Lovisa Holdings Limited
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Lovisa Holdings Limited
Appendix 4D
Half Yearly Report
For the half-year ended 1 January 2023

The following sets out the requirements of Appendix 4D with the stipulated information either provided here or cross referenced to the HY2023 Interim Financial Report which is attached.

1. Company details

Company Name	Lovisa Holdings Limited
ACN	602 304 503
Reporting Period	26 weeks ended 1 January 2023
Prior Half Year Reporting Period	26 weeks ended 26 December 2021
Prior Financial Year Ended	3 July 2022

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**	**44.8%**	**315,483**
Profit before tax	**Increase**	**35.9%**	**65,099**
Profit after tax attributable to the members	**Increase**	**31.9%**	**47,723**

Dividends / distributions (Appendix 4D item 2.4)	**Amount per security**	**Franked amount per security**
Interim dividend for the 26 week period ended 1 January 2023 to be paid on 20th April 2023	**38.0 cents**	**38.0 cents**

Record date for determining entitlement to the dividend (Appendix 4D item 2.5)	**8th March 2023**

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 1 January 2023 the Company reported net profit after tax of $47.7m with same store sales up 12.5% on the first half of the prior year and an additional 86 net new stores across the globe. Gross profit increased 48.4% to $253.2m and gross margin for the half was 80.3% compared to 78.3% for the first half of the prior year.

This result reflects an increase of 31.9% on the Company's prior half-year 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	**$0.78**	**$0.55**

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 21st February 2023

Chris Lauder
Chief Financial Officer and Company Secretary

LOVISA HOLDINGS LIMITED

INTERIM FINANCIAL REPORT

FOR THE 26 WEEKS ENDED
1 JANUARY 2023

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 1 January 2023.

1. OPERATING AND FINANCIAL REVIEW

Lovisa's revenue for 1H FY2023 was $315.5m, an increase of 44.8% on 1H FY2022, reflecting comparable store sales of 12.5% compared to 1H FY2022 and growth in the store network.

Lovisa closed the half with 673 company owned stores and 42 franchise stores. The international rollout of stores continued with a net 86 stores opened for the period, including 103 new stores opened offset by 17 closures which included 5 relocations. Pleasingly the store rollout was able to be delivered across all regions, with 12 new stores in Australia/NZ, 11 in Asia, 10 in Africa, 27 in Europe, 41 in the Americas as well as 2 new franchise stores. The growth in the store network included 6 new company owned market openings in the period, with our first stores opened in Hong Kong, Namibia, Mexico, Hungary, Romania and Italy, complementing the opening of Canada and Poland markets in late FY22. We also opened our first franchise store in Colombia, South America. The growth in the store network has set a solid foundation for ongoing growth in the store network and was a key driver of sales growth in the period, with the strong sales performance delivered across all markets.

Gross profit for the half was $253.2m, an increase of 48.4% on the prior half year. Gross margin for the half was 80.3% compared to 78.3% for the first half of the prior year, benefitting from price increases implemented in the second half of FY22 and tight management of product cost and inventory.

We were able to continue to invest in rolling out new markets, new stores in existing markets, and the structures required to manage them effectively on an ongoing basis, including support teams, logistics and technology to drive a more efficient operating model. Despite this ongoing investment Cost of Doing Business (CODB) remained well controlled, helping mitigate inflationary pressures on labour and other costs. Also impacting on CODB year on year is the impact of the CEO long-term incentive plan, with a $15m expense recognised in the current period, compared to $0.5m in the first half of FY22.

Depreciation expense, including impairment expense, for the period was up 9.1% on the prior half year, growing at a slower rate than the store network benefitting from lower depreciation in mature markets. Offsetting this was a 75.2% increase in net finance costs, reflecting the interest charge associated with lease liabilities, with the liability balance significantly higher due to the growth in the store network and higher interest rates, combined with higher borrowings during the period.

Net profit before tax was $65.1m, up 35.9% compared to the prior half year, with net profit after tax of $47.7m, up 31.9%.

The Group's balance sheet remains strong with net cash of $24.0m on hand at balance date.

The Group's cash generated from operating activities was $115.8m compared to $77.2m for the prior half year. Capital expenditure predominantly from new stores and existing store refurbishments was $36.8m.

As of the date of this report, we have received conditional approval and terms from our financiers (subject to execution of facility documents), for the extension of our existing cash debt facilities for a further 3 years and increase in the facility limit to $100 million to support the accelerated growth in our store network.

2. DIVIDENDS

Since the end of the half year, the Directors have resolved to pay an interim dividend of 38.0 cents per share fully franked.

The interim dividend will be paid on 20 April 2023.

3. DIRECTORS

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

Brett Blundy	Non-Executive Director and Chairman
Victor Herrero	Chief Executive Officer
Tracey Blundy	Non-Executive Director
James King	Non-Executive Director (resigned 18 November 2022)
Sei Jin Alt	Non-Executive Director
John Charlton	Non-Executive Director
Bruce Carter	Non-Executive Director (appointed 18 November 2022)
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, 21 February 2023

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 1 JANUARY 2023

Consolidated ($000s)	**Note**	**1 January 2023**	**3 July 2022**	**26 December 2021**
Assets				
Cash and cash equivalents		50,038	34,153	52,694
Trade and other receivables		21,979	21,587	12,450
Current tax receivables		824	796	-
Inventories		58,314	50,215	42,873
Derivatives		256	1,682	768
Total current assets		131,411	108,433	108,785
Deferred tax assets		18,475	17,326	10,464
Property, plant and equipment	5	94,416	67,255	48,533
Right-of-use assets	7	215,510	172,037	163,234
Intangible assets and goodwill	6	4,206	4,234	4,274
Total non-current assets		332,607	260,852	226,505
Total assets		464,018	369,825	335,290
Liabilities				
Trade and other payables		53,210	47,397	37,165
Employee benefits - current		6,768	6,439	6,011
Provisions - current	8	3,582	3,562	3,339
Loans and borrowings - current	9	26,000	10,000	-
Lease liability - current	10	54,322	50,403	55,943
Current tax liabilities		17,750	14,084	11,828
Total current liabilities		161,632	131,885	114,286
Employee benefits - non current		325	287	340
Provisions - non current	8	6,486	4,821	4,485
Lease liability - non current	10	207,594	167,969	153,189
Total non-current liabilities		214,405	173,077	158,014
Total liabilities		376,037	304,962	272,300
Net assets		87,981	64,323	62,990
Equity				
Issued capital		214,137	213,877	213,877
Common control reserve		(208,906)	(208,906)	(208,906)
Other reserves		46,604	31,031	12,147
Retained earnings		36,146	28,321	45,872
Total equity		87,981	64,323	62,990

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 1 JANUARY 2023

Consolidated ($000s)	Note	1 January 2023	26 December 2021
Revenue	2	315,483	217,822
Cost of goods sold		(62,287)	(47,165)
Gross profit		253,196	170,657
Salaries and employee benefits expense		(89,146)	(52,696)
Property expenses		(12,189)	(8,250)
Distribution costs		(16,718)	(9,748)
Depreciation		(33,766)	(30,100)
Loss on disposal of property, plant and equipment		(548)	(311)
Impairment expense		(76)	(905)
Other income		298	1,414
Other expenses		(30,953)	(19,311)
Operating profit		70,098	50,750
Finance income		51	72
Finance expense		(5,050)	(2,925)
Net finance costs		(4,999)	(2,853)
Profit before income tax		65,099	47,897
Income tax expense		(17,376)	(11,719)
Profit for the period		47,723	36,178
Other comprehensive income			
Items that may be reclassified to profit or loss:			
OCI - Cash flow hedges		(1,440)	705
OCI - Foreign operations - foreign currency translation differences		1,456	(780)
		16	(75)
Other comprehensive income, net of tax		16	(75)
Total comprehensive income		47,739	36,103
Profit attributable to:			
Owners of the Company		47,723	36,178
		47,723	36,178
Total comprehensive income attributable to:			
Owners of the Company		47,739	36,103
		47,739	36,103
Earnings per share			
Basic earnings per share (cents)		44.31	33.67
Diluted earnings per share (cents)		43.39	33.45

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 1 JANUARY 2023

		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 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
Dividends		-	-	(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
Balance at 4 July 2022		213,877	(208,906)	28,321	22,570	1,544	6,917	64,323
Total comprehensive income								
Profit		-	-	47,723	-	-	-	47,723
Cash flow hedges		-	-	-	-	(1,440)	-	(1,440)
Foreign operations - foreign currency translation differences		-	-	-	-	-	1,457	1,457
Total comprehensive income for the year		-	-	47,723	-	(1,440)	1,457	47,740
Transactions with owners of the Company								
Employee share schemes		-	-	-	15,556	-	-	15,556
Share options exercised		260	-	-	-	-	-	260
Dividends	4	-	-	(39,898)	-	-	-	(39,898)
Total contributions and distributions		260	-	(39,898)	15,556	-	-	(24,082)
Total transactions with owners of the Company		260	-	(39,898)	15,556	-	-	(24,082)
Balance at 1 January 2023		214,137	(208,906)	36,146	38,126	104	8,374	87,981

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 1 JANUARY 2023

Consolidated ($000s)	Note	1 January 2023	26 December 2021
Cash flows from operating activities			
Cash receipts from customers		353,474	245,811
Cash paid to suppliers and employees		(237,637)	(168,656)
Cash generated from operating activities		115,837	77,155
Interest received		51	72
Interest paid		(5,050)	(2,925)
Other income		-	390
Income taxes paid		(12,753)	(3,111)
Net cash from operating activities		98,085	71,581
Cash flows from investing activities			
Acquisition of fixed assets		(36,813)	(15,668)
Acquisition of key money intangibles	6	(71)	-
Cash paid, net of cash acquired for acquisitions		-	(156)
Proceeds from fit-out contribution		4,992	1,951
Net cash (used in) investing activities		(31,892)	(13,873)
Cash flows from financing activities			
Share options exercised		260	-
Facility proceeds		16,000	-
Payment of lease liabilities	10	(27,063)	(21,339)
Dividends paid	4	(39,898)	(19,343)
Net cash (used in) financing activities		(50,701)	(40,682)
Net increase in cash and cash equivalents		15,492	17,026
Cash and cash equivalents at the beginning of the period		34,153	35,552
Effect of movement in exchange rates on cash held		393	116
Cash and cash equivalents at the end of the period		50,038	52,694

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 1 JANUARY 2023

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 1 January 2023 (2022: 26 week period ending 26 December 2021).

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 1 January 2023 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 3 July 2022.

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 2022 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 1 January 2023, the Group's statement of financial position is in a net current liability position of $30.2m (3 July 2022: $23.5m) which has arisen as a result of AASB 16, with net assets of $88.0m (3 July 2022: $64.3m). The Group continues to manage its liquidity risks (as described in the annual report for the year ended 3 July 2022) 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 impact of the COVID-19 pandemic on the Group's operations and financial statements in the current half year is significantly less than that of the prior year, with trading conditions returning to a more 'normal' position.

For these financial statements, the current threat of economic contraction facing most markets globally, including inflationary pressures and interest rate hikes, particularly in Australia, are instead relevant to estimates of future performance. This in turn is relevant to the areas of net realisable value of inventory, impairment of non-financial assets, long-term incentive expense and going concern.

The following assumptions and judgements have been applied by the Group:

- Sales forecasts have been estimated based on current trading performance adjusted for expectations of economic conditions on demand.
- Gross margin and cost assumptions are based on known information.

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 1 JANUARY 2023

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. 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 1 January 2023

Stores with indicators of impairment at 1 January 2023 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 short-term considerations, 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, no impairment expense 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:

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 three 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 1 JANUARY 2023

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)	**1 January 2023**	**26 December 2021**
External revenues		
Australia / New Zealand	113,869	83,874
Asia	19,002	9,221
Africa	28,178	23,468
Europe	91,052	68,533
Americas	62,493	31,628
Total external revenue	314,594	216,724
Franchise revenue		
South America	96	-
Middle East	793	1,098
Total franchise revenue	889	1,098
Total revenue	315,483	217,822

3 Government grants

Government grants - COVID-19 pandemic

In prior periods, 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 1 January 2023 the Group has recognised $11,140 (half year ended 26 December 2021: $2,212,218) of wage subsidy grants globally against "salaries and employee benefits expense".

A business rates holiday was granted to our UK stores for the year from 1 April 2020 to 31 March 2021 and 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.

No rental support was received from the Singaporean government during the half year ended 1 January 2023 (half year ended 26 December 2021: $540,662 recognised 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. No grants were received for the half year ended 1 January 2023 (half year ended 26 December 2021: $389,809).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 1 JANUARY 2023

4 Dividends

(a) Ordinary shares

($000s)	**1 January 2023**	**26 December 2021**
Dividends provided for or paid during the half year 30% franked (2021: 50% franked)	39,898	19,343

(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)	**1 January 2023**	**26 December 2021**
38.0 cents per qualifying ordinary share, fully franked (2021: 37.0 cents, 30% franked)	40,976	39,760

5 Property, plant and equipment

Consolidated ($000s)	**Leasehold improvements**	**Hardware and software**	**Fixtures and fittings**	**Total**
Cost				
Balance at 4 July 2022	128,610	10,405	2,742	141,757
Additions	36,370	689	465	37,524
Disposals	(1,892)	(54)	(121)	(2,067)
Effect of movements in exchange rates	130	25	(5)	150
Balance at 1 January 2023	163,218	11,065	3,081	177,364
Accumulated depreciation				
Balance at 4 July 2022	(63,710)	(8,527)	(2,265)	(74,502)
Depreciation	(9,119)	(599)	(402)	(10,120)
Impairment	-	-	-	-
Disposals	1,258	49	106	1,413
Effect of movements in exchange rates	258	1	2	261
Balance at 1 January 2023	(71,313)	(9,076)	(2,559)	(82,948)
Carrying amounts				
At 4 July 2022	64,900	1,878	477	67,255
At 1 January 2023	91,905	1,989	522	94,416

6 Intangible assets and goodwill

Consolidated ($000s)	**Key Money**	**Goodwill**	**Total**
Cost			
Balance at 4 July 2022	2,048	2,186	4,234
Additions	71	-	71
Disposals	(76)	-	(76)
Effect of movements in exchange rates	50	(73)	(23)
Balance at 1 January 2023	2,093	2,113	4,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 1 JANUARY 2023

7 Right-of-use assets

Consolidated ($000s)	**Right-of-use assets - property**
Cost	
Balance at 4 July 2022	288,367
Additions	49,087
Re-measurement of lease liabilities	16,591
Effect of movements in exchange rates	2,472
Balance at 1 January 2023	356,517
Accumulated depreciation	
Balance at 4 July 2022	116,330
Depreciation and impairment charges	23,647
Effect of movements in exchange rates	1,030
Balance at 1 January 2023	141,007
Carrying amounts	
At 4 July 2022	172,037
At 1 January 2023	215,510

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 $205,864 in the statement of profit or loss and other comprehensive income for the half year ended 1 January 2023 (half year ended 26 December 2021: $1,026,000).

8 Provisions

Consolidated ($000s)	**Site restoration**	**Refund liability**	**Other provision**	**Total**
Balance at 4 July 2022	6,810	508	1,065	8,383
Provisions made during the period	1,366	290	-	1,656
Provisions used during the period	-	(14)	-	(14)
Effect of movement in exchange rates	16	(1)	28	43
Balance at 1 January 2023	8,192	783	1,093	10,068
Current	1,706	783	1,093	3,582
Non-current	6,486	-	-	6,486
	8,192	783	1,093	10,068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE 26 WEEKS ENDED 1 JANUARY 2023

9 Loans and borrowings

Consolidated ($000s)	Currency	Nominal interest rate	Year of maturity	1 January 2023	3 July 2022
Cash advance facility	AUD	N/A	2023	26,000	10,000
Multi option facility	AUD	N/A	-	-	-
Balance at period end				26,000	10,000

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

- $30 million revolving cash advance facility (3 July 2022: $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 (3 July 2022: $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 1 January 2023 (3 July 2022: 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. The Group holds 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 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. With the exception of Germany, 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 1 January 2023.

10 Lease liability

Consolidated ($000s)	
Balance at 4 July 2022	218,372
Liability recognised during the period	52,604
Re-measurement of lease liabilities	16,343
Lease payments	(31,341)
Interest	4,278
Effect of movement in exchange rates	1,660
Balance at 1 January 2023	261,916
Current	54,322
Non-current	207,594
	261,916

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 1 JANUARY 2023

11 Related parties

	Transaction values for the 26 weeks ended		Balance outstanding as at	
Consolidated ($000s)	**1 January 2023**	**26 December 2021**	**1 January 2023**	**26 December 2021**
Expenses	139	81	-	-

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 (26 December 2021: $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 $13,239,000 at 1 January 2023 (3 July 2022: $13,148,000). 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 $1,526,000 (3 July 2022: $1,203,000). There are no contingent liabilities that exist at 1 January 2023 (3 July 2022: none).

13 Events occurring after the reporting period

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

As of the date of this report, we have received conditional approval and terms from our financiers (subject to execution of facility documents), for the extension of our existing cash debt facilities for a further 3 years and increase in the facility limit to $100 million to support the accelerated growth in our store network.

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 1 January 2023 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

21 February 2023

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

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 1 January 2023 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 1 January 2023
- 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 1 January 2023.

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)

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 1 January 2023 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 Gatt

Rachel Gatt

Partner

Sydney

21 February 2023

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 1 January 2023 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 Gatt

Rachel Gatt

Partner

Sydney

21 February 2023

CORPORATE DIRECTORY

Company Secretary

Chris Lauder

Principal Registered Office

Lovisa Holdings Limited
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Location of Share Registry

Link Market Services Limited
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Stock Exchange Listing

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

Auditors

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