



Lovisa Holdings Limited
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Lovisa Holdings Limited
Appendix 4D
Half Yearly Report
For the half-year ended 26 December 2021

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross referenced to the HY2022 Interim Financial Report which is attached.

1. Company details

Company Name	Lovisa Holdings Limited
ACN	602 304 503
Reporting Period	26 weeks ended 26 December 2021
Prior Half Year Reporting Period	26 weeks ended 27 December 2020
Prior Financial Year Ended	27 June 2021

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	48.3%	217,822
Profit before tax	Increase	71.5%	47,897
Profit after tax attributable to the members	Increase	85.0%	36,178

Dividends / distributions (Appendix 4D item 2.4)	Amount per security	Franked amount per security
Interim dividend for the year ended 3 July 2022 to be paid on 21 st April 2022	37.0 cents	11.1 cents

Record date for determining entitlement to the dividend (Appendix 4D item 2.5)	9 th March 2022
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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 26 December 2021 the Company reported net profit after tax of \$36.2m with same store sales up 21.5% on the first half of the prior year and an additional 42 net new stores across the globe. Gross Profit increased 50.5% to \$170.7m and gross margin for the half was 78.3% compared to 77.2% for the first half of the prior year.

This result reflects an increase of 85.0% on the Company's half-year December 2020 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	\$0.55	\$0.38

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 23rd February 2022



Chris Lauder
Company Secretary



LOVISA HOLDINGS LIMITED

INTERIM FINANCIAL REPORT

FOR THE 26 WEEKS ENDED
26 DECEMBER 2021

ACN 602 304 503

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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 26 December 2021.

1. OPERATING AND FINANCIAL REVIEW

Lovisa's revenue for 1H FY2022 was \$217.8m, an increase of 48.3% on 1H FY2021, reflecting strong comparable store sales of +21.5% compared to 1H FY2021 and growth in the store network, offset by ongoing COVID disruptions throughout the period with temporary store closures in Victoria and New South Wales in Australia, as well as Malaysia, New Zealand and Austria.

The strong sales performance delivered was across most markets when able to be open and trading, with growth also in mainland Europe delivered from the new markets opened as a result of the beeline acquisition in prior year. Asia remains a challenge with slow recovery as a result of lower tourism and continued local restrictions.

Gross profit for the half was \$170.7m, an increase of 50.5% on the prior half year. Gross margin for the half was 78.3% compared to 77.2% for the first half of the prior year. Gross margin on a constant currency basis would have been 77.0% and continued to be impacted by higher freight costs during the period.

Cost of Doing Business for the period was higher at 51.8% to sales (excluding AASB 16), with logistics costs remaining at significantly higher levels than pre COVID levels due to global supply chain disruptions, and increased inflationary pressures also seen on labour costs across most markets. CODB was also impacted by the temporary store closures experienced across a number of markets in the period, with much lower levels of wage subsidies and rent abatements available compared to prior year to offset the impact of lost sales. Also impacting on CODB for the period was the cost of the CEO sign-on bonus and LTI (long term incentive), which were offset by the reversal of prior year LTI cost associated with the outgoing Managing Director's LTI.

Earnings before interest and tax were \$50.8m, an increase of \$20.2m (66.3%) on the prior half year. Net profit after tax was \$36.2m an increase of \$16.6m (85.0%) on the prior half. Excluding the impact of the lease accounting standard AASB 16, earnings before interest and tax would have been \$49.1m and net profit after tax would have been \$36.7m.

The Group's balance sheet remains strong with net cash of \$52.7m on hand at balance date.

The Group's cashflow from operations was \$77.2m compared to \$62.8m for the prior half year. Capital expenditure predominantly from new stores and existing store refurbishments was \$13.7m. The strong balance sheet position has allowed the Directors to announce a significant increase in interim dividend to 37 cents per share payable in April.

Lovisa closed the half with 542 company owned stores and 44 franchise stores. The international rollout of stores continued with a net 42 stores opened for the period, including 18 new stores opened in the USA during the period and 6 stores in France, as well as 2 new franchise markets opened in Cyprus and Lebanon with 2 stores in each.

2. DIVIDENDS

Since the end of the half year, the Directors have resolved to pay an interim dividend of 37.0 cents per share 30% franked.

The interim dividend will be paid on 21 April 2022.

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
Victor Herrero	Chief Executive Officer (appointed 14 October 2021)
Shane Fallscheer	Managing Director (resigned 14 October 2021)
Tracey Blundy	Non-Executive Director
James King	Non-Executive Director
Sei Jin Alt	Non-Executive Director
John Charlton	Non-Executive Director
Nico van der Merwe	Alternate Director to Brett Blundy

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.

DIRECTORS' REPORT

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 Blundy
Non-Executive Chairman



Victor Herrero
Chief Executive Officer
Melbourne, 23 February 2022



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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 26 DECEMBER 2021

Consolidated (\$'000s)	Note	26 December 2021	27 June 2021	27 December 2020
Assets				
Cash and cash equivalents		52,694	35,552	42,505
Trade and other receivables		12,450	11,325	6,993
Inventories		42,873	34,211	25,533
Derivatives		768	-	-
Total current assets		108,785	81,088	75,031
Deferred tax assets		10,464	12,591	10,513
Property, plant and equipment	5	48,533	42,112	42,713
Right-of-use assets	7	163,234	158,081	140,240
Intangible assets and goodwill	6	4,274	4,378	4,333
Total non-current assets		226,505	217,162	197,799
Total assets		335,290	298,250	272,830
Liabilities				
Trade and other payables		37,165	33,693	26,179
Employee benefits - current		6,011	5,963	4,663
Provisions - current	8	3,339	2,788	1,620
Loans and borrowings - current	9	-	-	-
Lease liability - current	10	55,943	54,484	44,301
Derivatives		-	144	2,164
Current tax liabilities		11,828	4,767	7,658
Total current liabilities		114,286	101,839	86,585
Employee benefits - non current		340	344	397
Provisions - non current	8	4,485	4,149	3,085
Lease liability - non current	10	153,189	146,203	123,476
Total non-current liabilities		158,014	150,696	126,958
Total liabilities		272,300	252,535	213,543
Net assets		62,990	45,715	59,287
Equity				
Issued capital		213,877	213,877	213,877
Common control reserve		(208,906)	(208,906)	(208,906)
Other reserves		12,147	11,707	9,064
Retained earnings		45,872	29,037	45,252
Total equity		62,990	45,715	59,287

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 26 DECEMBER 2021

Consolidated (\$'000s)	Note	26 December 2021	27 December 2020
Revenue	2	217,822	146,871
Cost of goods sold		(47,165)	(33,457)
Gross profit		170,657	113,414
Salaries and employee benefits expense		(52,696)	(32,189)
Property expenses		(8,250)	(5,486)
Distribution costs		(9,748)	(6,811)
Depreciation		(30,100)	(26,057)
Loss on disposal of property, plant and equipment		(311)	(10)
Impairment expense		(905)	-
Other income		1,414	92
Other expenses		(19,311)	(12,427)
Operating profit		50,750	30,526
Finance income		72	14
Finance expense		(2,925)	(2,606)
Net finance costs		(2,853)	(2,592)
Profit before income tax		47,897	27,934
Income tax expense		(11,719)	(8,382)
Profit for the period		36,178	19,552
Other comprehensive income			
Items that may be reclassified to profit or loss:			
OCI - Cash flow hedges		705	(2,252)
OCI - Foreign operations - foreign currency translation differences		(780)	(1,029)
		(75)	(3,281)
Other comprehensive income, net of tax		(75)	(3,281)
Total comprehensive income		36,103	16,271
Profit attributable to:			
Owners of the Company		36,178	19,552
		36,178	19,552
Total comprehensive income attributable to:			
Owners of the Company		36,103	16,271
		36,103	16,271
Earnings per share			
Basic earnings per share (cents)		33.67	18.19
Diluted earnings per share (cents)		33.45	18.17

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 26 DECEMBER 2021

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 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		-	-	(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
Balance at 28 June 2021		213,877	(208,906)	29,037	9,263	(33)	2,477	45,715
Total comprehensive income								
Profit		-	-	36,178	-	-	-	36,178
Cash flow hedges		-	-	-	-	705	-	705
Foreign operations - foreign currency translation differences		-	-	-	-	-	(780)	(780)
Total comprehensive income for the year		-	-	36,178	-	705	(780)	36,103
Transactions with owners of the Company								
Employee share schemes		-	-	-	515	-	-	515
Share options exercised		-	-	-	-	-	-	-
Dividends	4	-	-	(19,343)	-	-	-	(19,343)
Total contributions and distributions		-	-	(19,343)	515	-	-	(18,828)
Total transactions with owners of the Company		-	-	(19,343)	515	-	-	(18,828)
Balance at 26 December 2021		213,877	(208,906)	45,872	9,778	672	1,697	62,990

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 26 DECEMBER 2021

Consolidated (\$'000s)	Note	26 December 2021	27 December 2020
Cash flows from operating activities			
Cash receipts from customers		245,811	163,408
Cash paid to suppliers and employees		(168,656)	(100,588)
Cash generated from operating activities		77,155	62,820
Interest received		72	14
Interest paid		(348)	(306)
Other income		390	92
Income taxes paid		(3,111)	(6,022)
Net cash from operating activities		74,158	56,598
Cash flows from investing activities			
Acquisition of fixed assets		(15,668)	(6,812)
Acquisition of key money intangibles	6	-	(384)
Cash paid, net of cash acquired for acquisitions		(156)	-
Proceeds from fit-out contribution		1,951	437
Net cash (used in) investing activities		(13,873)	(6,759)
Cash flows from financing activities			
Payment of lease liabilities	10	(23,916)	(10,884)
Dividends paid	4	(19,343)	(16,119)
Net cash (used in) financing activities		(43,259)	(27,003)
Net increase in cash and cash equivalents		17,026	22,836
Cash and cash equivalents at the beginning of the period		35,552	20,434
Effect of movement in exchange rates on cash held		116	(765)
Cash and cash equivalents at the end of the period		52,694	42,505

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 26 DECEMBER 2021

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 26 December 2021 (2020: 26 week period ending 27 December 2020).

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 26 December 2021 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 27 June 2021.

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 2021 but they do not have a material effect on the Group's financial statements.

This condensed consolidated interim financial report has been prepared on a going concern basis of accounting. At 26 December 2021, the Group's statement of financial position is in a net current liability position of \$5.5m (27 June 2021: \$20.8m) which has arisen as a result of AASB 16, with net assets of \$63.0m (27 June 2021: 45.7m). The Group continues to manage its liquidity risks (as described in the annual report for the year ended 27 June 2021) and the Group's undrawn credit facilities are detailed in Note 9. The Group continues to be able to meet its financial obligations as and when they fall due and remains a going concern.

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 current trading performance adjusted for any 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 based on current trading performance adjusted for expectations of ongoing impacts where stores are impacted by reduced foot traffic and/or demand or to reflect a recovery in performance as relevant. These estimates have been made based on expectations of market demand and using actual experience to date of the trading impacts of COVID-19 and subsequent economic recovery.
- 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 cost structures.

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

Impairment of property, plant and equipment, right-of-use assets and intangible assets and goodwill

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 26 DECEMBER 2021

1 Summary of significant accounting policies (continued)

Impairment (continued)

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 the COVID-19 pandemic. 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.

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 26 December 2021

Stores with indicators of impairment at 26 December 2021 were identified in certain of the Group's markets, requiring more detailed testing for certain stores. 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.

As a result of this testing, an impairment expense of \$905,000 was recognised for store fit-out and lease right-of-use assets. Refer to note 5 and note 7 respectively for further detail.

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 Chief Executive Officer (CEO). 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 CEO 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:

- Consistent products are offered throughout the Group's stores worldwide;
- All stock sold throughout the world utilises common design processes and products are sourced from the same supplier base;
- Customer base is similar throughout the world;
- All stores are serviced from three delivery centres;
- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 26 DECEMBER 2021

2 Operating segments (continued)**Revenue by nature and geography**

The geographic information below analyses the Group's revenue by region. 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)	26 December 2021	27 December 2020
External revenues		
Australia / New Zealand	83,874	82,508
Asia	9,221	10,428
Africa	23,468	17,097
Europe	68,533	20,955
North America	31,628	15,156
Total external revenue	216,724	146,144
Franchise revenue		
Middle East	1,098	727
Total franchise revenue	1,098	727
Total revenue	217,822	146,871

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 territories 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 26 December 2021 the Group has recognised \$2,212,218 (half year ended 27 December 2020: \$9,850,000) 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 (including GST, VAT and income tax) and employee withholding payments across the countries we operate in. The Group has not obtained any relief whereby these obligations have been waived. The unpaid deferred balances remaining at 26 December 2021 are recorded in "trade and other payables" (27 June 2021: in "trade and other payables").

A business rates holiday was granted to our UK stores for the year from 1 April 2020 to 31 March 2021. The program was extended to apply at 100% discount for three months from 1 April 2021 to 30 June 2021 and at 66% discount for the period from 1 July 2021 to 31 March 2022. This waiver of business rates has been 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.

During the half year ended 26 December 2021 the Group has recognised \$540,662 (half year ended 27 December 2020: nil) of rental support received from the Singaporean government against "property expenses". This relief was to directly support the payment of rent to landlords during the periods of temporary store closure.

Other government grants have been received in various countries in connection with the loss of revenue due to the pandemic. These grants were unconditional and so were included in "other income" when they became receivable. For the half year ended 26 December 2021 these grants amounted to \$389,809 (half year ended 27 December 2020: \$92,110).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 26 DECEMBER 2021

4 Dividends

(a) Ordinary shares

(\$000s)	26 December 2021	27 December 2020
Dividends provided for or paid during the half year 50% franked (2020: 50% franked)	19,343	16,119

(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)	26 December 2021	27 December 2020
37.0 cents per qualifying ordinary share, 30% franked (2020: 20.0 cents, 50% franked)	39,760	21,492

5 Property, plant and equipment

Consolidated (\$000s)	Leasehold improvements	Hardware and software	Fixtures and fittings	Total
Cost				
Balance at 28 June 2021	90,064	7,485	2,587	100,136
Additions	14,316	1,199	18	15,533
Disposals	(923)	(44)	-	(967)
Effect of movements in exchange rates	657	13	8	678
Balance at 26 December 2021	104,114	8,653	2,613	115,380
Accumulated depreciation				
Balance at 28 June 2021	(50,121)	(6,183)	(1,720)	(58,024)
Depreciation	(7,112)	(1,388)	(239)	(8,739)
Impairment	(206)	-	-	(206)
Disposals	557	43	-	600
Effect of movements in exchange rates	(466)	(8)	(4)	(478)
Balance at 26 December 2021	(57,348)	(7,536)	(1,963)	(66,847)
Carrying amounts				
At 27 June 2021	39,943	1,302	867	42,112
At 26 December 2021	46,766	1,117	650	48,533

6 Intangible assets and goodwill

Consolidated (\$000s)	Key Money	Goodwill	Total
Cost			
Balance at 28 June 2021	2,117	2,261	4,378
Additions	-	-	-
Effect of movements in exchange rates	(11)	(93)	(104)
Balance at 26 December 2021	2,106	2,168	4,274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 26 DECEMBER 2021

7 Right-of-use assets

<i>Consolidated (\$'000s)</i>	Right-of-use assets - property
Cost	
Balance at 28 June 2021	230,452
Additions	20,676
Re-measurement of lease liabilities	4,594
Effect of movements in exchange rates	2,338
Balance at 26 December 2021	258,060
Accumulated depreciation	
Balance at 28 June 2021	(72,371)
Depreciation and impairment charges	(21,894)
Effect of movements in exchange rates	(561)
Balance at 26 December 2021	(94,826)
Carrying amounts	
At 27 June 2021	158,081
At 26 December 2021	163,234

The Group has consistently applied 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 2022; 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 \$1,026,000 in the statement of profit or loss and other comprehensive income for the half year ended 26 December 2021 (half year ended 27 December 2020: \$1,676,000).

8 Provisions

<i>Consolidated (\$'000s)</i>	Site restoration	Refund liability	Other provision	Total
Balance at 28 June 2021	5,480	361	1,096	6,937
Provisions made during the period	496	321	-	817
Provisions used during the period	(15)	-	-	(15)
Effect of movement in exchange rates	90	1	(6)	85
Balance at 26 December 2021	6,051	683	1,090	7,824
Current	1,566	683	1,090	3,339
Non-current	4,485	-	-	4,485
	6,051	683	1,090	7,824

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 26 DECEMBER 2021

9 Loans and borrowings

<i>Consolidated (\$'000s)</i>	Currency	Nominal interest rate	Year of maturity	26 December 2021	27 June 2021
Cash advance facility	AUD	N/A	2023	-	-
Multi option facility	AUD	N/A	-	-	-
Balance at period end				-	-

The Group holds the following lines of credit with the Commonwealth Bank of Australia (CBA):

- \$30 million revolving cash advance facility (27 June 2021: \$30 million)
- \$20 million multi option facility available for overdraft, trade finance and a contingent liability facility for global letters of credit and bank guarantees (27 June 2021: \$20 million).

The facilities were renewed during 2020, extending the maturity date of the facilities to 23 May 2023 (notwithstanding that individual products by virtue of their nature have their own maturity dates) and increasing the available credit limit as outlined above.

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 half year ended 26 December 2021 (27 June 2021: compliant).

The Group holds a number of lines of credit which are solely for the purpose of providing bank guarantees as security for its store lease agreements. On 25 June 2021 the Group finalised a \$20 million bank guarantee facility with HSBC Bank Australia Limited (HSBC) for global letters of credit and bank guarantees. The facility has been incorporated into the security deed for the CBA lending facilities. The financial covenants for the CBA facilities now also apply to this facility.

As a result of the acquisition of the retail assets of beeline GmbH, two credit facilities for the provision of bank guarantees were assumed for the Belgian and Swiss operations for Euro 600,000 and CHF 550,000 respectively. These facilities are subject to annual credit reviews.

Bank guarantee facilities were also assumed for the operations in Luxembourg, Germany, France, Netherlands and Austria. These bank guarantee facilities are secured by restricted savings accounts, that is they are cash collateralised.

Refer to note 12 (a) for guarantees outstanding at 26 December 2021.

10 Lease liability

<i>Consolidated (\$'000s)</i>	
Balance at 28 June 2021	200,687
Liability recognised during the period	24,294
Re-measurement of lease liabilities	3,332
Lease payments	(23,916)
Interest	2,577
Effect of movement in exchange rates	2,158
Balance at 26 December 2021	209,132
Current	55,943
Non-current	153,189
	209,132

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, refer to note 7.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 26 DECEMBER 2021

11 Related parties

Consolidated (\$'000s)	Transaction values for the 26 weeks ended		Balance outstanding as at	
	26 December 2021	27 December 2020	26 December 2021	27 December 2020
Expenses	81	86	-	-

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 (27 December 2020: \$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 \$15,654,000 at 26 December 2021 (27 June 2021: \$13,099,000). These are drawn against the bank guarantee facilities described in note 9.

(b) Capital commitments and contingent liabilities

The Group is committed to incur capital expenditure of \$1,480,000 (27 June 2021: \$3,014,000). There are no contingent liabilities that exist at 26 December 2021 (27 June 2021: none).

13 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.

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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 26 December 2021 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.



Victor Herrero
Chief Executive Officer
Melbourne
23 February 2022

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



Independent Auditor's Review Report

To the shareholders of Lovisa Holding 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 26 December 2021 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 26 December 2021
- 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 Holding 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 26 December 2021.

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 these requirements.

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



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 Group's financial position as at 26 December 2021 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 a 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

Rachel Milum

Partner

Sydney

23 February 2022

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 26 December 2021 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

23 February 2022

CORPORATE DIRECTORY

Company Secretary

Chris Lauder

Principal Registered Office

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Location of Share Registry

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Stock Exchange Listing

Lovisa Holdings Limited (LOV)
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Auditors

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