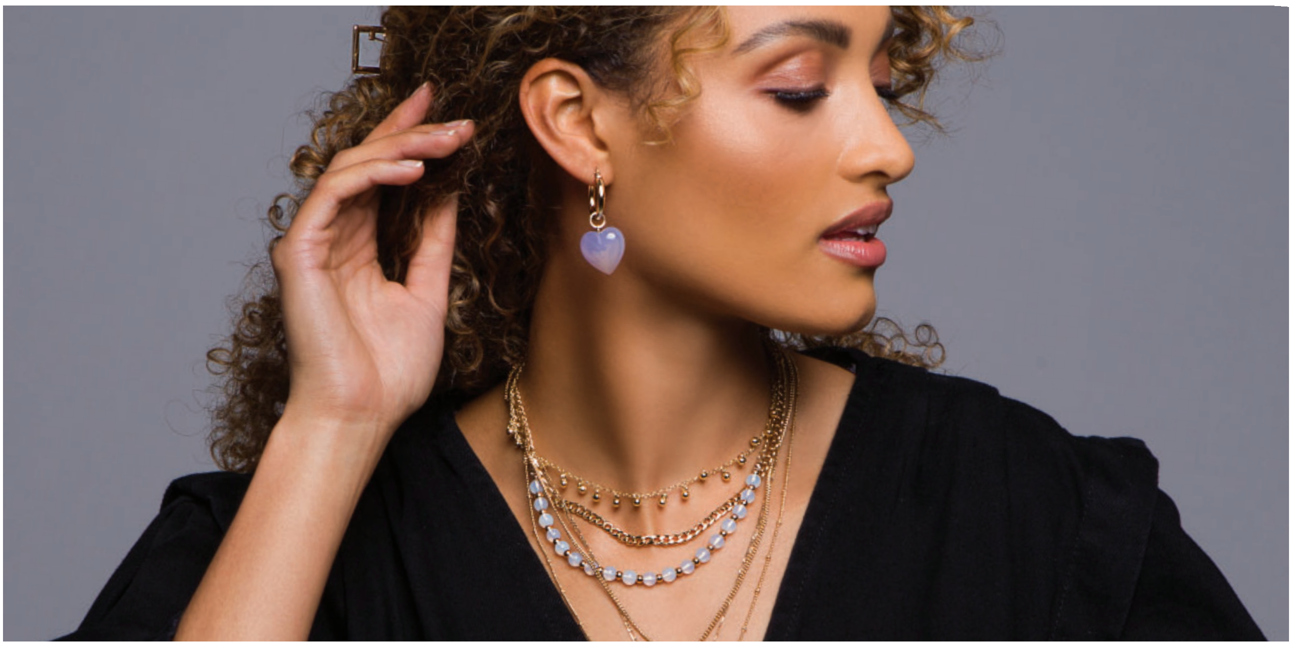
The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

Consolidated ($000s)	Note	27 December 2020	29 December 2019
Cash flows from operating activities			
Cash receipts from customers		163,408	181,927
Cash paid to suppliers and employees		(100,588)	(117,679)
Cash generated from operating activities		62,820	64,248
Interest received		14	163
Interest paid		(306)	(171)
Other income		92	-
Income taxes paid		(6,022)	(9,517)
Net cash from operating activities		56,598	54,723
Cash flows from investing activities			
Acquisition of fixed assets		(6,812)	(19,421)
Acquisition of key money intangibles	6	(384)	(584)
Proceeds from fit-out contribution		437	224
Net cash (used in) investing activities		(6,759)	(19,781)
Cash flows from financing activities			
Share options exercised		-	542
Facility proceeds		-	15,234
Payment of lease liabilities	10	(10,884)	(18,279)
Dividends paid	4	(16,119)	(15,866)
Net cash (used in) financing activities		(27,003)	(18,369)
Net increase in cash and cash equivalents		22,836	16,573
Cash and cash equivalents at the beginning of the period		20,434	11,192
Effect of movement in exchange rates on cash held		(765)	41
Cash and cash equivalents at the end of the period		42,505	27,806

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 27 DECEMBER 2020

1 Summary of significant accounting policies

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

Lovisa Holdings Limited operates within a retail financial period. The current financial period was a 26 week period ending on the 27 December 2020 (2019: 26 week period ending 29 December 2019).

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

Basis of accounting

This condensed consolidated interim financial report for the half year reporting period ended 27 December 2020 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 28 June 2020.

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

A number of other new standards are effective from 1 July 2020 but they do not have a material effect on the Group's financial statements.

Assumptions and estimation uncertainties

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of financial statements. During the half year, the Group's operations and financial statements were impacted as a result of:

- Continued disruption to normal trading conditions (temporary shut-down of stores)
- Reduced demand for goods caused by uncertainty surrounding the length of current or future restrictions.

In respect of these financial statements, the impact of COVID-19 is primarily relevant to estimates of future performance which is in turn relevant to the areas of net realisable value of inventory, impairment of non-financial assets and going concern.

In making estimates of future performance, key assumptions and judgements have been stress tested for the impacts of COVID-19. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations, along with the Group's proposed responses.

The following assumptions and judgements in relation to the potential impact of COVID-19 have been applied by the Group:

- Sales forecasts have been estimated factoring in known lockdowns where stores are temporarily unable to trade, as well as expectations of ongoing impacts where stores are able to trade but are impacted by reduced foot traffic and/or demand. These estimates have been made based on expectations of market demand and using actual experience to date of the trading impacts of COVID-19.
- Gross margin and cost assumptions are based on experience to date during the COVID-19 disruption period and the Group's response and ability to manage costs structures.

In all scenarios modelled, the liquidity requirements of the Group are within the available facilities and are forecast to meet financial covenants.

Impairment

The carrying amounts of the Group's goodwill and indefinite life intangibles are tested for impairment at each reporting period. Property, plant and equipment and right-of-use assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in line with the calculation methodology listed below.

Cash-generating units

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 (CGU) is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Goodwill is tested at the level at which it is monitored, identified by the Group as the country level. Key money is tested at the store level. Property, plant and equipment and right-of-use assets are tested at the store level when there is an indication of impairment.

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 post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. Sensitivity analysis is performed on this modelling by using a range of discount rates reflecting the potential risk of variability in the underlying forecasts or regional or market specific risks.

Cash flow forecasts

Cash flow forecasts are based on the Group's most recent plans and are based on expectations of future outcomes having regard to market demand and past experience, incorporating the factors noted above in relation to current uncertainty surrounding COVID-19. For store level tests, cash flow forecasts are modelled for the length of the lease, identified as the essential asset for store CGUs. No terminal value is reflected in store level tests.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

1 Summary of significant accounting policies (continued)

Impairment (continued)

Discount rates

The Group applies a post-tax discount rate to post-tax cash flows. The post-tax discount rates incorporate a risk-adjustment relative to the risks associated with the specific CGU (geographic position or otherwise), with a high and low range used to apply sensitivity analysis to the cash flow modelling.

Key assumptions for the impairment testing carried out at 27 December 2020

Stores with indicators of impairment at 27 December 2020 were identified in the Group's newer or emerging markets. The COVID-19 related temporary store closures in these markets which caused reduced sales and cash flows for the half year ended 27 December 2020 provided an indicator of impairment for stores in these markets, requiring more detailed testing for certain stores in these markets. The following key assumptions were utilised for this impairment testing:

- Discount rate by country applied based on a high and low range to provide sensitivity analysis. The discount rates applied to store tests in these countries were in the range of 10% to 15% pre-tax.
- Growth rate based on expected impact of COVID in the short term, and subsequent sales profile by market as detailed above under Assumptions and Estimation Uncertainties, with a longer term growth rate assumption of 3% in relation to sales and costs to allow for inflationary impacts until the end of the lease term which is considered to be the essential asset. No terminal value is included in discounted cash flow modelling at store level.

There were no impairments identified as an outcome of this testing.

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 reversals of impairment in the current or prior corresponding period.

2 Operating segments

(a) Basis for segmentation

The Chief Operating Decision Maker (CODM) for Lovisa Holdings Limited and its controlled entities, is the Managing Director (MD). For management purposes, the Group is organised into geographic segments to review sales by territory.

All territories offer similar products and services and are managed by sales teams in each territory reporting to 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 Group's stores exhibit similar long-term financial performance and economic characteristics throughout the world, which include:

a. Consistent products are offered throughout the Group'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.

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.

($000s)	27 December 2020	29 December 2019
External revenues		
Australia / New Zealand	82,508	82,798
Asia	10,428	17,580
Africa	17,097	20,499
Europe	20,955	28,508
North America	15,156	12,269
Total external revenue	146,144	161,654
Franchise revenue		
Middle East	727	955
Asia	-	152
Total franchise revenue	727	1,107
Total revenue	146,871	162,761

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

3 Government grants

Government grants - COVID-19 pandemic

The Group has received various financial support measures offered by governments in the countries we operate in to provide financial support to businesses during the COVID-19 pandemic to protect jobs.

As part of these measures, the Group qualified for, and complied with the conditions to receive, wage subsidy grants in most of the countries in which it operates. The payments received have been recognised as government grants because the wage subsidies have been provided with the objective of keeping our employees employed by the Group during the COVID-19 crisis period. The grant income has been presented net of the related salaries and wages expense. During the half year ended 27 December 2020 the Group has recognised $9,850,000 (half year ended 29 December 2019: nil) of wage subsidy grants globally against "salaries and employee benefits expense".

All of these amounts have been paid to employees as salaries and wages, and include amounts paid to team for hours not worked (for example where temporarily stood down), as well as employees working hours they may not have otherwise worked in the absence of these subsidies.

These measures also include the deferral of various tax and employee withholding payments across the countries we operate in, with the unpaid deferred balances remaining at 27 December 2020 recorded in "trade and other payables". The Group has not obtained any relief whereby the above obligations have been waived.

A business rates holiday has been granted to our UK stores for the year from 1 April 2020 to 31 March 2021. This waiver of business rates is recognised as income in the same period as the related charge is recognised and so there is no net impact on profit or loss for the period.

4 Dividends

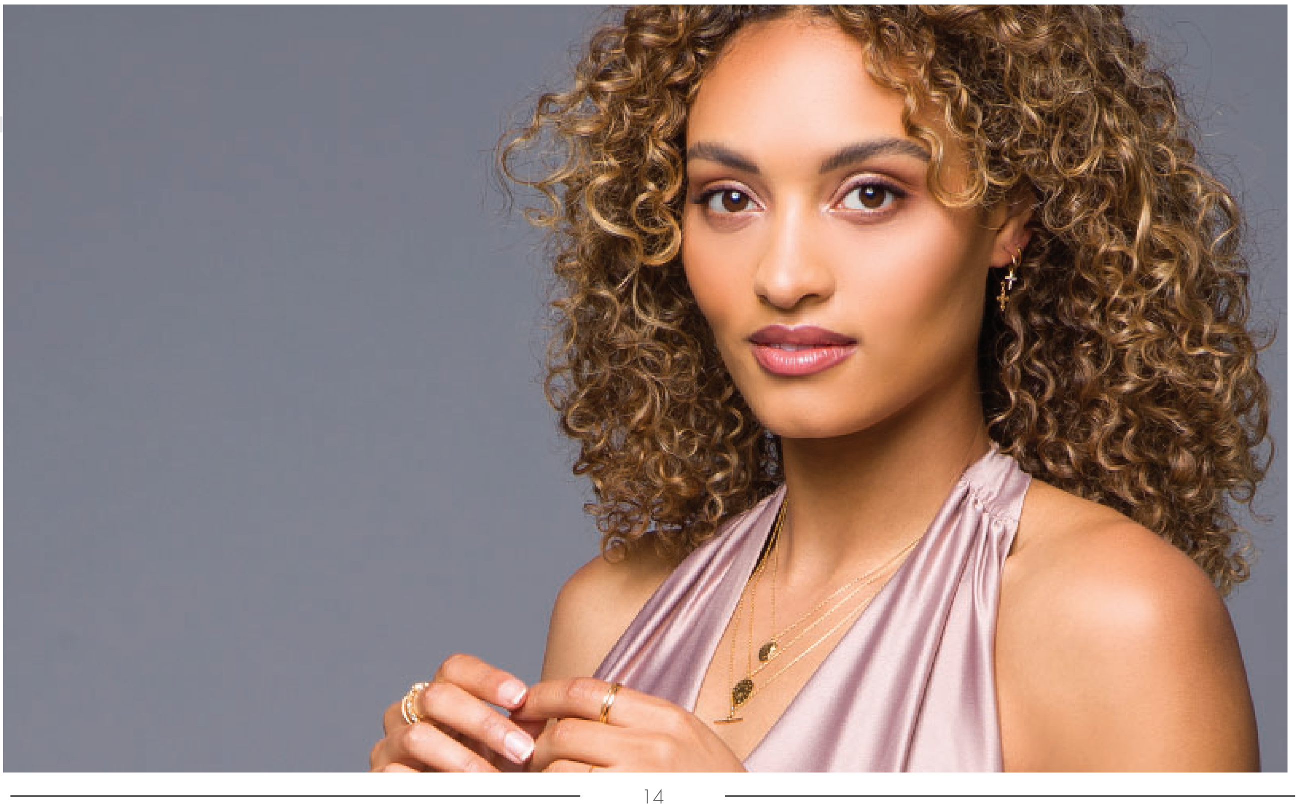
(a) Ordinary shares

($000s)	**27 December 2020**	**29 December 2019**
Dividends provided for or paid during the half year 50% franked (2019: fully franked)	16,119	15,866

(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)	**27 December 2020**	**29 December 2019**
20.0 cents per qualifying ordinary share, 50% franked (2019: 15.0 cents, 50% franked)	21,492	15,866



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

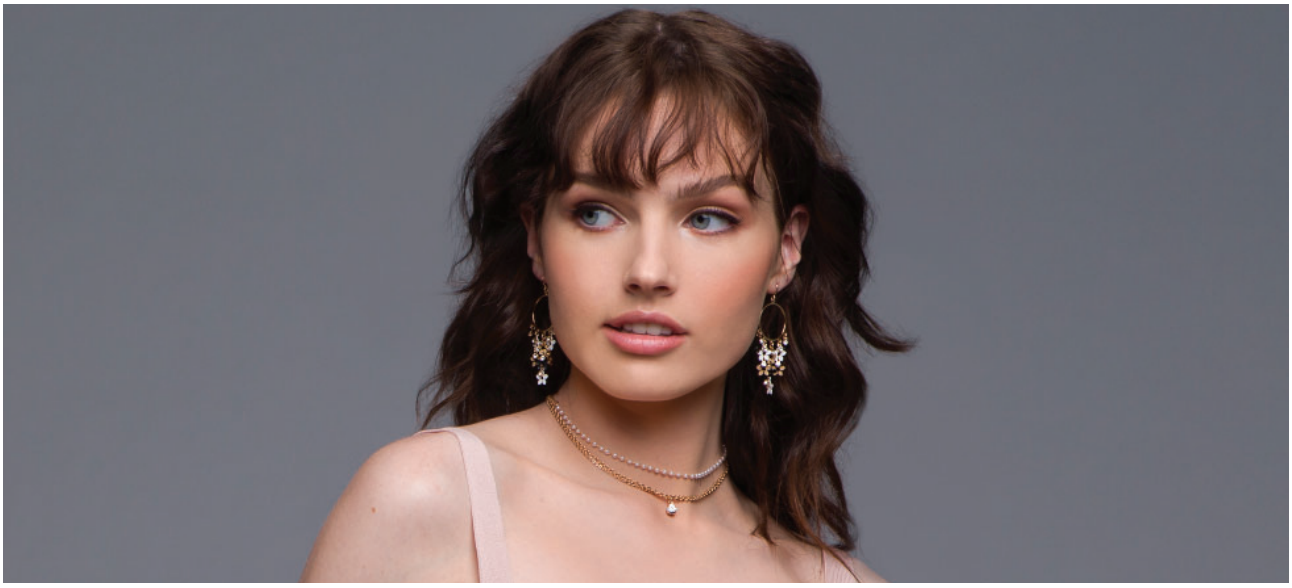
FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

5 Property, plant and equipment

Consolidated ($000s)	Leasehold improvements	Hardware and software	Fixtures and fittings	Total
Cost				
Balance at 29 June 2020	78,810	6,759	2,568	88,137
Additions	7,901	97	-	7,998
Disposals	(23)	(7)	-	(30)
Effect of movements in exchange rates	(3,077)	(25)	(15)	(3,117)
Balance at 27 December 2020	83,611	6,824	2,553	92,988
Accumulated depreciation				
Balance at 29 June 2020	(36,303)	(4,501)	(1,234)	(42,038)
Depreciation	(7,848)	(812)	(245)	(8,905)
Disposals	23	27	-	50
Effect of movements in exchange rates	600	13	5	618
Balance at 27 December 2020	(43,528)	(5,273)	(1,474)	(50,275)
Carrying amounts				
At 29 June 2020	42,507	2,258	1,334	46,099
At 27 December 2020	40,083	1,551	1,079	42,713

6 Intangible assets and goodwill

Consolidated ($000s)	Key Money	Goodwill	Total
Cost			
Balance at 29 June 2020	1,816	2,066	3,882
Additions	384	-	384
Effect of movements in exchange rates	(57)	124	67
Balance at 27 December 2020	2,143	2,190	4,333



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

7 Right-of-use assets

Consolidated ($000s)	**Right-of-use assets - property**
Cost	
Balance at 29 June 2020	187,139
Additions	8,678
Re-measurement of lease liabilities	2,391
Disposals	-
Effect of movements in exchange rates	(4,918)
Balance at 27 December 2020	193,290
Accumulated depreciation	
Balance at 29 June 2020	(36,675)
Depreciation	(17,152)
Disposals	-
Effect of movements in exchange rates	777
Balance at 27 December 2020	(53,050)
Carrying amounts	
At 29 June 2020	150,464
At 27 December 2020	140,240

The Group has elected to apply the practical expedient issued by the International Accounting Standards Board whereby it has not accounted for rent concessions that are a direct consequence of the COVID-19 pandemic as lease modifications. Rent concessions occur as a direct consequence of the COVID-19 pandemic if all the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- There is no substantive change to other terms and conditions of the lease.

The Group has recognised rent concessions that are a direct consequence of the COVID-19 pandemic, and meet the practical expedient conditions, of $1,676,000 in the statement of profit or loss and other comprehensive income for the half year ended 27 December 2020 (half year ended 29 December 2019: nil).

8 Provisions

Consolidated ($000s)	**Site restoration**	**Refund liability**	**Other provision**	**Total**
Balance at 29 June 2020	3,663	319	300	4,282
Provisions made during the period	316	207	-	523
Provisions used during the period	-	-	(162)	(162)
Effect of movement in exchange rates	64	(2)	-	62
Balance at 27 December 2020	4,043	524	138	4,705
Current	958	524	138	1,620
Non-current	3,085	-	-	3,085
	4,043	524	138	4,705

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

9 Loans and borrowings

Consolidated ($000s)	**Currency**	**Nominal interest rate**	**Year of maturity**	**27 December 2020**	**28 June 2020**
Cash advance facility	AUD	N/A	2023	-	-
Multi option facility	AUD	N/A	2021*	-	-
Balance at period end				-	-

* The multi option facility is subject to annual review upon which it will renew for a successive 1 year period.

The Group maintains the following lines of credit:

- $30 million revolving cash advance facility (28 June 2020: $30 million); and
- $20 million multi option facility available for overdraft, trade finance and a contingent liability facility for global letters of credit and bank guarantees (28 June 2020: $20 million).

The bank loans are secured by security interests granted by Lovisa Holdings Limited and a number of its subsidiaries over all of their assets in favour of the Commonwealth Bank of Australia (CBA). Under the facility the Group has financial covenants and has been in compliance with these through the 26 weeks ended 27 December 2020.

Refer to note 12(a) for guarantees outstanding at 27 December 2020 of $4,434,000 (28 June 2020: $5,229,000), which are drawn against the multi option facility.

10 Lease liability

Consolidated ($000s)	
Balance at 29 June 2020	167,154
Liability recognised during the period	11,361
Re-measurement of lease liabilities	2,390
Lease payments	(10,884)
Interest	2,300
Effect of movement in exchange rates	(4,544)
Balance at 27 December 2020	167,777
Current	44,301
Non-current	123,476
	167,777

The Group has applied the practical expedient whereby lease liabilities have not been re-measured for rent concessions that are a direct consequence of the COVID-19 pandemic.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 27 DECEMBER 2020

11 Related parties

	Transaction values for the 26 weeks ended		**Balance outstanding as at**	
Consolidated ($000s)	**27 December 2020**	**29 December 2019**	**27 December 2020**	**29 December 2019**
Expenses	86	119	-	-

Included in expenses in the period is $75,000 relating to Directors fees for Brett Blundy in his capacity as Non-Executive Director and Chairman of the Company (29 December 2019: $75,000). Transactions between the Lovisa Group and BB Retail Capital and its related parties 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. 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. Non property management related expense recharges are also priced on an arms length basis. The Group will continue to utilise BBRC Retail Capital's retail operating experience on an arms 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 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.

12 Capital commitments and contingencies

(a) Guarantees

The Group has guarantees outstanding to landlords and other parties to the value of $4,434,000 at 27 December 2020 (28 June 2020: $5,229,000). These are drawn against the multi option facility - refer to note 9.

(b) Capital commitments and contingent liabilities

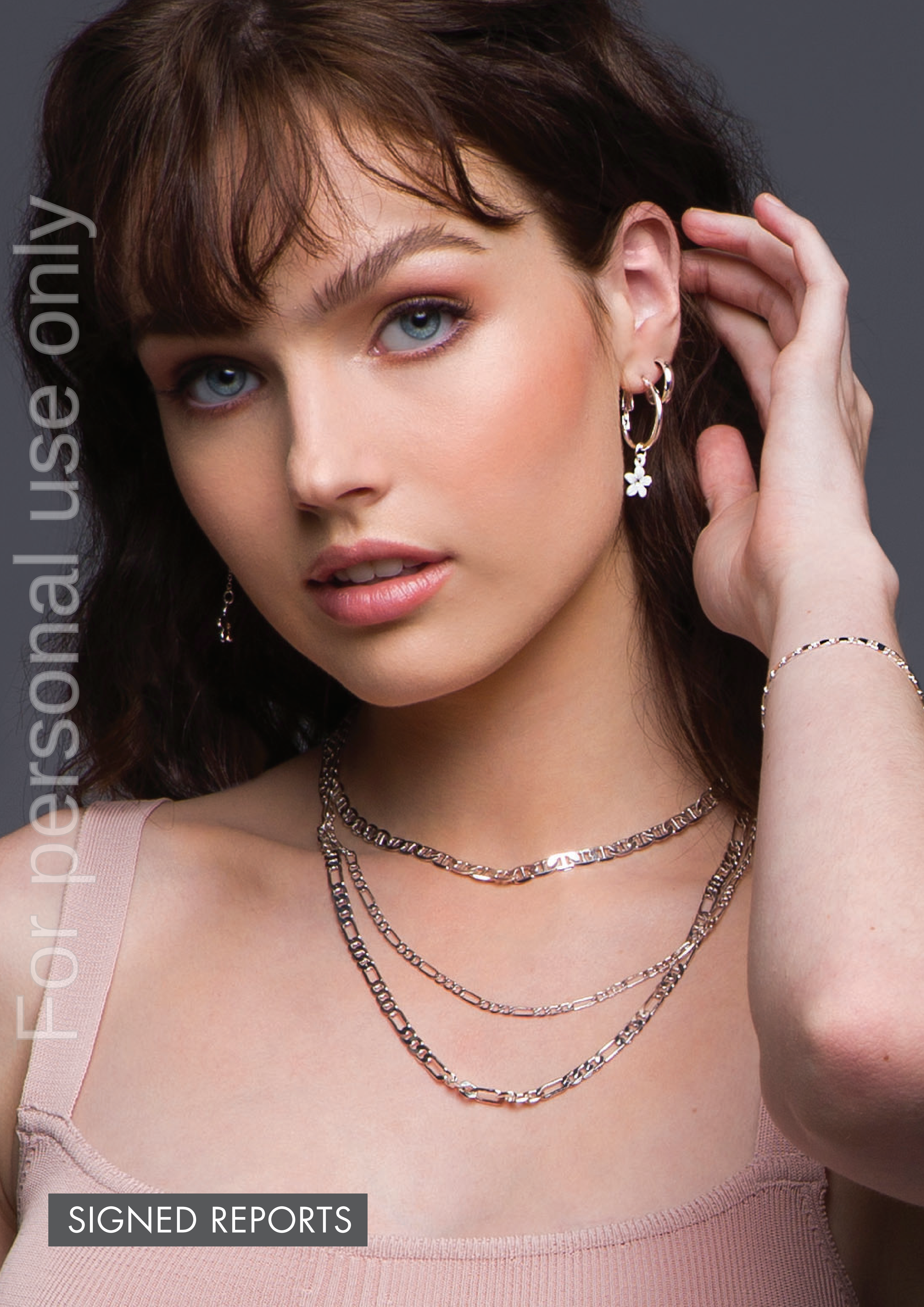
The Group is committed to incur capital expenditure of $1,016,000 (28 June 2020: $1,524,000). There are no contingent liabilities that exist at 27 December 2020 (28 June 2020: none).

13 Events occurring after the reporting period

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

As a result of government announcements in relation to COVID-19 and restrictions on the ability of retailers to trade in certain countries that the Group operates in, the Group is currently subject to temporary store closures. At the date of this report, 42 stores in the UK and 23 stores in France remain temporarily closed. The timing for re-opening of these stores is subject to further government advice. In Malaysia, 26 stores temporarily closed on 13 January 2021 and reopened on 10 February 2021. Since 27 December 2020, temporary store closures were also in place, but have since ended, in Western Australia, Queensland, Victoria and New Zealand. All other stores globally as well as our online business remain open and trading.

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 8 to 18 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the Group's financial position as at 27 December 2020 and of its performance, for the 26 week period ended on that date; and

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

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

Signed in accordance with a resolution of the Directors.

Shane Fallscheer

Director

Melbourne

18 February 2021

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 does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 27 December 2020 and of its performance for the ***Interim Period*** 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 27 December 2020
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 13 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 Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 26 weeks ended on 27 December 2020.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

KPMG

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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 27 December 2020 and its performance for the Interim Period ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

KPMG

KPMG

Rachel Milum

Rachel Milum
Partner

Sydney

18 February 2021

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

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

To the Directors of Lovisa Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Lovisa Holdings Limited for the half-year ended 27 December 2020 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

Rachel Milum

Partner

Sydney

18 February 2021

CORPORATE DIRECTORY

Company Secretary

Chris Lauder

Principal Registered Office

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

Location of Share Registry

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

Stock Exchange Listing

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

Auditors

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Website

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