Universal Store Pty Ltd

ABN 89 085 003 158

Special purpose annual report for the year ended 30 June 2019

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Special purpose annual report - 30 June 2019

Contents

The directors present their report on Universal Store Pty Ltd (referred to hereafter as "the Company") for the year ended 30 June 2019.

Directors

Gregory J Josephson was the director of Universal Store Pty Ltd from the beginning of the financial year until his resignation on 31 October 2018.

Stephen M Harris, Trent Peterson and Dorothy A Barbery were appointed as directors on 31 October 2018 and continue in office at the date of this report.

Timothy W Cooper was appointed as a director on 31 October 2018 until his resignation on 8 April 2019.

Nicholas M Larkin was appointed as a director on 8 April 2019 and continues in office at the date of this report.

Principal activities

During the year the principal continuing activities of the Company consisted of fashion retailing.

Dividends

Dividends paid to members during the financial year were as follows:

	2019 **$**	2018 $
Final ordinary dividend	**5,800,000**	6,960,000

Review of operations

The profit from ordinary activities after income tax amounted to $13,037,341 (2018: $9,984,825).

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Event since the end of the financial year

No matter or circumstance has arisen since 30 June 2019 that has significantly affected the Company's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

In the foreseeable future it is expected that the Company will continue its principal activity as described above.

Environmental regulation

The Company is not affected by any significant environmental regulation in respect of its operations.

Shares under option

No options were granted at the date of this report.

Insurance of officers and indemnities

During the financial year, Universal Store Pty Ltd paid a premium to insure the directors and secretaries of the Company and the general managers of each of the divisions of the Company.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the Company, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities. The policy prohibits the disclosure of the premium paid.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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

Stephen M Harris
Director

Brisbane
16 October 2019

Universal Store Pty Ltd
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Special purpose annual report - 30 June 2019

These financial statements are the financial statements of Universal Store Pty Ltd as an individual entity. The financial statements are presented in the Australian dollar ($).

Universal Store Pty Ltd is a Company limited by shares, incorporated and domiciled in Australia.

Its registered office is:
C/- Cambio Group
9 Ouyan Street,
Bundall, Queensland, 4217.

Its principal place of business is:
Universal Store Pty Ltd
6/2 Jenner Street,
Nundah, Queensland, 4012.

A description of the nature of the entity's operations and its principal activities is included in the directors' report on page 1, which is not part of these financial statements.

The financial statements were authorised for issue by the directors on 16 October 2019. The directors have the power to amend and reissue the financial statements.

	Notes	2019 $	2018 $
Revenue from contracts with customers	2	**146,461,983**	112,262,667
Other income	3(a)	**55,840**	23,998
Other gains (losses) – net	3(b)	**35,956**	(75,215)
Raw materials and consumables used		**(59,514,290)**	(46,713,944)
Employee benefits expense		**(30,629,683)**	(23,649,803)
Occupancy expenses		**(23,151,557)**	(19,202,834)
Depreciation and amortisation expense		**(2,960,416)**	(2,232,385)
Acquisition expenses		**(2,806,020)**	-
Freight and distribution expenses		**(2,152,700)**	(1,541,882)
Marketing expenses		**(2,087,166)**	(1,533,277)
Banking and transaction fees		**(1,318,838)**	(992,031)
Finance expenses		**(102,047)**	(139,034)
Other expenses		**(2,943,047)**	(1,936,373)
Profit before income tax		**18,888,015**	14,269,887
Income tax expense		**(5,850,674)**	(4,285,062)
Profit for the year		**13,037,341**	9,984,825
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**13,037,341**	9,984,825
Total comprehensive income for the year is attributable to:			
Owners of Universal Store Pty Ltd		**13,037,341**	9,984,825

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

Universal Store Pty Ltd
Statement of financial position
As at 30 June 2019

	Notes	2019 $	2018 $
ASSETS			
Current assets			
Cash and cash equivalents	4	**8,660,336**	3,802,368
Trade and other receivables	5	**1,337,012**	1,116,239
Inventories	6	**19,417,301**	13,828,947
Total current assets		**29,414,649**	18,747,554
Non-current assets			
Receivables	5	**1,265,280**	-
Property, plant and equipment	7	**11,306,369**	9,476,258
Intangible assets		**23,012**	14,068
Deferred tax assets		**1,649,516**	878,946
Total non-current assets		**14,244,177**	10,369,272
Total assets		**43,658,826**	29,116,826
LIABILITIES			
Current liabilities			
Trade and other payables	8	**9,887,161**	7,260,214
Borrowings	9	**4,228,856**	1,062,974
Current tax liabilities		**521,536**	1,385,604
Provisions	10	**1,274,497**	1,121,930
Deferred revenue		**631,376**	462,798
Total current liabilities		**16,543,426**	11,293,520
Non-current liabilities			
Borrowings	9	-	272,000
Deferred income		**940,834**	791,736
Provisions	10	**695,603**	154,312
Total non-current liabilities		**1,636,437**	1,218,048
Total liabilities		**18,179,863**	12,511,568
Net assets		**25,478,963**	16,605,258
EQUITY			
Share capital	11	**1,657,642**	21,278
Retained earnings		**23,821,321**	16,583,980
Total equity		**25,478,963**	16,605,258

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

	Notes	Contributed equity $	Retained earnings $	Total equity $
Balance at 1 July 2017		21,278	13,559,155	13,580,433
Profit for the year		-	9,984,825	9,984,825
Total comprehensive income for the year		**-**	**9,984,825**	**9,984,825**
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	12	-	(6,960,000)	(6,960,000)
Balance at 30 June 2018		**21,278**	**16,583,980**	**16,605,258**
Balance at 1 July 2018		21,278	16,583,980	16,605,258
Profit for the year		-	13,037,341	13,037,341
Total comprehensive income for the year		**-**	**13,037,341**	**13,037,341**
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs and tax	11	1,636,364	-	1,636,364
Dividends provided for or paid	12	-	(5,800,000)	(5,800,000)
		1,636,364	(5,800,000)	(4,163,636)
Balance at 30 June 2019		**1,657,642**	**23,821,321**	**25,478,963**

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

	Notes	2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		**161,133,750**	124,888,827
Payments to suppliers and employees (inclusive of GST)		**(143,555,294)**	(107,573,133)
		17,578,456	17,315,694
Interest received		**46,976**	17,313
Interest paid		**(102,047)**	(139,034)
Income taxes paid		**(5,097,871)**	(4,100,086)
Net cash inflow from operating activities	16(a)	**12,425,514**	13,093,887
Cash flows from investing activities			
Payments for property, plant and equipment		**(5,399,301)**	(4,662,628)
Payments for intangibles		**(8,944)**	(14,068)
Loans from related parties		**2,944,665**	136
Proceeds from sale of property, plant and equipment		**1,258,216**	892,911
Net cash (outflow) from investing activities		**(1,205,364)**	(3,783,649)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	11	**381,818**	-
Proceeds from borrowings	16(b)	**-**	1,052,142
Repayment of borrowings	16(b)	**(944,000)**	(879,856)
Dividends paid to Company's shareholders		**(5,800,000)**	(6,960,000)
Net cash (outflow) from financing activities		**(6,362,182)**	(6,787,714)
Net increase in cash and cash equivalents		**4,857,968**	2,522,524
Cash and cash equivalents at the beginning of the financial year		**3,802,368**	1,279,844
Cash and cash equivalents at end of year	4	**8,660,336**	3,802,368

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

1 Summary of significant accounting policies

This note provides a list of all significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for Universal Store Pty Ltd.

(a) Basis of preparation

(i) Special purpose financial report

In the directors' opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial reports.

This is a special purpose financial report that has been prepared for management reporting purposes and must not be used for any other purpose.

The financial report has been prepared in accordance with the recognition and measurement principles of Australian Accounting Standards and other mandatory professional requirements in Australia. It contains only those disclosures considered necessary by the directors to meet the needs of the members. Universal Store Pty Ltd is a for-profit entity for the purpose of preparing the financial statements.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost basis.

(iii) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for first time in their annual reporting period commencing 1 July 2018:

- AASB 9 *Financial Instruments*
- AASB 15 *Revenue from Contracts with Customers*

The Company had to change its accounting policies but did not need to make retrospective adjustments following the adoption of AASB 9 and AASB 15. The other amendments included in these standards, did not have any impact on the amounts recognised in prior years and are not expected to significantly affect the current or future years.

(iv) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been early adopted by the Company. The Company's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	**AASB 16 *Leases***
Nature of change	AASB 16 will result in almost all leases being recognised on the statement of financial position by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.
Impact	As at the date of this report, management have not yet finalised their calculations of the impact of adopting AASB16. However, it is expected to be material as the Company has non-cancellable operating lease commitments of $59,807,646.
Mandatory application date/ Date of adoption by Company	The Company will apply the standard from its mandatory adoption date of 1 July 2019. The Company intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New standards and interpretations not yet adopted (continued)

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting years and on foreseeable future transactions.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no accounting estimates individually material to the financial statements.

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars ($), which is Universal Store Pty Ltd's functional and presentation currency.

(ii) Transactions and balances

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

(c) Revenue recognition

Revenue from contracts with customers
Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with the customer. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, net of goods and service tax, returns, rebates and discounts. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or services promised in the contract. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue from the sale of goods is recognised at the point in time the goods are delivered to the customer. Sale of goods is usually by credit card or cash.

Other revenue
The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(d) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Summary of significant accounting policies (continued)

(d) Income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Tax consolidation legislation

Universal Store Pty Ltd has implemented the tax consolidation legislation.

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

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

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate the head entity for any current tax payable assumed and are compensated by the head entity for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to the head entity under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

1 Summary of significant accounting policies (continued)

(e) Leases

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

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

Any incentives that are yet to be unwound over the lease term are recognised as deferred revenue. Where the incentive provided by the landlord relates to acquisition of a portion of the fit-out costs this is treated as a reduction to the carrying value of the asset.

(f) Impairment of assets

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

(g) Cash and cash equivalents

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

(h) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Due to the short-term nature of trade and other receivables, their carrying amount is considered to be the same as their fair value.

The Company applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

1 Summary of significant accounting policies (continued)

(h) Trade receivables (continued)

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(i) Inventories

Inventory is stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts and are assigned to quantities of inventory on hand on a first in, first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate borrowings is recognised in profit or loss within finance costs, together with changes in the fair value of the hedged fixed rate borrowings attributable to interest rate risk. The gain or loss relating to the ineffective portion is recognised in profit or loss within other gains/(losses).

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

- Property, plant and equipment 3 - 15 years

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

1 Summary of significant accounting policies (continued)

(k) Property, plant and equipment (continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(f)).

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

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 45 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Borrowings

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

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

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

(n) Provisions

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

(o) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities for wages and salaries are presented as current accrued expenses in the statement of financial position. The liabilities for annual leave are presented as current employee benefit obligations in the statement of financial position.

(ii) Other long-term employee benefit obligations

The Company also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

1 Summary of significant accounting policies (continued)

(o) Employee benefits (continued)

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

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

(p) Contributed equity

Ordinary shares are classified as equity.

(q) Dividends

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

(r) Goods and Services Tax (GST)

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

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

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

(s) Rounding of amounts

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

2 Revenue from contracts with customers

The Company derives revenue from the transfer of goods at a point in time as follows:

	2019 **$**	2018 $
Sale of goods	**146,461,983**	112,262,667

3 Other income and expense items

(a) Other income

	2019 **$**	2018 $
Interest income	**46,976**	17,313
Other income	**8,864**	6,685
	55,840	23,998

(b) Other gains (losses)

	2019 **$**	2018 $
Net loss on disposal of property, plant and equipment	**(12,140)**	(75,215)
Net foreign exchange gains	**48,096**	-
	35,956	(75,215)

4 Cash and cash equivalents

	2019 **$**	2018 $
Current assets		
Cash on hand	**49,175**	38,352
Cast at bank	**8,611,161**	3,764,016
	8,660,336	3,802,368

5 Trade and other receivables

	2019			2018		
	Current **$**	**Non-current** **$**	**Total** **$**	Current $	Non-current $	Total $
Other receivables	**902,497**	**-**	**902,497**	483,296	-	483,296
Prepayments and deposits	**434,515**	**-**	**434,515**	632,943	-	632,943
Loans to related parties	**-**	**1,265,280**	**1,265,280**	-	-	-
	1,337,012	**1,265,280**	**2,602,292**	1,116,239	-	1,116,239

6 Inventories

	2019 $	2018 $
Current assets		
Stock on hand at cost	**19,577,126**	14,132,923
Valuation provision	**(159,825)**	(303,976)
	19,417,301	13,828,947

7 Property, plant and equipment

	2019 $	2018 $
Property, plant and equipment		
Cost	**22,436,838**	17,766,441
Accumulated depreciation	**(11,130,469)**	(8,290,183)
	11,306,369	9,476,258

8 Trade and other payables

	2019 $	2018 $
Current liabilities		
Trade payables	**5,718,030**	4,213,519
GST payable	**1,899,803**	1,737,170
Accrued expenses	**2,269,328**	1,309,525
	9,887,161	7,260,214

9 Borrowings

	2019			2018		
	Current **$**	**Non-current** **$**	**Total** **$**	Current $	Non-current $	Total $
Secured						
Bank loans	-	-	-	672,000	272,000	944,000
Total secured borrowings	-	-	-	672,000	272,000	944,000
Unsecured						
Loans from related parties	**4,228,856**	-	**4,228,856**	390,974	-	390,974
Total unsecured borrowings	**4,228,856**	-	**4,228,856**	390,974	-	390,974
Total borrowings	**4,228,856**	-	**4,228,856**	1,062,974	272,000	1,334,974

10 Provisions

	2019 Current $	2019 Non-current $	2019 Total $	2018 Current $	2018 Non-current $	2018 Total $
Make good provision	**-**	**527,000**	**527,000**	-	-	-
Employee benefits	**1,274,497**	**168,603**	**1,443,100**	1,121,930	154,312	1,276,242
	1,274,497	**695,603**	**1,970,100**	1,121,930	154,312	1,276,242

(a) Information about individual provisions and significant estimates

Make good provision

The Company is required to restore the leased premises of its retail stores to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the shorter of the term of the lease or the useful life of the assets.

11 Contributed equity

(a) Share capital

	2019 Shares	2018 Shares	2019 $	2018 $
Fully paid	**232**	232	**1,657,642**	21,278

(b) Movements in ordinary shares:

Details	Number of shares	$
Balance 30 June 2018	232	21,278
Contribution of equity	-	381,818
Contribution of equity	-	1,254,546
Balance 30 June 2019	232	1,657,642

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value. The Company does not have a limited amount of authorised capital.

12 Dividends

(a) Ordinary shares

	2019 $	2018 $
Final dividend	**5,800,000**	6,960,000

12 Dividends (continued)

(b) Franked dividends

The final dividends recommended after 30 June 2019 will be fully franked out of existing franking credits, or out of franking credits arising from the payment of income tax in the year ending 30 June 2020.

	2019	2018
	$	$
Franking credits available for subsequent reporting periods based on a tax rate of 30.0% (2018 - 30.0%)	**-**	8,022,665

The above amounts are calculated from the balance of the franking account as at the end of the reporting year, adjusted for franking credits and debits that will arise from the settlement of liabilities or receivables for income tax and dividends after the end of the year.

During the year ended 30 June 2019, Universal Store Pty Ltd became part of a tax consolidated group, and therefore, no longer maintains its own franking account balance. Instead, these are disclosed in the head entity's financial report, being US Holdings Pty Ltd.

13 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the entity and its related practices:

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	2019	2018
	$	$
Audit and other assurance services		
Audit of financial statements	**72,600**	55,950
Other assurance services	**50,000**	3,700
Total remuneration for audit and other assurance services	**122,600**	59,650

14 Contingent liabilities

The Company had contingent liabilities at 30 June 2019 in respect of:

(i) Guarantees

The Company has given guarantees in respect of various retail tenancies amounting to $2,586,438 (2018: $2,204,169).

Upon signing certain leases, the Company has received a fixed contribution towards costs of fit-outs. Some of these leases contain repayment clauses should certain default events occur.

15 Events occurring after the reporting period

No matters or circumstances have occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

16 Cash flow information

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	2019 $	2018 $
Profit for the year	**13,037,341**	9,984,825
Adjustments for		
Depreciation	**2,960,416**	2,232,385
Net loss on sale of non-current assets	**12,140**	75,215
Change in operating assets and liabilities:		
Increase in inventories	**(5,588,353)**	(1,407,968)
Increase in deferred tax assets	**(770,569)**	(419,181)
(Increase) decrease in other operating assets	**(220,773)**	18,713
Increase in trade and other payables	**721,986**	864,704
Increase in income taxes payable	**1,523,372**	604,157
Increase in other provisions	**749,954**	1,141,037
Net cash inflow (outflow) from operating activities	**12,425,514**	13,093,887

(b) Net debt reconciliation

Net debt	2019 $	2018 $
Borrowings - repayable within one year	-	(672,000)
Borrowings - repayable after one year	-	(272,000)
Net debt	-	(944,000)

	Liabilities from financing activities		
	Borrow. due within 1 year $	Borrow. due after 1 year $	Total $
Net debt as at 1 July 2017	(771,714)	-	(771,714)
Cash inflows	(780,142)	(272,000)	(1,052,142)
Cash outflows	879,856	-	879,856
Net debt as at 30 June 2018	(672,000)	(272,000)	(944,000)
Net debt as at 1 July 2018	**(672,000)**	**(272,000)**	**(944,000)**
Cash outflows	672,000	272,000	944,000
Net debt as at 30 June 2019	-	-	-

As stated in note 1(a) to the financial statements, in the directors' opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet management reporting requirements.

In the directors' opinion:

(a) the financial statements and notes set out on pages 3 to 19:

  (i) comply with Accounting Standards and other mandatory professional reporting requirements, and

  (ii) present fairly the entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and

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

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

Stephen M Harris
Director

Brisbane
16 October 2019

Independent auditor's report

To the members of Universal Store Pty Ltd

Our opinion

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of Universal Store Pty Ltd (the Company) as at 30 June 2019 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards to the extent described in Note 1 of the financial report.

What we have audited

The financial report comprises:

- the statement of financial position as at 30 June 2019
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the statement of profit or loss and other comprehensive income for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter - basis of accounting and restriction on distribution and use

We draw attention to Note 1 in the financial report, which describes the basis of accounting. The financial report has been prepared for internal purposes to assist Universal Store Pty Ltd and it's members. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for Universal Store Pty Ltd and its members and should not be distributed to or used by parties other than Universal Store Pty Ltd and its members. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the information included in the special purpose financial report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards to the extent described in Note 1 of the financial report, and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

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Andrew Weeden
Partner

Brisbane
16 October 2019